

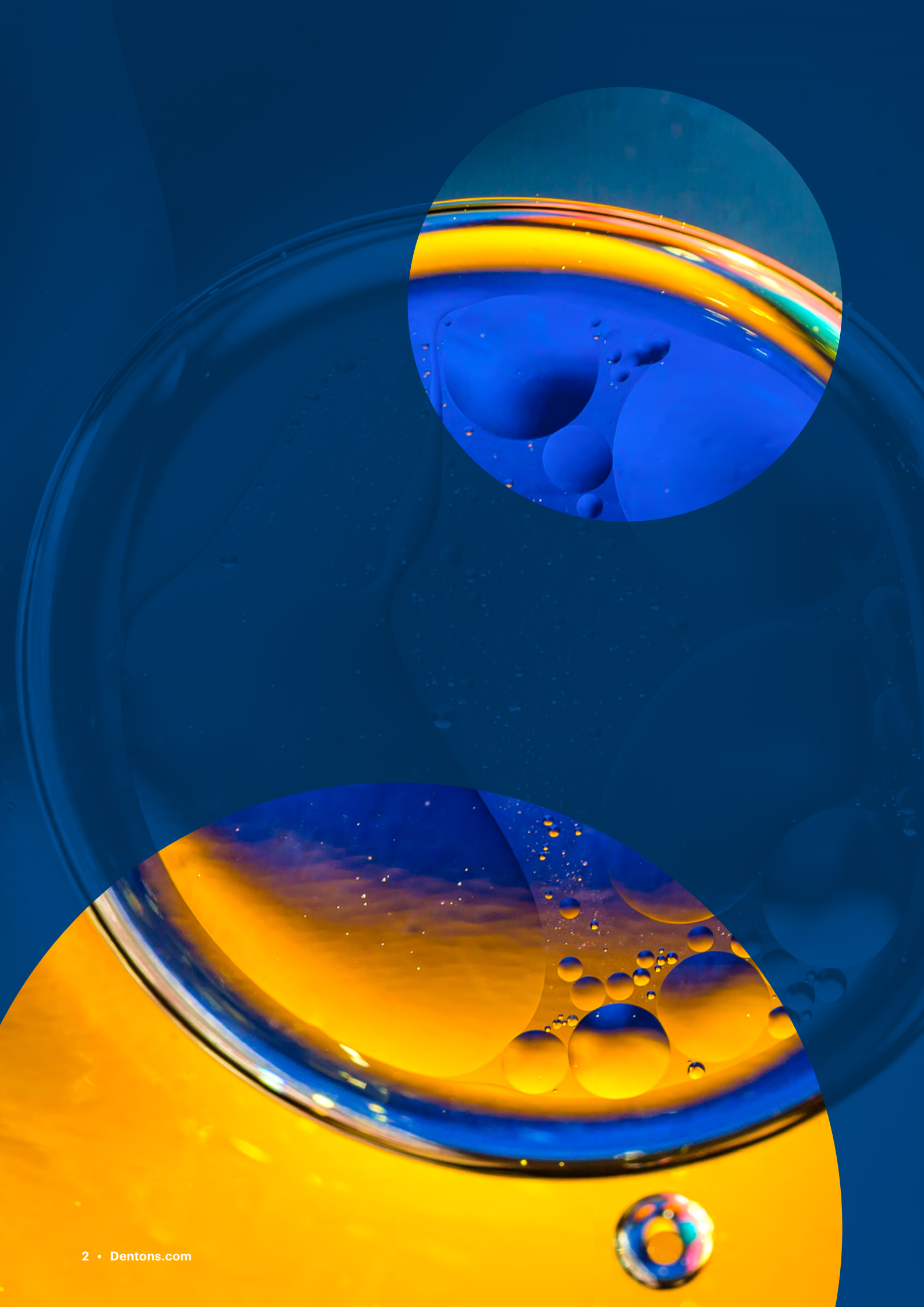
DENTONS

# Doing Business in Uganda

## A guide to insurance business

Grow | Protect | **Operate** | Finance

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# Introduction

The insurance industry is one of the most highly regulated sectors in Uganda, promising growth and new opportunities for investors. The sector comprises insurers, re-insurers, micro insurance organizations, health membership organisations (HMOs), facilitated by different intermediaries including insurance agents, brokers, risk advisors, loss assessors, and third-party administrators.

## Regulation

The insurance sector is regulated by the Insurance Regulatory Authority of Uganda (“IRA”). IRA ensures a sound, efficient, transparent, and stable insurance sector through licensing, supervising, monitoring, and controlling the sector.

## Entry

Insurance business in Uganda is classified into two i.e., life insurance business and non-life (general) insurance business. Insurers may only conduct life and non-life insurance business under different companies. The law prohibits the conduct of life and non-life insurance business by a single entity.

A company intending to operate an insurance business, reinsurance business, micro insurance business or the business of an HMO in Uganda must obtain a license from IRA. Foreign insurers require the written permission of IRA to issue insurance policies in Uganda. Policies issued by foreign insurers without permission will be unenforceable in Ugandan courts.

IRA exclusively grants licenses to conduct direct insurance business or reinsurance business to companies. Licensed insurers and HMOs are required by law to have and maintain paid up capital of an amount as may be prescribed from time to time by law.

Furthermore, an insurer, reinsurer or an HMO must maintain a security deposit of 10% of its minimum paid up capital with a commercial bank approved by IRA.

Currently, the minimum paid up capital requirement stands as follows: non-life insurance, UGSH. 6,000,000,000 (approx. USD 1,609,700); life insurance, UGSH. 4,500,000,000 (approx. USD 1,207,300); HMO insurance, UGSH. 1,000,000,000 (approx. USD 268,800); non-life reinsurance, UGSH. 9,000,000,000 (approx. USD 2,414,500); and finally, life reinsurance, UGSH. 6,000,000,000 (approx. USD1,609,700).

## Ownership and Control

The law prescribes ownership and control rules that restrict the transfer of ownership or control of insurance companies.

A significant shareholder (10% and above), director, principal officer, senior manager or head of department of a company licensed or due for licensing to carry on business of insurance, insurance brokerage or Loss Assessing/Adjusting has to qualify as fit and proper person.

The fitness and properness of a person are determined by the “fit and proper” test administered by IRA. The criteria for the test are prescribed by law and elaborated in IRA’s guiding document called the Personal Questionnaire (PQ). The assessment covers a number of areas including an individual’s educational and professional qualifications.

Insurance training in Uganda is conducted by the Insurance Training College of Uganda (ITC). The ITC is a public tertiary institution whose goal is to deliver highly competent human capital for the insurance industry. It achieves this through education, training, and professional development in the industry.

## Bancassurance

In 2017, government passed regulations to allow financial institutions to enter into arrangements with insurers under which a financial institution can distribute insurance products to its customers. The financial institution may either act as the insurer's agent, or enter into a group contract, or master contract with the intention that its customers obtain cover under the master contract. According to Uganda Banker's Association (2023), up to 78% (14.4 million) of Ugandan adults are financially served. Bancassurance allows insurers to leverage the steadily expanding banking business to increase sales.

## Insurance of oil and gas business

In 2023, the government passed regulations governing insurance of upstream and midstream oil and gas activities. Upstream oil and gas activities includes activities related to the identification, extraction, or production of oil and gas. Midstream activities include activities related to the transportation or storage of oil and gas. The regulations enable insurers and reinsurers to enhance their financial and technical capacity to participate in the underwriting of oil and gas risks. The regulations provide for pooling arrangements to ensure local retention and effective spread of risks among insurers and reinsurers engaged in oil and gas business. Any players who wish to undertake oil and gas insurance under a pooling arrangement are required to apply for and to obtain the written approval of IRA.

## Takaful insurance

In 2024, the IRA passed guidelines for the conduct of takaful insurance. Takaful insurance is insurance conducted in accordance with Islamic law (*Sharia'h*) principles. Takaful participants agree to contribute a common fund for mutual financial benefits payable to the takaful participants or their beneficiaries on the occurrence of pre-agreed events. The guidelines provide a regulatory framework for takaful (and retakaful) operators and takaful windows. A takaful window is an insurance company offering takaful insurance through a branch alongside conventional insurance business. The guidelines open up a hitherto unserved market mainly comprising the practitioners of Islamic faith and we hope to see a rise in the number of takaful insurers in Uganda.

## Disputes management

As one of its cardinal functions, IRA maintains and operates a Complaints Bureau (the "Bureau") with the power to entertain and hear complaints. The Bureau may also mediate disputes submitted to it by disputing parties. A party aggrieved by the decision of the Complaints Bureau may appeal to the Insurance Appeals Tribunal (the "IAT"). The IAT is empaneled by members who possess high technical competence in the insurance field. The law requires the IAT to decide an appeal within ninety days from commencement of hearing. A party aggrieved by the decision of the IAT may further appeal to the Commercial Division of the High Court of Uganda.

This dispute resolution mechanism is designed to provide an avenue for quick resolution of insurance disputes.

## Uganda Insurers Association

Insurers may become members of the Uganda Insurers Association (the "UIA"), a private association dedicated to the development and expansion of sound insurance and reinsurance activities in Uganda. UIA advances interests of its members through a common strategy that promotes close cooperation and exchange of business among members. This close cooperation was for example exhibited in 2016 in the establishment of the Insurance Consortium in Oil and Gas in Uganda (ICOGU), a body consisting of local non-life insurance companies which provides insurance cover to the oil and gas sector under a co-insurance arrangement.

## Key contacts



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