THE ROLE OF THE INSURANCE REGLATORY AUTHORITY OF UGANDA IN REGULATING THE INSURANCE INDUSTRY

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DECLARATION

I Mbonye Wiberforce hereby declare that this research paper is my original work based on personal research and reflections and any information from other sources has been dully acknowledged.

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APPROVAL

The undersigned certifies that he has read and hereby recommends for acceptance of this research paper titled ''the role of the insurance regulatory authority in regulating the insurance industry in Uganda'' in partial fulfillment of the requirements for the award of Bachelor of Laws at Kampala international university

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DEDICATION

I wish to dedicate this work to my dear father Mr. Mbonye Geofrey and thank him for the financial, mental and material support which has enabled me complete this course successfully.

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There are great numbers of individuals who have assisted me in one way or the other with relevant materials for this research work. These individual's have provided me with valuable assistance that improved the quality of this work. First and foremost I thank the almighty God because without him none of this accomplishment would have been possible. I also would like to use this opportunity to thank my family especially my father Mr Mbonye Geofrey and my brothers and sisters for having helped me complete this course successfully nothing would have been possible without them.

I extremely convey my special thanks to my supervisor counsel Serunjoji for the guidance help and knowledge he has passed to me over the years both as my supervisor and my lecturer.

LIST OF ABREVIATIONS AND ACRCRONYMS

DAP:	Deposit Administration Plan
EAC:	East African Community
GDP:	Gross Domestic Product
HMO:	Health Management Organisations
IAIS:	International Association of Insurance Supervisors
ICPs:	Insurance Core Principles
IFRS:	International Financial Reporting Standards
IAS:	International Accounting Standards
IBNR:	Incurred But Not Reported
LIFE INDIV:	Life Individual
MARINE/AV:	Marine/Aviation
MISC. ACCIDENT:	Miscellaneous Accident
MTPL:	Motor Third Party Liability Insurance
UAIB:	Uganda Association of Insurance Brokers
UIA:	Uganda Insurers Association
USHS:	Uganda Shillings
IIU:	Insurance Institute of Uganda

GLOSSARY OF INSURANCE TERMS

Cession rate: proportion of premium ceded (to reinsurers) to the total gross premium

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Claim: demand by the insured for an indemnity or benefit under the policy.

Loss/Claims ratio: claims (losses) incurred as a percentage of the premium earned.

Claims settling agent: person licensed under the Insurance Act to undertake the business of settling or negotiating settlement of insurance claims under policies issued by insurers whether within or outside Uganda

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Cover: insurance provided by the insurer for the insured or reinsurer for the reinsured.

Earned premium: portion of the gross premium relating to the period of insurance that has already run.

Expense ratio: proportion of the amount of expenses to the amount of premiums incurred in connection with a particular class of business

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Facultative reinsurance: reinsurance of an individual risk on terms and conditions agreed with the reinsurer specifically for that risk.

Foreign company: company registered or incorporated under the Companies Act in which the majority of shares and actual controlling interest are held by non citizens of Uganda.

Gross premium income: total premium before deducting outgoing reinsurance premium.
Incurred claims/losses: total of paid and outstanding claims arising in a given period.

Insurance: mechanism whereby the risk of financial loss is transferred from. an individual, company, organization or other entity to an insurance company.

Insurance Act: Insurance Act, (Cap 213) Laws of Uganda, 2000, as amended by the Insurance Amendment Act, 13, of 2012.

Insurance Density: premium amount per capita.

Insurance Penetration: gross premium as a percentage of the GDP.

Insured: party who has acquired the insurance and will be entitled to enforce a claim under the policy as a party to the contract.

Licence: license is issued under the Insurance Act and prescribed in the Insurance Regulations,2002.

Net premium income: gross premium income less reinsurance premiums.

Policy: document evidencing the contract between the insurer and the insured.

Policyholder: person in whose name the policy is issued.

Premium: consideration paid/payable by the insured in return for the insurance cover provided by the insurer.

Reinsurance: transfer of whole or part of a risk from one insurer to another, usually larger insurer known as a reinsurer.

Reinsurance premium: amount paid by an insurer in consideration of reinsurance.

Retention: proportion of the amount of the risk that an insurer retains on his own account.

Retention ratio: proportion of net premiums to gross premiums.

Risk manager: person who does the business with regard to minimising losses arising through unforeseen events and of minimising the cost of such losses by arranging physical or financial measures through insurance or any other means.

Third Party: anyone else who is involved in a loss event, which may or may not result in a claim. For example, in motor insurance a third party may be another vehicle owner, property owner, or persons such as passengers or pedestrians.

TABLE OF CONTENT

ABSTRACT

The study is focused on the role played by the insurance regulatory authority on regulation of the insurance industry in Uganda. The insurance regulatory authority has a number of employees and several of them were selected as representative samples. A number of insurance companies were also selected to help in my research. The study sought to find out the role of the insurance regulatory authority in regulation of the insurance industry in Uganda and whether it has carried out its mandate according to the law and required standard. Descriptive research survey was used. The research design employed was purposive random sampling to select members of the insurance regulatory authority of Uganda and a few insurance companies. The findings revealed that the role of the insurance regulatory authority of Uganda had played a significant role in regulation of the insurance industry of Uganda. The study revealed that there was more need to educate consumers on their role and to increase on its mandate so that the insurance companies do not over exploit the consumers to their own advantage.

CHAPTER ONE
INTRODUCTION OF THE STUDY

1.0 Background to the problem

The history of insurance traces the development of the modern business of insurance against risks especially regarding cargo property death automobile accidents and medical treatment.

The insurance industry helps to eliminate risks, or reduces the amount of risks from individuals to the general community and provides an important source of long term finance for both public and private sectors.

In Ancient Era which dates back to early human society people initially sold goods in their own villages or gathering places. However with the passage of time they turned to nearby villages to sell. Two types of economies existed in human societies natural or non monetary economies (using barter and trade with no centralized or standardized set of financial instruments and so on).

Insurance in the former case entails agreements of mutual aid. If one family's house gets destroyed the neighbors are committed to rebuilding it. Public granaries embodied another early form of insurance to indemnify families. These types of insurance have survived to the present day in countries or areas where a modern money economy with its financial instruments is not wide spread.

The first methods of transferring risk or distributing risk in a monetary economy were practiced by Chinese and Babylonian traders in the 3rd and 2nd millennia BC respectively. These Chinese merchants travelling tacherous river rapids would redistribute their were across many vessels to limit the loss due to any single vessel capsizing.

The Babylonian developed a system that was recorded in the famous code of Hammurabi in 1750BC and practiced by early Mediterranean sailing merchants. If a merchant received a loan to fund his shipment he would pay the lender an additional sum in exchange for the lenders guarantee to cancel the loan should the shipment be stolen or lost at sea.

England in the mid 18th century merchants and ship-owners very largely insured their own ventures themselves but the need for discounting facilities arose after 1750 with the growing volume of bills drawn against west India merchants. Thus some of the more important Liverpool merchants began to exercise the functions of banking.

ACHAEMENIAN monarchs in ancient Persia were presented with annual gifts from various ethnic groups under their control. This would function as early form of political insurance and officially bound the Persian monarch to protect the group from harm.

The ancient Athenian maritime loan was advanced for voyages with repayment being cancelled if the ship was lost. In the 4th century rates for the loans differed according to safe or dangerous times of the year, implying an intuitive pricing of risk with an effect similar to insurance.

The Greeks and the Romans introduced the origins of health and life insurance in 600 BC when they created guilds called benevolent societies which cared for the families of the deceased members as well as paying for funeral expenses of the members.

In the medieval era sea loans were common before the traditional marine insurance in which the investor lent his money to a travelling merchant and the merchant would be liable to pay back if the ship returned safely. In this way credit and sea insurance were provided at the same time.

Insurance became more sophisticated in enlightment era in Europe and specialized varieties developed. Some forms of insurance developed in London in the early decades of the 17th century.

Ugandan perspective

Modern insurance was introduced in Uganda during the colonial era. The first locally owned insurance company was called THE EAST AFRICA GENERAL INSURANCE COMPANY [EAGEN] and was incorporated in 1946 followed by the National Insurance Corporation [NIC] IN 1964.

Prior to that only agencies and branch offices of foreign insurance companies mainly the United Kingdom, India and America d about 95 were in operation by independence by 1962.

Today there are 22 licensed insurance companies; 28 insurance brokers and over 800 agents.

The insurance regulatory authority established in 1996 to ensure the effective administration supervision regulation and control of the business of insurance in Uganda has raised confidence in the industry.

To further boost this confidence a number of insurance and brokerage companies have invested heavily in public awareness. The Insurance Regulatory Authority has majorly embarked on this campaign. The insurance regulatory authority has also a complaints bureau, a toll free line and online complaints facilities

The fundamental reason for government regulation of insurance is to protect Ugandan consumers. State systems are accessible and accountable le to the public and sensitive to local social and economic conditions. State regulation has proven that it effectively protects consumers and ensures that promises made by insurers are kept to the consumers. Insurance regulation is structured around key functions including company licensing producer licensing product regulation market conduct financial regulation and consumer services.

THE Insurance Regulatory authority of Uganda was established under section 14 of the insurance statute of 1996 now the insurance act cap 213 laws of Uganda 2000 which came into effect on 4th April 1996 and commenced operations in April 1997.

The establishment of the insurance regulatory authority if Ugandan was a consequence of Governments adoption of the liberalization and privatization policies which ended its role of directly engaging in the provision of goods and services and taking on the role of supervisor or regulator

The mission of the insurance regulatory authority of Uganda is to create an enabling regulatory environment for sustainable growth of the insurance industry while upholding the best practices.

Its mission is to secure a model regulator of a developed and secure insurance industry.

The main objective of the authority is to ensure effective administration supervision regulation and control of the business of insurance in Uganda.

Its core values are to uphold professionalism integrity accountability transparency and teamwork.

And the establishment of the insurance regulatory authority was a result of the governments adoption of the liberalization policies which ended its role of directly engaging in the provision of goods and services and taking on the role of supervisor or regulator and its parent agency is the ministry of finance planning and economic development.

Its current offices are located in the legacy toers complex at 5 Kyaddondo road on Nakasero Hill in the Kampala central division. However in March 2018 construction began on insurance towers a 13 floor skyscraper to house the headquarters of the insurance regulatory authority.

In July 2014 the insurance regulatory authority directed every insurer in the country to form separate companies dealing in life insurance and general business. The objective was to prevent a downturn in one type of business from spreading risk across the entire industry also foreign insurance companies were instructed to have no more than two Ugandans in their top management with one of the top being Ugandan. The same regulation also required at least half the members of the board of directors of each insurance company to reside inside Uganda. These measures were aimed at encouraging the development of local talent and capacity building within the industry. businesses were given until 1st January to comply.

Insurance companies under supervision include Insurance Company Of East Africa, Lion Insurance Company, Jubilee Insurance Company, AIG Uganda Limited Statewide Insurance Company Limited Transafrica Assurance Company Limited among others.

1.1 Statement of the Problem

The insurance regulatory authority is mandated to ensure effective administration supervision regulation and control of the business of insurance in Uganda. The authority has remained more focused on risk based supervision [RBS]. RBS has enabled the authority to identify and access risks that face each insurance company, the company's management of those risks and the company's vulnerability to potential adverse experience. The authority with support from its partners such as World Bank and the IMF East AFRITAC are developing the requisite tools and capacity to make the transition a seamless one.

Claims payment lies at the heart of every progressive insurance industry. For example in the year 2017 the gross claims paid to both life and non life insurance increased by 11.71% from 261 billion in 2016 to ugsh 291 billion in 2017.so the authority has made sure that the claimants are indemnified for the losses insured against.

The authority has adopted a multifaceted approach going beyond legal and regulatory innervations awareness creation and timely complaints resolution all aimed at building this much needed trust in strengthening the legal and regulatory framework

Strengthening the market supervision and enforcement framework

Facilitating and promoting market development

Strengthening and institutional resilience for effective service delivery

More so to effectively deliver the objectives above the IRA created new departments and levels to enhance productivity and as well empower its young and dynamic young force.

1.2 General Objective of the study

The general objective of the study was to find out how the insurance regulatory authority of Uganda has carried out its mandate of regulating the insurance industry in Uganda

1.3 Significance of Study

The insurance industry is among the financial institutions and intermediaries that facilitate and promotes the development of the economy of any country. Demirguc-Kunt and Maksimovic (1998) and Rajan and Zingales (1995) argued that availability of financial services helps to foster economic development by widening access to financial services, and countries with better developed financial markets and institutions effectively channel society's savings to its most productive use and tend to experience faster economic growth compared to those with less developed financial systems.

Ugandan government is attracting investors to invest in different areas of the economy, promoting industrial growth and developments and has the task of promoting the financial institution for which insurance is a key player. Following this the study would to contribute to the existing body of knowledge concerning the role of the insurance Regulatory Authority of Uganda and its impact on the development of insurance industry in Uganda.

The study further will to help to create awareness and understanding to the concept of regulation and its impact on insurance industry to the general public and insurers in terms of promoting growth, performance ensuring adequate capitalization and customer protection in the sector. The study offers an input to policy makers for both the government and private organization on issues related to existing policy, laws, regulatory frame works on insurance regulation supervision and performance on the industrial developments. The findings will also to help the Ugandan Insurance Regulatory Authority in designing strategies and codes of good practices which will improve the performance of insurance companies.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

The chapter presents the overview and definitions of key terms on insurance, theoretical frame work of insurance business, empirical literature review, knowledge gap, conceptual framework, lastly conclusion. The study examined literature on insurance regulatory bodies and other concepts that provide a general understanding on the analysis of the role of Insurance Regulatory Authority in influencing the development of insurance industry in developed and developing countries of the world with Uganda as the case study.

2.2 Definition of Terms

2.2.1 Insurance

According to Mehr,[1] "Insurance may be defined as a social device for reducing risk by combining a sufficient number of exposure units to make the loss predictable. Pfeffer,[2] defined insurance as a device for the reduction of the uncertainty of one party called the insured through the transfer of particular risks to another party called the insurer who offers a restoration of economic losses suffered by the insured. This study defines the term as insurance as a contract whereby one undertakes to indemnify another or to pay or provide a specified and determinable amount or benefit upon determinable contingencies.

2.2.2 Insurance Industry

Is an industry comprised of insurance service providers namely insurance companies, insurance Agents, insurance brokers, Loss adjusters, Loss Assessors, loss inspector & surveyors, customers, and the regulatory authority, all participating in the sector. It is used to describe the entire insurance market arena where insurance providers and buyers come together. Our discussion of the study will restrict insurance to general insurance companies in Uganda.

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[1] (2002)
[2] (1972)

2.2.3 Insurance Regulation

Insurance regulation refers to set of rules or agreed behavior either imposed by government or Regulatory authorities or other external agency or self-imposed by agreement within the insurance industry that direct and limits the activities and business operations of Insurance players in the industry to ensure that they carry out their activities in a safe and sound manner and in the accordance of the law.

Effective Regulation and supervision of insurance companies leads to healthy and performing industry.[3] Dimitri Vitas also believes that good regulation and supervision minimizes the chances of and impact of financial institutions insolvencies, inefficiencies and promotes developments.[4]

2.2.4 Insurance Regulatory Authorities

These are autonomous statutory body which regulates and develops the insurance industry in many countries of the world.[5]

2.2.5 Insurance Policy

The insurance policy like all contracts is viewed as an arrangement that creates rights and duties for those who are a part to it (Dorfman, 1983). Dorfman went further to say:

> *"for instance, the insurance contract creates the right of the insured to collect from the insurer when a covered loss takes place. There is a corresponding duty on the part of insurer to pay for such losses."*

We define an insurance policy therefore an evidence of the contract entered between the insured and the insurer, and any differences or disputes are interpreted according to what is contained in the policy document. It shows that is covered under the insurance contract and what is excluded.

2.2.6 Insurance Premium

Is a consideration, price paid by the customer to the insurance company in order to assume the risk and the liability protection. Further an insurance premium is the amount of money charged

[3] Studies by Bench (1993) support and agree.
[4] (1990)
[5] In the case of Ugandan Insurance Authority.

by a company for active coverage. The sum a person pays is determined by several factors, sum insured incase of property, including age, health, and the area a person lives incase of life insurance. People pay these rates annually or in smaller payments over the course of the year, and the amount can change over time. When insurance premiums are not paid, the policy is typically considered void and companies will not honor claims against it.

2.2.7 Insurance Supervision

Is the process of monitoring insurance service providers to ensure that they are carrying out their activities in accordance with laws, rules and regulations, and safe and sound manner. Insurance supervision activities employed by supervisory authorities include the following issue the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel such registration and protect the interests of the policy holders. Further, it regulates investment of funds by insurance companies, regulating maintenance of margin of solvency, adjudication of disputes between insurers and intermediaries policyholders

2.2.8 Stable Insurance Industry

A stable insurance Industry means that Insurance service providers have the ability and capacity, financial and technical knowledge to conduct insurance services in a professional manner to meet obligations, and are making adequate profits from authorized insurance business to justify their investment while at the same time keeping failures at a minimum within the country.

2.2.9 Insurance Company

Insurance Company is company registered and licensed to transact insurance business and dealing and underwriting Insurance business. It can either be General Insurance Business, Health Insurance Company or Life Insurance Company. But for the purpose of this study insurance company will refer to the General insurance company service provider.

A general insurance company will offer insurance policies such as motor vehicle insurance, Fire Insurance on properties, Theft and Burglary on properties, marine insurance, group personal accident, money insurance, aviation and many other miscellaneous insurance covers.

2.2.10 Insurance Industry Development

Development of insurance industry refers to the general improvement in the services offered in by insurance companies, growth of the sector, better performance and stability of the sector and the solvency of the insurance companies and or the positive change of affairs in the industry. The Change should be for the better of the industry and the insuring public and policy holders.[6]

2.2.11 Undercapitalization

Capital refers to the minimum requirement of paid up share capital for an insurance company to be registered and allowed to transact insurance business. Under capitalization therefore refers to the inadequacy of the said paid up capital. In insurance it is a consideration which is traditionally used when justifying registration and licensing regulation. The capital resources work as a buffer against the possible adverse development liabilities and in the unexpected expense overruns. Thus it provides information on the financial standing of the company and alerts supervisors to take any necessary action to protect policy holders. The Insurance Regulatory Authority of Uganda ensures licensed companies meet the capital requirements. Minimum adequate capital is pre-requisite for licensing and may de-registered entities that do not meet the minimum requirements. It is used to determine companies that will be permitted to enter into the insurance business and continue to operate.

2.2.12 Solvency Margin

It refers to the level of Technical provisions for actuarial liabilities measurement. Excess of admitted asset against liabilities. (Total Admitted Asset less admitted Liabilities. IRA enforces Technical provisions for actuarial liabilities to mitigate insolvency. Technical provisions should be set at a prudent level which are monitored by IRA to guarantee well being and performance of the company including its financial stability. Lower solvency margin means lower capacity to give clients good service and service affecting both growth performance and solvency of the company. Insolvency refers to the inability of the company to meet it contractual obligations and in a state of bankruptcy or closure. Claim Reserves ratio- IRA monitors and supervises claim reserves reports. This ensures there are adequate reserves to pay claims when due and protects

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[6] Beers & Swanepoel (2000)

the customers from undue delay, and also promoting the good performance of the insurance companies.

2.3 Theoretical Literature Review

2.3.1 Market Correction and Distortion Theory

Market correction is meant to correct some inequalities in the market. The regulatory authority uses tools such barriers to entry, restricts insurers' risk and investment portfolios, and limits the products and terms they can offer. Legal restrictions on investments and other transactions, and price controls. Barrier to entry through regulation ensures the correct number to support the market development is ensured and there is no overcrowding which could result to unhealthy competition in the sector. However criticism against this move could also restrict competition which denies the consumers additional alternative which lead to lower prices and quality product from alternative sources.

Further, this move could deny companies to invest in more lucrative and profitable ventures that could guarantee them more returns to meet their claims and obligation.

Price regulation is advocated for it ensure fair price for the insurer and customer in promoting equity and avoid over exploitation. Policy terms and product restriction and approvals by the authority ensure right products are offered in the market and protect the interest of the policy holders. However criticism on restrictions on policy forms centers on limiting consumers' options and ability to purchase contracts that might better fit their needs and preferences. Hence the theory also falls short and inadequate as the reason for regulation of insurance industry and promoting their development. Despite having the shortcomings regulation was best suited to remedy certain market failures like high prices caused by other external forces, such as escalating claims costs. The purpose of regulation should be to correct market failures, and minimize their negative effects, and improve allocate efficiency.[7]

[7] Spulber,(1988)

2.3.2 Market Efficiency Theory

This theory centre on factors that promote and enhance the efficiency of the market such as the flow of information into the market and the adjustments of prices and or products as the information are received in the market. When there are few companies in the market operating as cartels or monopolists, consumers don't enjoy the benefits of fair price brought in by competition. The Regulator may relax new entry, licensing rules to allow more companies to enter the market thus promoting efficiency. Regulation has the potential to both increase and decrease consumer and producer surplus. When regulation corrects significant market failures, it potentially increases social welfare. For example, if regulation reduces insolvency costs and increases consumer confidence, and these "benefits" exceed other costs imposed by such regulation, then there should be a net addition to social welfare. On the other hand, when regulation restricts consumer choice and distorts market decisions and there is no commensurate benefit to consumers, then social welfare is reduced. A common goal of most of the regulatory efforts has been the strengthening of competition within the industry and as well as the lowering of prices and the improvement of product offerings (Mahlberg and Url,).[8]

Principal-Agent Conflicts Theory

The theory sought to find out the fair relationship between the principle and the agent. Principal-agent conflicts arise from their differing incentives and the principal's problem in monitoring and controlling the behavior of his agent. The principal–agent problem or agency dilemma concerns the difficulties in motivating the agents to act in the best interests of the principal. The problem arises when the two parties have different interests and asymmetric information's, such that the principal cannot directly ensure that the agent is always acting in his (the principal's) best interests. Some activities can be useful to the principal but costly to the agent and in such cases incidences of moral hazards may arise. Indeed, the principal may be sufficiently concerned at the possibility of being exploited by the agent that he chooses not to enter into a transaction at all.[9]

[8] (2003, for the EU single market program).

[9] Customer-Policy holder is the principal and insurer viewed as the Agent.

The deviation from the principal's interest by the agent is called agency cost. Various mechanisms may be used to align the interests of the agent with those of the principal. In employment, employers (principal) and the employee- (agent) may use piece rates/commissions, profit sharing, efficiency wages, performance measurement including the threat of termination of employment. However the theory face some challenges in the sense that it looks on one side of the agent when there is no equal plays in the ground between the agent and the principal. The more power has been given to the principal and less to the agent while both have the same contribution for the growth of the firm for without the agent no development and the principal cannot do all the work alone .In the context of insurance and to minimize this problem, the Regulatory authority comes in to regulate the insurance company so that insurers do not misuse the customers-policy holders funds entrusted to them.

2.3.4 The Insolvency Danger Theory

Insolvency refers to the inability of the company to meet it contractual obligation on the insurance policies and contracts they have issued and entered into posing a great danger and threat to the insuring public and the industry as a whole. The insolvency danger theory, is therefore aimed on supervision on insurance companies in order to avoiding specific insolvency dangers which threaten the public and the individual as a result of insurance company collapsing and destabilizing the industry. According to Mayerson, the solvency monitoring seriously decreases the likelihood of insolvency and preserves the ability of monitoring agencies to provide early warning of problems.[10]

2.3.5 The Protection Theory

The protection theory attempts to deal with the arguments that assumes supervision law is a part of industrial and industrial policing law that is meant to protect the companies from assuming risks that can destroy them leading to their collapse and at the same time protecting the interest of customers and the public at large as a function of supervision and directing the industry.

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[10] (1969).

2.4 General Discussion

2.4.1 Global Picture

There is sparse literature review in the field of insurance industry regulation and development in most of the developing countries due to the historical background of the discipline in most African states including Uganda. In Africa, insurance business industry was inherited from former colonial masters and the transition to political independence took the form.[11] The statement justifies that in developed countries have more and rich literature in insurance business regulation and developments compared to developing countries including Uganda.

2.4.2 Insurance Regulatory Authorities

Insurance Regulatory authorities are autonomous statutory body which regulates and develops the insurance industry in many countries of the world. Insurance industry growth and performance is ensured through regulation and supervision. There are also economic, political, ideological and bureaucratic forces that drive insurance regulatory policies as per.[12] The economic rationale for insurance regulation is based primarily on the market failures that are caused by imperfect information and principal agent problems associated with the fiduciary aspect of insurance contracts. In theory, the regulatory task is to limit insurers' insolvency risk and ensure "fair" market practices. Regulation influences the supply of insurance by controlling insurers' entry and exit, capitalization, investments, diversification of risk, prices, products, underwriting selection, and trade practices (Klein, 1998). When more insurance companies are registered and granted trading licenses, this increases the number of companies, competition and innovation is evident promoting their growth and developments.

Government regulate and promotes development of insurance through licensing, special insurance funds schemes, insolvency guaranty funds, and these devices have significant effects on insurance markets development and risk management developments.[13] Compulsory deposit schemes that are enforced by Regulators ensures that the company is protected from financial

[11] E-Hassan (1981) Contention

[12] Meier and Klein, (1988, 1995).

[13] (Klein,1998).

difficulties, ensure their stability and good performance in their operations. Regulators also approve prices and products to ensure they are "affordable" to the customers.

In 1989, the price must be reasonable to guarantee insurers profitability and stability.[14] Through this measure the Regulator Authorities encourages fair play among competing insurers and ensures the growth and development. Several empirical studies suggest a strong correlation between regulation and development of insurance as financial service. According to Patrick admitting an insurer through regulator licensing increases the supply side of the development of the insurance industry.[15] There is also demand lead relationship where the demand of an insurance product, or service which has to be approved by Regulator also induces the development in the industry.

2.4.3 Solvency Risk Protection

Solvency risk protection should not have the aim of completely preventing insolvencies, as institutional default is the ultimate penalty of the market for inefficient firms not fit for survival, and it must remain so. Keeping such firms alive artificially can prove very costly in the long run and may not be feasible except at exorbitant expense. Thus, solvency protection measures should be more aimed at providing incentives for firms to follow sound policies in their own interest and to internalize the external cost of default.

Instruments of solvency regulation can include a variety of measures, such as: product and price regulation, portfolio investment restrictions, mandatory (re)insurance, emergency insurance funds (company specific or industry-wide), capital and reserve regulation market entry control, general supervision and inspection. However, the exclusion or the mandatory inclusion of particular forms of assets, for instance, reduces available diversification possibilities and may even have the effect of increasing insolvency risk, rather than lowering it (Eisen, Müller and Zweifel.[16]

[14] Spulber Studies.
[15] (1966).
[16] (1992).

2.4.4 Product Regulation

Product regulation refers to establishing regulatory rules governing the admissibility or non-admissibility of specific contracts, including material product specification and price. Regulations of this type have played an important role in the past, in Europe as well as the USA. Such regulations can be highly restrictive, stifle product development and innovation and reduce competitive pressures in the market. In effect, they amount to a cartel-type market arrangement and can impose high costs on the market and consumers. Similarly, specific portfolio investment restrictions can have adverse effects. Numerous national legislators have abandoned the individual insurance product as the object of regulation. Instead, the focus of regulation has shifted to ensuring institutional solvency in general, that is to ensure that insurance companies are able to honour their payment obligations in a continuous way with a high probability, the most important instrument being that of a generalized capital and reserve regulation, possibly supplemented by additional supervisory rules, such as investment restrictions and provisions of regular inspection by supervisory authorities. In Europe, this trend is reflected in the EU's Solvency II initiative.

2.4.5 Stability of the Financial Sector

An insurer can also adversely affect the stability of the financial system through the way in which it carries on its business activities that create the possibility of future stress. Insurers that offer savings products such as life insurance, with some element of guarantee, might be exposed to 'run risk' if policyholders are able to access their savings on more favourable terms than the insurer is able to liquidate the assets in which they have been invested. Similarly, the investment strategy of general or life insurance companies might have consequences for the rest of the system if the scale of their assets means that investment decisions accentuate movements in asset prices. In liquidation of the assets it might be difficult to get buyers affecting cashflow of the insurers. Insurer may also have the potential to affect financial stability by encouraging the unsustainable expansion of credit through the provision of generous financial guarantee products, for example mortgage indemnity insurance or structured credit enhancement or an insurer may undertake non-traditional activities that are not authorised by the regulator which bring risk to the system. Hence Regulation is very necessary. (Bench, 1993) supports and agrees that effective supervision of insurance companies leads to healthy and performing industry

2.4.6 The Protection of Policy Holder

Protection of the policy holder is generally the most basic reason for Insurance regulation and supervision. This objective is hinged on the fact that policy holders have difficulty protecting their interests when compared to other financial creditors and investors. On his part, he stated the objectives of supervision as: promotion and development of sound and wide range of insurance products, and pricings that are realistic to and affordable to customers as this ensure growth and good performance and ensuring efficiency, security and solvency.[17] Regulation encourages responsiveness to the needs and complaints of customers ensuring compliance with laid-down rules and regulations ensuring high standards, and to achieve important developmental and social goals through their compliance with good practice and policies.

The goals of regulation as: The protection of customers' interests, insurance industry from the failures of the insurance system and from the monopolistic power of companies.[18] Hence, regulation is necessary to break this monopolistic power and prevent abuse supports and agrees that effective supervision of insurance companies leads to healthy and performing industry.[19] Dimitri Vitas also believes that good regulation and supervision minimizes the chances of and impact of financial institutions insolvencies, inefficiencies and promotes developments.[20]

2.4.7 India Insurance Regulatory and Development Authority (IRDA)

(IRDA) Regulates and develops the insurance industry in India. According to Bharadi, the agency Promote and ensure orderly growth of the insurance business and re-insurance business.[21]

[17] Sheng (1990)
[18] Works by Sinkey J. R. (1989).
[19] Bench (1993).
[20] (1990).
[21] Bharadi studies on International Journal in Multidisciplinary and Academic Research (SSIJMAR), Vol. 1, No. 4, November-December (ISSN 2278 V 5973).

IRDA issue the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel such registration and Protect the interests of the policy holders in matters concerning assigning of policy, nomination by policy holders, insurable interest, settlement of insurance claim, surrender value of policy and other terms and conditions of contracts of insurance. Further, it regulates investment of funds by insurance companies, regulating maintenance of margin of solvency, adjudication of disputes between insurers and intermediaries or insurance intermediaries IRDA protect the interest of policyholders by ensuring fair treatment by the insurance companies.

2.4.8 Insurance Regulation in United States of America (USA)

In USA the role of the National Association of Insurance Commissioners (NAIC) helps to coordinate state insurance regulatory activities and provides support services to the development of the insurance sector. The State regulators in the U.S. utilize their control of insurers' entry into their markets and authorization to conduct business as their principal tool to coerce insurers to comply with regulations. State 23 statutes require insurers to meet certain minimum capital and surplus standards and financial reporting requirements and authorize regulators to examine insurers and take other actions to protect policyholders' interests. The states have established fixed minimum capital requirements, as well as risk-based capital requirements (based on a common formula developed by the NAIC). If an insurer fails to comply with a state's regulations, regulators can deny or revoke the insurer's license to do business. In the United States, each of the states may regulate the solvency of insurers 'doing business' in that state. The regulation extends further to regulating the insurance products policies issued. The Regulator imposes greater responsibility for disclosures encourages to monitor solvencies and hence mitigating the risks of companies insolvencies and collapse, and this resembles, in certain respects, that applying in the European Community as per Hogan.[22] Sharon Tennyson & Mary A. Weiss in their studies, also indicate that in many specific goals of rate regulation include reducing price variation across purchasers and reducing price levels for high-risk purchasers.[23]

[22] (1995).

[23] A Paper prepared for the Searle Center Research Symposium on Insurance Markets and Regulation, April 14th15th 2008 at Cornell University Mary A. Weiss, Temple University.

2.4.9 Insurance Regulation in Kenya

The insurance Act establishes Insurance Regulatory Author (IRA) which deals with Authorization of all persons transacting insurance business in Kenya, Minimum capital requirements for insurance companies and brokers as well as local participation. Supervision entails the enforcement of rules and standards guiding the conduct of insurance business in Kenya. This is done mainly through surveillance and compliance sections of the Technical Division. Approach to insurance supervision is normally through off-site and on-site inspections. IRA undertakes due diligence of the companies through on-site inspections and surveillance by visiting company offices. The purpose is to ensure that the decisions taken by insurance/re-insurance companies and intermediaries do not pose risks to statutory objectives.

According to a paper presented on the role of the regulatory authority in life insurance and pension business, during his address to the 15th African Insurance Organization conference held in Harare,[24] the main areas that comprise the regulatory tools are:- Entry restrictions through licensing, Disclosure of information Conduct of business, Product development, Governance and fiduciary responsibilities, Solvency and capital requirements Liquidity requirements, and Accountability requirements.[25] From these requirements, it can be seen that the insurance regulatory authority monitors, regulates and supervises the insurance industry in Kenya to ensure, sound practice, good performance compliance.

Despite the measures several insurance companies have collapsed and amongst them are, United Insurance company, Lake star insurance company, Stallion Insurance Company, BlueShield insurance, National Assurance Company to mention but a few. In view of this it is evident that regulatory measures are not enough neither absolute to prevent and guarantee the solvency of insurance companies alone. Other factors and measures needs to be put in place to safeguard collapses and insolvencies.

2.4.10 Insurance Regulatory Authority and Insurance Development in China

China insurance industry has been robust and growing in the last decade. In 1980 China contributed to the total insurance premium of $ 52.171 BILLION which was 1.61 % of the world market. In 1988, a new insurance regulatory authority was created called the China Regulatory

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[24] (1988).

[25] Mr. Sammy M. Makove (Commissioner of Insurance, Kenya)

commission. In 2002 the insurance law was amended which opened up the industry to the outside world and competition. Insurance regulation and supervision of insurance companies are necessary condition for their growth and development. This proposition has been supported by several later scholars including Goldsmith (1969). Empirical evidence also suggests that there is a positive correlation between growth of premium output, investment, insurance assets and due to well regulated sector. The opposite is also possible if the insurance sector and financial sector unregulated and inefficient. It is in recognition of this that John B. Heimann, founding Chairman of Financial Stability Institute (FSI),[26] asserted that:

> "the prosperity and strength of any financial institution relies heavily upon the proper and prudent functioning of the country's regulatory system of financial and insurance sector.

2.4.11 Regulatory and Supervisory Activities in Tanzania

Saqware,[27] pointed that Tanzania adopted a socialist development strategy through the *Arusha Declaration (1967);* this strategy treated the state as a key agency of direct economic planning and management, and allocates resources according to priorities established by the state rather than through mechanisms provided by the market. Hence, it allowed the state to control all economic sectors. As a result of the state controlled nature of the economy, Tanzania's economy was characterized by extensive administrative controls and suffered from severe internal and external imbalances, and the economy experienced negative growth of GDP as production and exports declined and capacity utilization fell.[28]

The critical economic circumstances in the 1980s gave rise to the adoption of structural adjustment programs supported by the World Bank and the International Monetary Fund (IMF). Hence, in close cooperation with the World Bank and the International Monetary Fund, a three year Economic Recovery Program (ERP) was launched. The ERP was followed by a sister program, the Economic and Social Action Program (ESAP) launched in 1989. The World Bank and the IMF were instrumental in the preparation and actual financing of this program. The ESAP carried over all the policies introduced under the ERP with the following objectives, to improve the quality and quantity of social services, the restructuring of the publicly owned banks

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[26] (June, 2001)

[27] (2012)

[28] Reinhart and Tokatlidis (2003) & Maxwell (2007).

and insurance institutions and establishment of new financial institutions. To improve the access to financial services, the financial reforms governed by the Banking and Financial Institutions Act (BAFIA) of 2006 were introduced. This Act regulates financial institutions in Tanzania and emphasizes private participation, with the main purpose being to increase savings-, and improve the allocation and operational efficiency of the financial system which was characterized by state-owned financial institutions. Since then, the financial sector in Tanzania had been transformed, with the banking and insurance industry leading this dynamism through an expanded branch network, scope of operations and number of institutions.

Insurance regulation and supervision is an integral part of the mechanism for ensuring safe and sound Insurance practice by IRA and is governed by insurance Act of 2009. The Authority carries out the activities of supervision through on-site examination of the institutions and off-site analysis of periodically rendered prudential returns. The activities are reinforcing and are designed to timely identify and diagnose emerging problems in individual Companies with a view to prescribing the most efficient resolution options. In line with prevailing international standards, (IRA has continued to emphasize prudent focused Insurance supervision in Tanzania. The Authority has invested in broad and ample knowledge and experience ranging from actuarial science to contract law drawn from wide experience to be able to have the resources available to analyze, and evaluate the performance of companies. The authority has established a reliable and stable source of funding to safeguard its independence and effectiveness through the services they offer to enhance their independent functioning.

The IRA has developed and assumed sufficient resources to co-operate and exchange information with other authorities both at home and abroad thereby supporting consolidated supervision. The supervisory authority has establish good cooperation and co-ordination schemes with other related government bodies Such as insurance institutions, Ugandan Revenue Authority so that the given tasks are properly carried out. By year 2012, the numbers of operationally insurance service provider companies were 27 Insurance Companies, 100 Insurance brokers and Agents, 30 Loss Surveyors, and One Reinsurer. The Insurance Industry is contributing to the gross domestic substantially. This signifies a remarkable growth in the number of players in the industry which makes the supervision and streamlining of the industry necessary to avoid their inability to respond to the customer's needs and demand and maintain their stability in the Insurance industry and the economy as a whole.

Development of insurance industry refers to the general improvement in the services offered in by insurance companies, growth of the sector, better performance and stability of the sector and the solvency of the insurance companies and or the positive change of affairs in the industry; the Change should be for the better of the industry and the insuring public as stated by.[29] TIRA should therefore concern itself with measures and functions that aim at promoting the growth of the industry through vetting registration, supervisory and regulatory function and ensure fare pricing of the products through price controls and approvals, products approvals, on site and offsite inspections of insurance companies, monitoring of capital adequacy and performances. Poor regulatory measures would lead to insurance companies' undercapitalization, poor performances, insolvency problems that would undermine the insurance sector in the country. The Insurance Act[30] confers upon the Commissioner of insurance, who is the Chief executive of IRA, powers to ensure compliance with its provisions by all registered insurers and insurance intermediaries, and require that business be conducted on the basis of sound insurance principles

2.5 Empirical Studies

Roger investigated the impact of supervisory functions of Insurance by Social Service Board of Argentina on the Insurance companies in Argentina.[31] The author used time series data covering the period extending from 2000 to 2010. The data was drawn from 324 insurance firms across the country. Granger causality tests were used to test the causal effect of the selected supervisory proxies on performance variables. Findings from the study suggest that supervisory functions of the board exerted a significant impact on the performance of the insurance industry in Argentina. Cummins and Danzon,[32] developed a model of price and control determination in insurance markets where they found out that, Price may increase or decrease following a loss shock that depletes the insurer's capital, depending on factors such as the effect of the shock on the price elasticity of demand as per.[33] Empirical tests using firm-level data support the hypothesis that the price of insurance is inversely related to insurer default risk and insolvencies.

[29] Beers & Swanepoel, (2000)
[30] 2009.
[31] (2011).
[32] (1997).
[33] A study on price control and its impact on the insurance market in USA.

According to Nwokoro and Ndikom, Premiums accruing to the Marine Departments of insurance companies were collected, analyzed and it was confirmed that marine insurance had significant impact and contribution on the level of the insurance volume income of insurance market in Nigeria.[34] The study findings revealed that there is a positive and significant relationship between marine insurance regulation practice and the income levels of premium on insurance companies books in Nigeria; hence, the need for Government support and control to develop the business to the level of invisible source of income to the nation.

Thorsten and Ian (2001) conducted a study to analyze the determinants growth of life insurance products consumption in a cross-country sample of 63 countries over the period 1980-96 and in a panel of 23 countries over the period 1960- 96. The study used three different indicators.[35] The study findings revealed that the life insurance companies had significantly increased over the last decade as provider of important financial services to consumers and as a major investor in the capital market. However, the study observed that there is still a large variance in life insurance consumption across countries, which raises the question of its determinants. It also revealed that educational attainment, banking sector development, and inflation are the most robust predictors of life insurance consumption, while income is only a weak predictor. In relation to our study, it is suggested that supervisory bodies are important in approving products and their pricings in ensuring that insurance practices promote price stability, development of sector and an efficient system that enhance the development of insurance and its products increasing their revenues.

Ghai conducted a study to examine the Government control and industrial growth experiences of Sudan and Tanzania in attempting to control their respective insurance industries to serve their development.[36] The findings revealed that the socio-political chemistry in each country has produced a certain policy towards the insurance institution. The Sudan opted to control its industry through a regulation code; Tanzania in early stages adopted nationalization as an ultimate form of control. The study tried to examine the respective roles of the two regulation models in the insurance development process, and the findings and arguments are that direct model of insurance control such as in Tanzania is more appropriate to the needs of

[34] Nwokoro and Ndikom (2011) The contribution of marine insurance premium income to the development of Nigerian insurance market in the period 1984 to 2006.
[35] *Life Insurance Penetration, Life Insurance Density,* and *Life income-revenue to insurance companies.*
[36] (1986).

underdeveloped countries than a regulatory model of the Sudanese type. This conclusion derives from the need to avoid the problems which afflict the regulatory model such as the technical difficulties which involves the weakness of the regulation agency vis-a-vis the industry, the difficulty of monitoring solvency, and of enforcing investment regulations. In theory, the state is also more capable of protecting the public which seeks insurance cover from its own institution than when cover is purchased from private insurers. Most information relates to the period 1970-1977, and the study is largely based on fieldwork research in the Sudan and Tanzania and on secondary resources.

Lee conducted a study on the relationship between the development of the life insurance and market (using penetration and density measures) and factors such as price, product, and regional conditions. Generalized Method of Moments (GMM), for dynamic models of panel data for 60 countries from 1976-2005.[37] The conditional variables consist of prices, products, and regional conditions. What we find is an interesting piece of evidence that the development of the life insurance market is influenced by pricing, product demand, and regional conditions such as urban areas and where wealthy class of people lives and has a positive effect on insurance premium income and revenue as factors which promote its growth.

Seth argues that economic theory has often understood efforts by government to monitor and regulate the solvency of insurers as a solution as a collective action problem in the industry.[38] Views are supported by winter in his studies regarding financial institutions and intermediaries regulation and control on their operations.[39]

Hansmann argues and find out that insured customers are like fixed-debt investors putting money into insurers who reinvest that money and return sums to the insured in the event certain events come to pass. Given the incentive of insurers with limited liability to invest in high risk ventures, however, the likelihood of repayment is hardly assured.[40] This motivates Regulatory Authorities

[37] (1999).
[38] Seth (1999) study on Economic Theory and Regulation of Insurance Companies.
[39] (Winter, 199b).
[40] Hansmann (1985) work and study on Motivation of Regulatory Authorities on Insurance.

or government heavily to regulates the business of insurance in order to protect the interest of the investors and policy holders.

Schmalensee argues that insurers may develop a separation program-price discrimination between the low risk insured and high risk insured to promote efficiency through the pooling of risks.[41] This works in unregulated market in favor of separation but criticism as suggested by Abraham,[42] separation techniques that examine characteristics such as race or gender that may have no causal relationship to expected loss and difficult-to-observe factors that indeed determine loss. In theory, the unregulated market equilibrium described above operates by establishing different pricing terms for identical contracts and achieves separation through verification mechanisms that reliability and validly classify individuals by risk.

O'Brien concluded that an insurance company would be technically efficient if it can reduce its resource usage without some corresponding reduction in outputs.[43] Mayers and Smith,[44] choose to measure company performance associated with profits reported by long-term insurers, for example, utilize an operating-income variable (defined as income before taxes and dividends to policyholders) as well as annual growth in premiums.[45] Their finding reveals companies with high profits are good performance and vice versa and well managed.

Winter, argues that Insured pays premium or putting money into insurers hands who reinvest the money and in return pays to the insured in the event certain events come to pass.[46] The future events and occurrences are difficult to predict and estimate. The result is less ability to set prices and loss reserves accurately while price competitions are of the fiercest kind. Unforeseeable costs and unfamiliar competition add up to more and worse insolvencies and managing insurer insolvency through technical methods of prudential guidelines and an enforcement is quite challenging. It is this understanding of the insurance industry that motivates the predominant regulatory authorities and governments intervene by regulating and supervision insurers.

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[41] Schmalensee (1984), Insurance Efficiency and Pricing.

[42] (1986)

[43] O'Brien (2002), An insurer's efficiency and out put measurement, namely its ability to produce a set of outputs (such as premiums and investment performance) from given inputs (such as administrative and sales staff and financial capital).

[44] (1982).

[45] Ibid.

[46] Winter (199b), Insurance Regulation and Protection of Policy Holders.

Davis and Podpiera- assert that insurance regulation, as attracted great interest because of the dual infrastructural commercial role the sector play in the macro- economic factors such as national income, and national developments objectives.[47] Further Insurance companies form part of significant players in both local and the international capital market. Most of their businesses are also reinsured abroad. Because of the international participation, they need to correspond to internationally prescribed standard, that are generally monitored and supervised to ensure they meet these standards which promotes their stability, solvency efficiency, and developments. These are prescribed by GAT & WTO agreements. GAT and WTO demands that member countries create autonomous insurance supervisory authorities to supervise insurance markets based on sound principles for their efficiencies performances and developments.

Akerlof in his study,[48] which refers to selective of some risk while declining others found out that curbing selection/ selective underwriting among some classes of business perceived to be bad business/ risk- unchecked adverse selection can destroy an insurance market and the benefit conferred thereby. The law in the United States has been developed to curbing the 'asymmetric information' between insured and insurer that causes adverse selection.[49] In recent years, however, it has become increasingly common for laws in support of private adverse selection control to collide with other social goals such as wealth redistribution or antidiscrimination entitlements.

Diacon, and O'Brien, find that Regulatory authorities encourages use of information technology to encourage growth of the sectors, return by use of electronic, Insurance regulation and use of information technology and development given the current state of production technology in the industry.[50] Authorities monitor and an Audit insurance report on line and communication is done on the same way. Through this modern use of technology the regulator encourages and promotes the development of the sector to communicate easily and meets the demands of the customers through innovative technology of new products and developments.

[47] Davis and Podpiera (2003), Insurance Regulation and Macro Economic Development.
[48] Akerlof (1970), Adverse Insurance selection and insurance performance.
[49] Ibid.
[50] Diacon, and O'Brien (2002) Insurance Regulation and Information Technology.

Mayers and Smith, find that still many small policy holders cannot be able to monitor or control the insurers- hence governments through approval of policy products through licensing ensures and supervision of insurers to protect the insured/ investors and promote the insurance industry developments.[51] This is very necessary as policy contracts are worded in manner that might favor the insurer and the client may not understand the legal jargons used. By ensuring the policy product and wording is seen and approved by Authorities consumer welfare and protection is guaranteed.
Selten studies indicate that regulation may occur either through the direct setting of a price for various forms of insurance or by constraining the prices an insurer may charge to some range.[52] By requiring that rates be 'adequate', insurers are protected from 'trembling hand' instabilities in the system whereby the perhaps irrational decision of one insurer to under price- (undercut) can drive out more rational insurers and lead to the collapse of an insurance system.

Kimball,[53] studies supports Price regulation that ensures that consumers are not exploited by uncaring insurers or don't take advantage of the ignorant customers who don't have much information on the market prices of the products they are purchasing. Hence equity is maintained by regulatory Authority for both the customers and the Insurer.

2.6 Research Gap

The process of putting in implementation of the policy of liberalized economy needs the integrations of many sectors including the financial institution (Insurance industry). Uganda now is addressing this policy by attracting the foreigner investors to invest. In spite of all these efforts Uganda cannot reach the goal if the marketing regulations are not in favor of both customers and companies in Insurance business. The current study is going to address the problem within the insurance industry and provide knowledge that will be used to engage the stakeholders of the insurance industry fulfill their goals.

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[51] Mayers and Smith (1981) Insurance Contract Monitoring and Protection of Policyholder.
[52] Selten (1975), Price regulation on insurance product.
[53] (1992)

2.7 Conceptual Framework

The success of any business industry is grounded on the base of markets regulations that balance the relationship of the customer and the service provider. The poor integrations of markets regulations and control tools lead to poor performance of service provider and the customer receives the burden of poor service or exploitation or one of these participants can get more benefits / burden than normal. The good the integrations of markets regulations and control tools lead to the good benefits both customers and services provider, the Government –Regulator and the economic development of the sector and the country.

CHAPTER THREE

REGULATORY REFORMS AND LAWS PUT IN PLACE TO STRENGTHEN THE INSURANCE SECTOR

The authority offers guidance to the industry and in doing so it issues reminders to all non life insurance companies to ensure that castrophic reinsurance protection is included in the treaties.

The authority continued to provide guidance to the players [insurance] on a number of pertinent aspects

The Insurance Act,[54]

During the period under review, the Authority made tremendous strides towards the overhaul of the Insurance Act,[55]

A new insurance law was subsequently assented to by H.E the President of Uganda, which has culminated into the Insurance Act.[56] The new Insurance Act introduces the following:

Cash and Carry method of transacting insurance business: An insurance broker or an insurance agent shall not accept a cheque or other payable order from a policyholder or prospective policy holder in respect of a premium, or other monies, paid for or on account of an insurer or HMO in connection with an insurance contract or a proposed insurance contract unless the cheque or payable order is made payable to the insurer and that an insurance broker or agent that receives cash from, or on behalf of, a policyholder or prospective policyholder for or on account of an insurer shall —

a) Immediately but not later than the next working day of receipt remit the premiums to an insurer or HMO.

b) Pay the cash without any deductions, whether for commission or otherwise, to the insurer, or into a bank account maintained by the insurer or HMO.

An 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 to the insurer as a penalty.

[54] 2017
[55] 2011.
[56] Ibid.

Risk Based Supervision: The Act stipulates that insurance players should be regulated and supervised on a risk sensitive basis. This therefore introduces risk based capital whereby the capital of an insurer will be determined based on the risks they hold/ are exposed to.

Control functions: The Act requires each insurance company and HMO to put in place for purposes of improving on their operational efficiency the following control functions, namely, actuarial, risk management, internal audit and compliance functions.

Publication of the Authority's accounts: The Act provides for Annual publication of the Authority's financial statements in compliance with the requirements of the ICPs so as to promote transparency and best practices.
The Authority shall publish its audited financial statements at least annually in a Uganda newspaper with wide circulation.

Statutory Management: The new Act gives powers to the Authority to undertake statutory management of an insolvent company or issuance of directives in cases of distressed insurance players.

Other Laws and Regulations by the insurance regulatory authority

3.1 MANDATORY VEHICLE INSURANCE BILL AND REGULATIONS

The Mandatory Vehicle Insurance Bill and proposed Regulations there under were forwarded to the Ministry of Finance, Planning and Economic Development for review and approval. The proposals under the new Bill and Regulations include the following;
Increase in the liability limits: The maximum liability limit under the existing MTPL Law is one million shillings per person per accident and in aggregate, the amount is ten million shillings per Daccident. The liability limits are too low to provide adequate compensation. Therefore the new Bill and Regulations propose an increase in liability/compensation limits to Ushs. 10 million under bodily injury/death; Ushs. 10 million for third party property damage and Ush. 100 million under aggregate.

The shift from fault to no-fault insurance: Uganda's existing MTPL law is based on the "fault" principle, meaning that the insurer of the driver at fault shall pay compensation to all persons injured or the estates of persons killed by an accident at which the driver was at fault. Insurance based on the "fault "principle allows a driver to take out liability coverage to pay for claims from anyone injured in an accident in which the driver has been deemed at fault. Under the "fault" principle, it is difficult to establish or prove who is at fault in an accident. This in turn leads
to uncertainty and lengthy conflicts between a driver, the insurance company and the injured parties. "No-fault" insurance solves this issue, because there is no need to establish the driver's fault under this type of insurance. The insurance company shall be required to make a compensation regardless of fault.

Extension to cover property damage: The new Bill introduces cover for third party property damage which was not provided for in the existing MTPL Law. The limit under property damage is proposed at 10 million shillings.

Mandatory vehicle insurance for Government Vehicles: To ensure that all injured parties receive coverage, the Bill requires that all vehicles in Uganda have insurance coverage including Government owned vehicles. The existing law includes an exemption for vehicles owned by the Government of Uganda.

3.2 MICRO INSURANCE AND MICROINSURANCE ORGANISATIONS REGULATIONS,[57]

Under the draft Micro insurance Regulations, both conventional insurers as well as specialist micro insurance organizations would be allowed to sell micro insurance. It is proposed that the specialist micro insurance organizations would be required to have much lower paid-up capital requirements. These regulations were reviewed during the period under review. The objectives of the proposed regulations include the following amongst others;

[57] 2015

- To extend access to a variety of formal insurance products appropriate to the needs of low income households, thereby supporting financial inclusion.
- Facilitate formalized insurance provision by currently informal insurance providers, and in the process
- promote the formation of regulated and well-capitalized insurance providers and small business development.
- To define capital requirements that reflect the risk profile of micro insurance products.
- Enhance consumer protection within the low income market segment through appropriate supervision and business conduct regulation, improved enforcement of regulatory transgressions, and consumer education interventions targeted at understanding insurance and its associated risks and benefits.
- Facilitate effective supervision and enforcement, supporting the integrity of the insurance market as a whole.

3.3 POLICYHOLDERS COMPENSATION FUND REGULATIONS

Draft Policyholders Compensation Fund Regulations were developed by the Authority during the year 2016. These regulations were reviewed and approved by the Technical Committee of the Authority Board and were thereafter forwarded to the full Board for consideration and approval. The Policyholders Compensation Fund would provide last-resort protection for policyholders and other beneficiaries in case an insurance company becomes insolvent and is unable to meet its claims. Therefore, the purpose of these Regulations is to make provision for the compensation of claimants of an insurer that has been declared insolvent by prescribing the manner for contribution to the fund, entitlement to payments from the Fund and all other

Matters concerning the governance and management of the Policyholders' Compensation Fund for purpose of increasing the general public's confidence in the insurance sector

A reserve fund would be created and used to provide a level of compensation, which may not necessarily be full compensation, to eligible unpaid claimants under policies issued by licensees that do not meet the Minimum capital and other financial requirements under the Insurance Act and have been liquidated under the Insolvency Act.[58]

[58] Ibid.

3.4 INSURANCE (CORPORATE GOVERNANCE) REGULATIONS

The Authority also developed draft Insurance (Corporate Governance) Regulations during the year 2016. These regulations require insurers to establish and implement a corporate governance framework which provides for sound and prudent management and oversight of the insurer's business and adequately recognize and protect the interests of policyholders. Such a framework will be beneficial as it would, amongst others;

- Promote the development, implementation and effective oversight of policies that clearly define and support the objectives of the insurer;

- Define the roles and responsibilities of persons accountable for the management and oversight of an insurer by clarifying who possesses legal duties and powers to act on behalf of the insurer and under which circumstances;

- Set forth requirements relating to how decisions and actions are taken including documentation of significant or material decisions, along with their rationale;

- Provide for communicating, as appropriate, matters relating to the management, conduct and oversight of the insurer to stakeholders; and

- Provide for corrective actions to be taken for non-compliance or weak oversight, controls or management.

Stakeholder engagements would be carried out on these draft Regulations in the subsequent years.

3.5 INSURANCE APPEALS TRIBUNAL (PROCEEDURE) REGULATIONS,[59]

The Insurance Appeals Tribunal (Procedure) Regulations,[60] were developed during the period under review.

The main objective of these Regulations is to guide on the procedure for the operation of the Insurance Appeals Tribunal once set up. The Insurance Appeals Tribunal would review the decisions of the Authority based on an appeal by an aggrieved person. These Regulations were reviewed and referred back to the First Parliamentary Counsel for finalization.

3.6 THE DRAFT INSURER [CONDUCT OF BUISNESS] REGULATIONS,[61]

The draft regulations have been developed to guide the industry in terms of the market conduct aspects they have to adhere to. The main purpose of these draft regulations is to enhance protection of policy holders and policy beneficiaries. These draft regulations provide guidance on the development of insurance products, the product approval process, distribution, marketing and sale of insurance products, claim handling, complainants handling among others

3.7THE DRAFT MICROINSURANCE AND MICROINSURANCE REGULATIONS,[62]

The draft regulations set forth the requirements for development of micro insurance products , the approval of micro insurance products ,licensing of micro insurance regulations among others.

The micro insurance organizations are risk carriers which will only sale micro insurance products and are therefore required to have much lower capital requirements than the conventional insurers.

[59] 2016
[60]Ibid.
[61] 2018
[62] 2018

3.8 THE INSURANCE [BANCASSURANCE] REGULATIONS,[63]

During the year 2017 these regulations were issued by the honorable minister of finance planning and economic development. These regulations set forth the basis upon which the authority would regulate banc assurance, provide for licensing requirements to the agents, specify roles and responsibilities of parties engaged in banc assurance, ensure professional and timely services and proper accountability of premiums.

[63] 2017

CHAPTER FOUR

HOW PRACTICALLY HAS THE INSURANCE REGULATORY AUTHORITY CONDUCTED ITS REGULATORY ROLE

SUPERVISION OF THE INDUSTRY

On-site Supervision

The Authority carries out on-site inspections of insurance players in order to examine the business they conduct, the current and prospective solvency of a company, compliance with the Insurance Act and Regulations and the level of exposure of insurance players to risks. This enables the Authority to identify problems early, act promptly and apply effective intervention so as to maintain an efficient, fair, safe, and stable insurance market for purposes of policyholder protection

Off-site Supervision

During the year 2016, the Authority carried out a review and analysis of audited accounts, regulatory returns, actuarial valuation reports for 2016, quarterly unaudited returns, reconciliation statements, investment statements, amongst others. In the process, a number of weaknesses were identified and necessary corrective action was taken.

Licensing

In order to protect the interests of policyholders, the Authority licenses insurance players on an annual basis and only those that meet the specified requirements are licensed.

Complaints Handling

The handling of complaints in a timely, effective and fair way is an important aspect in maintaining trust in the insurance sector and therefore, a key part of the consumer protection framework. During the period under review, the Authority continued to play its cardinal role of protecting the policyholders.

A total of 144 complaints were received by the Authority in 2016 out of which 68 were settled, 42 remained pending, 34 were closed for various reasons (i.e., claimants having no locus standing to file the complaints, complainant failing to furnish further and better particulars of a complaint after several reminders, filing a complaint which is not within the mandate of the IRA and some complaints were subjudice Policyholders and beneficiaries are protected

Product Approval

Product approval is one of the key areas of market conduct that the Authority focuses on. The main reasons for the approval of new insurance products are to; promote fair treatment of policyholders through ensuring that the policy terms and conditions are fair; maintain an orderly market; reduce risk of insurance company failures by ensuring that players do not take on risks without capacity; and ensure compliance with the provisions of the Act and Regulations and other applicable laws

4.1 CONSUMER EDUCATION

The goal of consumer education is therefore to provide individuals, households and firms with knowledge and skills to improve their ability to manage risk. This is important to encourage greater demand for insurance and to enable clients to get more value for their money from the insurance products and services.

Financial education cannot make insurance more affordable for the poor but it can ensure that people have accurate information and sufficient financial literacy so that they are able to choose insurance products that are appropriate to their needs. Whereas there is a business case for public education, there is a developmentally social case too. If unforeseen incidents happen to families with insurance for example, they are less likely to be plunged into poverty. This way, financial education can address at least one of the causes of poverty through increasing uptake of insurance.

Considering the facts that as insurance markets become increasingly sophisticated and people assume more of the responsibility and risk for financial decisions, financially educated individuals are necessary to ensure sufficient levels of investor and consumer protection as well as the smooth functioning, not only of insurance markets, but also of the economy as a whole.

The goal of consumer education therefore is to provide individuals, households and firms with knowledge and skills to improve their ability to manage risk. This is important both to encourage greater demand for insurance, and to enable clients to get more value for their money from the insurance products and services. In fulfilling one of its mandates of promoting a sound and efficient insurance market in the country, the Authority set out various public awareness and consumer education programmes with the depth and breadth constrained by availability of financial resources. Nevertheless, efforts were made in the following areas:

Regional Awareness and literacy programmes

The Authority continued to undertake awareness programmes at regional levels. In particular, the Authority covered the Districts of Arua, Kabale, Mbale, and Bushenyi-Ishaka. Engagements were held with, and information disseminated to, over twenty-thousand people including 50 Educational Institutions both Secondary and tertiary.

Local Government Leaders were also engaged in discussions focusing on policy issues. Of particular importance was the issue of enforcement of existing insurance laws especially Section 18 of the Workers Compensation Act that makes it compulsory for all employers to insure their workers against liabilities arising from work-related injuries, death or diseases. General lack of knowledge on the existence and working of such provisions and strong will to have it enforced were expressed. Other areas of interest that we ought to follow through in the coming period include insurance for commercial properties as well as public liability insurance for all public places

Exhibitions

In 2016, the Authority participated in five exhibitions, two of which were organized by the Uganda Manufacturers Association both in Kampala and at Regional level (Mbarara). The other exhibitions were the 24th Source of the Nile National Agricultural show organized by the Uganda National Farmers Federation (UNFFE), the 8th Banking, Finance and Insurance Expo organized by Royalway Media and the CBS –PEWOSA trade show. We have leveraged on these platforms to educate the public about the relevance and working of insurance as well as the rights and obligations of policy holders. Because of the nature of exhibitors, we took advantage to educate the public about the existence of agricultural insurance and the government's support to the same in respect to the premium subsidy.

Media Relations

The Media plays an important role in the dissemination and sharing of information about insurance service provision. During the year, IRA engaged the media through various activities including media releases on the licensed insurance players for the year 2016, industry performance for 2015, the exit of AIG insurance company from the Ugandan Market among others.

The Authority further organized media interviews, attended various radio talk shows on both local Radio Stations and upcountry stations including Bushenyi FM, Freedom FM in Kabale, Step FM in Mbale and Nile FM in Arua (West Nile region). These talk shows were held during the regional awareness programmes.

In addition, regular networking sessions with journalists of the print particularly the New Vision, Daily Monitor, Observer News paper, the East African News Paper, the Independent Magazine, the CEO's Magazine and electronic and online media were held in the year 2016. In the year under review, there were over 100 news paper reports (Articles) on the industry which points to the increased media interest in the insurance sector.

Online initiatives

IRA continued to update its website content during the reporting period to avail appropriate and timely information to the public. Additionally, to reduce on paper traffic, the online registration portal for Agents is planned to be enhanced to provide for other players with a view of reducing the turn-around time for licensing. The website also has a form where complaints can be filled and lodged to the Authority's Complaints Bureau for quick redress.

To leverage on the fast-growing power and influence of social networks, the Authority has continued to make its facebook page more interactive, informative and up-to-date

Challenges

Despite the numerous efforts made in the reporting period, several challenges remain. Resources both in terms of funds and manpower continue to limit the scope and frequency of the awareness/education drives. Additionally, lack of an established Monitoring and Evaluation framework for these programs has made evaluation of impact unattainable.

4.2 THE GUIDANCE ISSUED TO THE INDUSTRY BY THE INSURANCE REGULATORY AUTHORITY

The authority issued reminders to all non life insurance companies to ensure that castrophic reinsurance protection is included in the treaties. The Authority continued to provide guidance to insurance players on a number of pertinent aspects. Here below are some of the notable areas in which the Authority issued guidance:

a) Rating of Risks not specified in the Approved Minimum Premiums Schedule

In a bid to efficiently manage the numerous requests for change of the minimum premium rates for small risks which has led to unnecessary reduction in the minimum premium rates, The Authority issued guidance to the Insurance Players informing them that going forward the Rating committee will;

Handle the unrated risks as per the approved schedule of minimum premium rates.

Handle risks which are not specifically included in the minimum premium rates.

Propose the rates which will be forwarded by Insurance Companies for their approval.

In addition, all risks that need fronting or approval should be forwarded to the committee for a recommendation on the rating before request for approval is sent to the Authority.

The Rating committee will therefore not accept any change in the rates as provided in the minimum premium rates schedule. The Authority re-emphasized the compliance and adherence to these minimum premium rates by The Insurance Companies and Insurance Brokers.

b) Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Self-Assessment

As part of the National Risk Assessment Programme, The Financial Intelligence Authority developed an AML/CFT Self- Assessment questionnaire which outlines the core requirements of an AML/CFT prevention programme in the Insurance Sector. In Pursuit of its mandate, the FIA follows International Standards set up by the Financial Action Task Force(FATF).

The International Standards on combating money laundering and financing Terrorism require Companies to identify, assess, and understand the money Laundering and terrorist financing risks. Where Companies identify higher risks, they should ensure that their AML/CFT regime adequately addresses such risks and where lower risks are identified, they may decide to allow simplified measures for some of the FATF recommendations under certain conditions.

c) Financial Statements and Regulatory Returns of Health Management Organisations (HMO's)

On the 7th of April 2016, The Authority held a meeting with Finance Officers/Accountants of HMO's wherein there was a presentation on the format of the financial Statements and regulatory returns required to be submitted by the HMO's which is in line with the Insurance Act Cap(213), Laws of Uganda 2000 and the Insurance Regulations 2002 and the International Financial Reporting Standards.

With effect from the 1st of May, 2016, the Financial Statements, Management Accounts and Regulatory Returns were submitted in the following format;

Statement of Financial position

Statement of Comprehensive Income

Statement of Changes in equity

Regulatory Returns as per the Insurance Regulations 2002

Other Reports/Manuals fully approved by HMO's Board.

d) Introduction of the Insurance Agents Association (UIAA) Executive Committee Members

A new Executive Committee was elected by the Agents for their Association UIAA. As a Regulatory Authority we recognize the role that the Agency force plays in fostering the development of the Insurance Sector in Uganda.

Effective mobilization of the force by leveraging on the Association platform should therefore be supported.

e) Draft Bancassurance Regulations

It has been recognized that the use of Financial Institutions licensed by the Central Bank as Alternative Distribution Channels and access to their customer base if harnessed can promote increased accessibility to insurance services and products.

While S.37 of the Financial Institutions Act had prohibited Banks from engaging in insurance, the enactment of the Financial Institutions (Amendment) Act,[64] particularly S.115D now allows Financial Institutions to engage in Bancassurance and empowers the Insurance Regulatory Authority of Uganda to prescribe the manner and format in which Financial Institutions may engage in this business.

Therefore in consultation with the Minister under section 98 of the Insurance Act,[65] the Authority enacted the Bancassurance Regulations 2016 that gave effect to the provisions of the Act by making provision for the regulation of Bancassurance business.

f) Business Continuity Management Plan

It has come to the attention of the Authority that some insurance companies do not have formal arrangements for Business Continuity Management. It is therefore important that insurers as risk carriers come up with Business

Continuity Manage.ent Plans so as to;

Provide an acceptable level of business until normal operations are resumed i.e. settlement of claims and underwriting policies.

Minimize financial losses.

Provide continuity of management despite absence or injury of key personnel.

Provide for safety of staff, customers and other stakeholders.

g) Monetary and Financial Statistics

The Insurance Regulatory Authority of Uganda in collaboration with Bank of Uganda and The International Monetary Fund expanded the coverage of Monetary and Financial Statistics to the

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[64] 2016

[65] Cap.213

Insurance Sector in Uganda.[66] The Main purpose of collecting monetary and financial statistics is to enhance monitoring of financial stability and guide policy formulation.

h) Inspection of Insurance Companies to confirm authenticity of Performance Bonds Issued to Government Agencies

The Insurance Regulatory Authority Officers inspected the offices of the Insurance Companies to verify the validity of bonds issued to the different Government Agencies/Ministries.[67] This verification process is key and pertinent to the Insurance Regulatory Authority which is mandated to advise Government on the adequacy of their Insurance Covers.

i) In Country Consultations on the Draft EAC Insurance Policy

The Republic of Uganda was directed to undertake necessary in-country consultations among key stakeholders in Uganda and report back in the next Sectoral Council of Finance and Economic Affairs Meeting with a view of concluding the EAC Insurance Policy and its corresponding draft EAC Insurance Implementation Strategy.

Therefore, on the 9th of September 2016, The Insurance Regulatory Authority of Uganda and The Uganda Insurers Association organized a workshop to enable the participants have a consolidated position.

j) **Insurance Advertisement Guidelines, 2016**

The Authority provided Insurance Advertisement guidelines to the Insurance Players or any other person with the aim of shaping the content and form of their advertisements in a manner that is not misleading to the public.[68] These guidelines shall apply to the advertisement of any approved insurance product.

Among the many guidelines issued, The Authority advised that;

Licensees shall be honest, fair and avoid practices that may impair the confidence of the public who are influenced by advertisements for products and services.

Advertisements should be made per licensee with the name by which the licensee was licensed.

The Licensee should make use of The Regulatory Disclosure statement.

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[66] On the 25th/ July 2016.

[67] On the 9th /August 2016.

[68] On the 27th /September, 2016,

Any rating/award to the licensee should be based on the individual entity and not its group.

Use of the words 'Leading', 'Best' shall be factually accurate and the source and period of such an award must be disclosed.

An Advert should not make unfair, incorrect or unverifiable comparisons with competing companies or products.

The Insurance Players must be informed that Remedial Measures will apply to an advert that is found misleading.

k) Travel Insurance Guidelines[69]

The Authority noted that some consumers of travel Insurance were experiencing challenges in the way the products are marketed and sold which are contrary to the provisions of the Act.

The Authority after consultation with the Uganda Insurers Association developed Travel Insurance Guidelines to enhance transparency, ensure disclosure of information to policy holders of Travel Insurance and to improve the current consumer satisfaction levels.

All Insurers conducting Travel Insurance business are hereby required to ensure customers are provided with key facts summary documents that should disclose the following information;

Scope of Coverage i.e.(Benefits, Key risks and Exclusions), Geographical limits, Contact Numbers (Toll free)

Requirement for pre – authorization of medical procedures, in line with the policy provided by the company

Policy Duration, Cancellation and Claims procedures including what should be done in case of emergency.

All Insurance Players are hereby required to ensure that they abide by the guidelines stipulated above.

l) Catastrophic Reinsurance Protection

Catastrophic Reinsurance Protection is a key policy in this industry given the risks that are being covered. However, it has been noted that some companies take on risks beyond their underwriting limits without seeking Catastrophic Reinsurance Protection. For instance, most

[69] 2016

treaty arrangements do not cater for the looming catastrophic events such as hailstorms, floods, earthquakes and many others which can occur.

The Authority therefore issued a reminder to all Non-life Insurance Companies to ensure that Catastrophic Reinsurance Protection is included in the treaties.

CHAPTER FIVE

CHALLENGES FACED BY THE INSURANCE REGULATORY AUTHORITY OF UGANDA CONCLUSSION AND RECOMMENDATIONS

The insurance regulatory authority is facing a number of challenges in the pursuit of its mandate proper investments. In the financial management system is a hurdle to the development of a modern insurance regulatory authority. This point translates to the poor utilization of information communication technology.

As a developing nation the populations awareness or knowledge of the advantages of having an insurance policy also pose a challenge. This is a failure on the part of the authority to educate the general public .even though it has tried to it has to increase on its workforce on this area . the low penetration of life insurance into the market and the low levels of awareness on insurance products puts the authority at a disadvantage, making this a particular section of the market slow to grow

The authority is also plagued by the archaic and inadequate legal institutional framework to supervise the new upcoming distribution channels such as bank assurance, brand assurance travel agents etc though a few laws have been put in pace to cater for bank assurance.

Due to the plethora of class action suits brought about in other jurisdictions with regard to malpractices, insurance companies inherently suffer from a negative public perception as opportunists. This perception is unaided by the litany of fraud and corruption charges levied against such institutions in numerous countries around the world , which in effect contributes to the negative stereotyping within the Uganda domain.

The industry has also historically suffered from poor and inefficient corporate governance in practice which has injured the growth of the national industry which also contributes to the lack of faith within the population.

Another major problem facing the industry are the low levels of capitalisaton which is again a reflection of the failure of the insurance industry in Uganda to appeal to the masses.

Company tax or corporate taxes are often levied on income and capital gains. However unfavorable tax regimes are known not to ne conducive to the development of the industry.

Preferential tax rates and policies for insurance companies often foster growth in the market however this has not been the case for Uganda.

More so the insurance industry is a profit making enterprise and as such in a developing country the industry has failed to innovate insurance products to cater for the needs of the lower income groups in effect failing to take advantage of the large uninsured population.

Conflicting legislation which has caused general confusion such as the labour laws as well as continuous changes and reporting have all posed a critical challenge to further development of the industry in Uganda .moreover the slow legislative process as the authority transitions from a government department to an autonomous entity has impeded its ability to carry out its mandate. Fluctuations in the global market which have influenced all private and public sectors causing often harsh and severe economic meltdowns right across the globe also create problems for the growth of the insurance industry locally. As the insurance industry grows there has also been a rise in litigation. Litigation of insurance claims however is encumbered by a slow dispute resolution process which also adds to the negative perception of the industry.

Uganda insurance regulatory authority also faces a challenge of increased number of insurance companies which has led to congestion and overloading as well as price wars. Non-insurers such as fund managers and investment banks also eat into the market-share as well making the insurance industry highly competitive. Insurance companies are also known for not sharing of information amongst each other which in effect would help the authority in its supervisory role in order to help develop the Industry.

Conclusion and recommendations

As the insurance industry changes it is evident that the role of the insurance Regulatory Authority may need to adapt to changes within the environment. The authority may need to increase human capital as well as improve on the training if offers to its employees. It may also need to take advantage of other opportunities such as micro and other forms of insurance.

As a new autonomous agency, the authority may also need to work and collaborate with other government agencies, departments and ministries in order to improve the sector and enhance the market penetration of its products as well as perhaps enhance much needed tax relief for their life insurance products.

It was further found out that the insurance regulatory authority of Uganda played a regulatory role, supervisory, monitoring role to ensure the industry worked well. The study found out that the insurance regulatory authority of Uganda needed some improvement in order to be able to carry out its mandate more effectively. The improvements required the insurance regulatory authority to involve employing more trained person to improve its performance, should invest in modern technology too by linking themselves with insurance companies for communication and reporting , establish the office of arbitration on disputes between insurers and customers and open up regional offices on frequent inspection to insurance ,improve its performance.

Further it is recommended that the IRA Of Uganda should enforce the law strictly and reprimand companies that do not meet the standards prescribed by the law such as minimum capital, solvency and contingency reserve requirements. Management of such companies needs to ensure proper management and sound business practices in order to comply with the law and avoid distress in their operations and be able to meet their obligations sufficiently.

Further companies are expanding and growing through branch networks, premium volumes have been increasing as well as claims and employment level of employees. This good indicator of a growing industry and if all players are cooperative the benefits of good business and profits can be achieved. The positive growth are good indicators attributed to IRA playing a significant role in the development of the industry. To the insurance companies they need to expand to the rural areas and other towns to increase insurance penetration to the public. Insurers should train more of their staff to meet the needs of the growing market. Insurers should abide by the market agreements and avoid undercutting completion which could ruin the industry and compete on quality services and products instead of price and jeopardize positive development of the industry.

The industry is also facing challenges such as stiff competition, under-cuttings which IRA Of Uganda should address with stake holders so that an health competition is maintained without unnecessary undercutting and spoiling the market and avoid huge looses due to poor underwriting as those witnessed in year 2010. Remarkable growth in the sector has been recorded for the past 5 years and regulatory, Supervisory and monitoring tools are very necessary to foster this growth. Future growth is promising and expected.

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