STATUTORY INSTRUMENTS
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STATUTORY INSTRUMENTS SUPPLEMENT

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2008 No. 26.

THE INSURANCE (INVESTMENT OF PAID-UP CAPITAL AND INSURANCE FUNDS) REGULATIONS, 2008.

ARRANGEMENT OF REGULATIONS

Regulation

STATUTORY INSTRUMENTS

2008 No. 26.

The Insurance (Investment of Paid-up Capital and Insurance Funds) Regulations, 2008

(Made under section 98 (c) of the Insurance Act, Cap. 213)

IN EXERCISE of the powers conferred upon the Uganda Insurance Commission by section 98 (c) of the Insurance Act, and in consultation with the Minister, these Regulations are made this 14th day of March, 2008.

PART I—PRELIMINARY

1. Title.
These Regulations may be cited as the Insurance (Investment of Paid-up Capital and Insurance Funds) Regulations, 2008.

2. Application.
These Regulations apply to all insurance and reinsurance companies in Uganda.

3. Object of Regulations.
The object of these Regulations is—

(a) to require insurance companies to follow effective investment management policies and practices;

(b) to put in place regulatory constraints on the investment policies and procedure for insurers and re-insurers;

(c) to ensure that insurance and re-assurance companies manage their complex and diverse risks, are organised, and act according to best practices applied to the business they conduct; and

(d) to promote public confidence in insurance and reinsurance companies in Uganda.

4. Interpretation.
In these Regulations, unless the context otherwise requires—

"Act" means the Insurance Act, Cap. 213;

"Commission" means the Uganda Insurance Commission;

"insurance" includes assurance and reinsurance;

"life insurance funds" means the total reserves specified under section 47(3) of the Act;

"non-life insurance funds" means the total reserves specified under section 47(2) of the Act.

PART II—REGULATORY REQUIREMENTS

5. Duties of directors.
(1) The Board of Directors of an insurance company shall establish strategic objectives for an investment policy to be communicated throughout the organisation.

(2) The investment policy shall be reviewed annually.

6. Investment policy.
An insurer shall have an articulated investment policy, which shall include—

(a) minimising risks such as credit risks, liquidity risks and operational risks;

(b) generating a favorable return on investments without undue compromise on other objectives;

(c) providing adequate liquidity to ensure immediate settlement of claims, administrative and overhead expenses as and when they arise;

(d) maturity period of the various investments which should be tailored to the needs of each insurer, particularly in view of its liquidity requirements;

(e) a reasonable percentage of paid-up capital and insurance funds invested in short term, high quality investments to ensure a short-term flow of funds that may be reinvested or held to meet liquidity needs and a maximum allowable maturity shall be defined in the investment policy of each insurer;

(f) government economic programmes and its social and public policy;

(g) nature of investible funds including life or non-life insurance funds; and non-life insurance funds should predominantly be invested in short-term investments;

(h) the investment of non-life insurance funds predominantly in short term investments;

(i) a description and criteria for measuring each of the investment risks to be monitored;

(j) compliance policies including policies to comply with statutory requirements;

(k) risk management policies; and

(l) control procedures including risk tolerance.

7. Investment of paid-up capital.

(1) Subject to section 6(3)(a) of the Act, the paid-up capital of an insurer carrying on life insurance business shall be invested and kept invested as follows—

(a) at least 10 percent in security deposits as required by section 7 of the Act;

(b) not more than 35 percent in purchase or development of company land and buildings and shall be—

(i) within a city, municipality or town; and

(ii) capable of generating investment income that is fitting to that particular asset and locality;

(c) at least 55 percent in at least two of the investments set out in sub- regulation 8(3).

(2) Subject to section 6(3)(a) of the Act, the paid-up capital of an insurance company or a re-assurance company carrying on general insurance business shall be invested and kept invested as follows—

(a) at least 10 percent in security deposits as required by section 7 of the Act;

(b) not more than 25 percent in purchase or development of company land and buildings and shall be—

(i) a city, municipality or town; and

(ii) capable of generating investment income that is fitting to that particular asset and locality;

(c) at least 50 percent in at least two of the investments set out in regulation 8(3).

8. Investment of insurance funds.

(1) Subject to section 48 (2) (a) of the Act, the life insurance funds of an insurance company or a re-assurance company carrying on life insurance business shall be invested and kept as follows—

(a) 30 percent in Uganda Government Securities including treasury bills, promissory notes and other financial instruments issued by the Government of Uganda;

(b) not more than 35 percent in purchase or development of the company's land and buildings which shall be—

(i) within a city municipality or town; and

(ii) capable of generating investment income that is fitting to that particular asset or locality;

(c) a proportion of not more than 35 percent in at least two of the investments set out in subregulation (3).

(2) Subject to section 48 (2) (b) of the Act, the non-life insurance funds of an insurance company or a re-assurance company carrying on non-life insurance business shall be invested and kept as follows—

(a) 20 percent in Uganda Government securities including treasury bills, promissory notes and other financial instruments issued by the Government of Uganda;

(b) not more than 25 percent in purchase or development of the company's land and buildings and shall be—

(i) within a city, municipality or town; and

(ii) capable of generating investment income that is fitting to that particular asset or locality;

(c) a proportion of not more than 25 percent in at least two of the investments set out in subregulation (3).

(3) The investments referred to in regulations 7(1) (c), 7(2) (c), and subregulation 1 (c) and (2) (c) of this regulation are—

(a) Uganda Government Securities including treasury bills, promissory notes and other financial instruments issued by the Government of Uganda;

(b) Bank of Uganda securities including promissory notes, commercial bills and other financial instruments issued by the Bank of Uganda from time to time;

(c) mortgages on unencumbered immovable property in Uganda;

(d) debentures secured by a mortgage or unencumbered immovable property in Uganda;

(e) debentures, commercial paper, preference shares or ordinary shares of public companies whose shares are quoted on the stock exchange in Uganda;

(f) investment in building societies;

(g) loans on life assurance policies constituting a liability on Uganda business within their surrender values;

(h) fixed deposits in banks or financial institutions licensed under the Financial Institutions Act, except that—

(i) where the insurer carries on long-term insurance, the deposits in any one bank or financial institution shall not exceed 25 percent of the total amount of paid-up and non-life insurance funds of the insurer relating to that business; and

(ii) where the insurer carries on general insurance business, the deposits in any one bank or financial institution shall not exceed twenty five percent of the total amount of the paid-up capital and non-life insurance funds of the insurer relating to that business.

(i) promissory notes, bills of exchange or other instruments issued by a company incorporated under the Companies Act, and guaranteed by a bank licensed under the Financial Institutions Act;

(j) East African Development Bank and Preferential Trade Area Bank bonds;

(k) equity in sound business companies floated on the Uganda Securities Exchange; and

(1) office furniture and equipment excluding computers and motor vehicles for paid-up capital investment.

(4) An insurer shall not invest any part of the assets of the insurance company in the shares or debentures or loans of a company or group of related companies in excess of—

(a) in the case of life insurance business, five percent of paid up capital and life insurance funds; or

(b) in the case of non life insurance business, five percent of the paid-up capital and non-life insurance funds.

(5) For the purposes of investment in non life insurance funds under sub regulation 4(b) debentures or loans shall be adequately secured by a first legal charge on unencumbered property in Uganda.

9. Unsuitable or undesirable investments.

Where the Commission considers an investment constituting the assets of the insurance company to be unsuitable or undesirable the Commission may after giving—

(a) notice to the insurer stating the grounds on which it proposes to exercise its powers; and

(b) the insurer or the re-insurer an opportunity of being heard,

direct the insurer or the re-insurer to realise the investment within the time specified by the Commission.

10. Temporary bank loan or bank overdraft.

An insurer may, in order to secure a temporary bank loan or a bank overdraft, mortgage, or charge assets not exceeding two percent of the total value of the paid-up capital assets of the insurer, except that the mortgage or charge shall not adversely affect the statutory minimum paid-up capital.

11. Investment records.

An insurer shall maintain a clear and distinct schedule of investment in respect of section 6 (3) (a) and section 48 of the Act with the details specified in the schedule to these Regulations.

12. Reporting requirements.

The schedules of investments in respect of sections 6 (3) (a) and 48 of the Act maintained under regulation 11 shall be submitted by the principal officer to the Commission on a quarterly basis.

13. Investment of retained earnings.

Where an insurer has fulfilled the requirements of sections 6 (3) (a) and 48 of the Act, the insurer may invest any surplus funds within Uganda or off-shore with the approval of the Commission subject to any legislation, regulations or guidelines which affect capital transfer or movement of funds.

PART III—PENALTIES AND ADMINISTRATIVE SANCTIONS.

14. Penalties.

When the Commission determines that an insurance company or a re-insurance company has not complied with these Regulations, the Commission may impose any of the penalties set out in section 97 of the Act.

15. Administrative sanctions.

(1) The Commission may, in addition to the penalties set out in regulation 14, impose administrative sanctions on an insurance company or a re-insurance who is not in compliance with the Regulations.

(2) The Commission may—

(a) prevent the insurer or the re-insurer from declaring or paying dividends;

(b) suspend the company from expanding into new insurance activities;

(c) suspend the company from acquiring fixed assets; and

(d) suspend or restrict the investment activities of the company.

SCHEDULE

Reg. 11

INVESTMENT SCHEDULE

Amount Invested	Maturity Date if any	Accrual Interest	Expected Interest	Balance

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Date Principal Officer Accountant

Cross References

Companies Act, Cap. 110.
Financial Institutions Act, 2004, Act No. 2 of 2004.
Insurance Act, Cap. 213.

BEN OKELLO-LUWUM,
Chairperson Uganda Insurance Commission.