



UGANDA INSURERS ASSOCIATION

PROMOTING THE DEVELOPMENT AND EXPANSION OF SOUND
INSURANCE AND REINSURANCE ACTIVITIES IN UGANDA

ANNUAL REPORT 2012

[About Us]

WHO WE ARE

An Association that was founded in 1965 by insurance companies to promote the development and expansion of sound insurance and reinsurance activities in Uganda.

WHAT WE DO

We work to advance the interests of insurance and reinsurance companies by adopting a common strategy that encourages and promotes close cooperation, the exchange of business among members, builds on knowledge through research, influences the enactment of favourable legislation and represents the views of the membership to Government, quasi-government and private bodies.

WHO OUR MEMBERS ARE

All licensed Insurance and Reinsurance companies in Uganda.

MEMBERSHIP IN 2012

AIG (U) Ltd,
APA Insurance (U) Ltd,
Britam Insurance Company (U) Ltd,
East African Underwriters Ltd,
Excel Insurance Company Ltd,
First Insurance Company Ltd,
Goldstar Insurance Company Ltd,
Insurance Company of East Africa (U) Ltd,
Leads Insurance Ltd.,
Liberty Life Assurance (U) Ltd,
Lion Assurance Company Ltd,
National Insurance Corporation Ltd.,
NIKO Insurance (U) Ltd,
NOVA Insurance Company Ltd,
Pax Insurance Company Ltd,
Phoenix of Uganda Assurance Company Ltd,
Rio Insurance Company Ltd,
Sanlam Life Insurance (U) Ltd,
Statewide Insurance Company Ltd,
The Jubilee Insurance Company of Uganda Ltd,
Transafrica Assurance Company Ltd
UAP Insurance (U) Ltd.

WHERE YOU CAN FIND US

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[www.linkedin.com/
company/uganda-
insurers-association](https://www.linkedin.com/company/uganda-insurers-association)

The Secretariat also hosts the
Insurance Institute of Uganda (IIU).



UGX 630,000 can turn the anguish of a UGX 10 Million medical bill into a smile of gratitude.

Get Medical Insurance for you and your family today and get peace of mind.



www.uia.co.ug

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Committees, Partners & Memberships

The Executive Committee

Mr. Mathew Koech	Chairman till 15th June 2012
Mr. Solomon Rubondo	Immediate Past Chairman till 22nd March 2012
Mr. Deepak Pandey	Ag. Chairman (w.e.f 15th June 2012)
Mr. Azim Tharani	Vice Chairman (w.e.f 11th April 2012)
Mr. Sam Phiri	Hon. Treasurer
Mrs. Solome Luwaga	Hon. Secretary
Mr. John Karionji	Hon. Deputy Secretary
Mr. Ronald Zake	Committee Member
Mr. George Alande	Committee Member
Ms. Gugulethu Ngwenya	Committee Member (w.e.f 18th July 2012)
Mr. John Carruthers	Committee Member
Mr. Joseph W. Kiwanuka	Committee Member

Partners

Insurance Regulatory Authority (IRA)

The Insurance Institute of Uganda (IIU)

Committees

The Committee for Liaison for Underwriters and Brokers (CLUB)

The Disciplinary Committee

The Finance and Investment Committee

The Legal Affairs Committee

The Life and Pensions Committee

The Non- Life Committee

The Medical Insurers Committee

The Oil and Energy Committee

The Performance Evaluation Committee

The Publicity, Education and Training Committee

The Special Rating Committee

Memberships

African Insurance Organisation (AIO)

Federation of Uganda Employers (FUE)

Organisation of Eastern and Southern Africa Insurers (OESAI)

Private Sector Foundation Uganda (PSFU)

The Financial Literacy Foundation (FINLIT)

The Institute of Corporate Governance of Uganda (ICGU)

Uganda Chamber of Mines and Petroleum (UCMP)

Uganda Manufacturers Association (UMA)

Acronyms

AI	Agricultural Insurance
ADB	African Development Bank
AGM	Annual General Meeting
ASSET	Alternative System for Secure Transit
BOU	Bank of Uganda
COMESA	Common Market for Eastern and Southern Africa
CMA	Capital Markets Authority
CVTFS	COMESA Virtual Trade Facilitation System
EABC	East African Business Council
EAC	East African Community
EAC- FSDRP 1	East African Community-Financial Sector Development and Regionalization Project 1
IIU	The Insurance Institute of Uganda
IRA	Insurance Regulatory Authority
EAMU	East African Monetary Union
FIA	Financial Institutions Act
HMO	Health Maintenance Organisation
NITA-U	National Information Technology Authority-Uganda
NSSF	National Social Security Fund

KACITA	Kampala City Traders Association
OESAI	Organisation of Eastern and Southern Africa Insurers
PSFU	Private Sector Foundation
UAEVLA	Uganda Association of Engineering Valuers and Loss Assessors
UAIB	Uganda Association of Insurance Brokers
UBA	Uganda Bankers Association
UCIFA	Uganda Clearing Industry and Forwarding Association
UCMP	Uganda Chamber of Mines and Petroleum
UCU	Uganda Christian University
UgandaRe	Uganda Reinsurance Company Ltd
UIA	Uganda Insurers Association
UMA	Uganda Manufacturers Association
UPF	Uganda Police Force
MTP	Motor Third Party
MUBS	Makerere University Business School
URA	Uganda Revenue Authority
VAT	Value Added Tax



Message from the CHAIRMAN

On behalf of the Executive Committee, I am pleased to present the Annual Report of Uganda Insurers Association for the year ended December 31st 2012.

ECONOMIC AND MARKET ENVIRONMENT

Throughout 2012, the economy continued to face a number of challenges; high inflation rates persisted during the first half of the year declining to 5% towards end of the year, credit conditions remained tight with lending rates averaging at 24%. Other challenges included depreciation of the shilling as well as a decline in demand for the country's exports largely due to the prolonged Euro zone financial crisis and weak demand from emerging markets. As a result Uganda's Gross Domestic Product (GDP) growth rate declined to 4.2% from the projected 5.5% and 5.1% achieved in 2011.

The easing of Bank of Uganda's tight monetary policy (Central Bank Rate now stands at 12%), as well as subsiding inflationary pressure is expected to lead to availability of credit to the local market. The economy is projected to register a modest GDP growth of 5% during 2013.

There was increased uptake of insurance, as demonstrated by the growth in industry gross premiums by an estimated 20% in 2012. With over 80% of the premiums underwritten in general insurance, insurance penetration remains at 0.65%. We are however confident that penetration will deepen as we continue to educate the public on the benefits of insurance and address consumer needs in line with the regulatory norms. In this context, we appreciate and support the efforts being devoted by the IRA to the development of agriculture insurance as well as micro insurance to reach out to the untapped segments of the economy.

KEY SECTOR HIGHLIGHTS

The Annual Report articulates significant developments within the Insurance sector which are engineered towards transforming the market environment by enabling a consumer oriented environment and deepening insurance penetration. Amongst others, these are:-

- **The Introduction of training levy:**
Imposition of a 0.5% levy (chargeable to the policy holder) on the gross direct premium written by an insurer by the Insurance (Amendment) Act, 2011 came into effect on October 1st, 2012. Targeted at enhancing skills development, this will also facilitate professionalism and improved service delivery;
- **Establishment of a Policy Holders Compensation Fund:**
Aimed at ensuring that policyholders of an insurer declared insolvent are duly compensated, modalities of putting the Fund in place are underway;
- **Operationalization of the National Reinsurer:**
With the recognition of Uganda Reinsurance Co. Limited as the national reinsurer, and approval of the shareholding structure by the IRA; significant progress has been made in capitalizing the company, which is expected to commence operation in 2013;
- **Separation of non-life and life lines of business:**
In order to enable smooth transition from composite to single line companies by 1st September 2014, IRA commenced discussions on the process and modalities in 2012. The separation introduced by the Insurance Amendment Act 2011 and in line with international

We are confident that penetration will deepen as we continue to educate the public on the benefits of insurance and address consumer needs...

standards, is intended to ensure that the different lines are well capitalized with the entity being in position to adequately manage the risks separately;

- **Incorporation of Insurance as a distinct service in the Petroleum legislation:**
With the support of the IRA, the inclusion of local insurance placement in the Bills enables the maximum retention of premiums within the country. For that purpose, the establishment of an industry oil and energy syndicate to underwrite related risks is underway.

INITIATIVES UNDERTAKEN BY THE ASSOCIATION

Directed at building public trust, and facilitating sector growth and competitiveness, the Association continued to take a progressive approach, including;

Chairman's Message

- The development of databases to enable appropriate product pricing, increased transparency in the underwriting and claims management process as well as information sharing;
- In order to streamline business practice and enhance industry credibility, a Code of Conduct for Agents and a Code on Corporate Governance were developed and rolled out;
- Lobbying for the reform of laws on compulsory insurances (Motor Third Party Insurance and Workers Compensation Insurance);
- Participation in the pension sector reform discussions; It however remains necessary to recognize the role of insurance companies in fund management which was overlooked in the Pension Liberalization Bill;
- Following our participation in the task force meetings on the National Health Insurance Scheme, a provision that allows for Private Commercial Health Insurance has now been included in the revised Bill for consideration by Parliament; To that extent, efforts to streamline medical insurance practices were also undertaken in 2012, with the set up of the Medical Insurers Committee;
- Review of Minimum Premium Rates; taking into account, market conditions and need for delivery of better consumer services, the Association proposed revised rates, which were approved by IRA for implementation, effective 1st July 2013;
- Public education initiatives centred on the benefits of insurance;
- Capacity building in emerging areas, including oil and energy insurance, micro insurance and agricultural insurance.

In order to further enhance appreciation for insurance, we urge that ethical standards are observed, including prompt settlement of valid claims. Stronger collaboration between the industry professional associations is also fundamental to the orderly growth of the industry. Overall, this will heighten service levels.

The Association recognizes the inclusive approach taken by the Regulator in developing the insurance sector. Equally it is crucial that legislative developments facilitate a conducive business environment.

The Association will continue to undertake responsive and relevant strategic interventions to meet consumer expectations and increase access to insurance. This will extend to introduction of simple and innovative products and increased use of



technology, to enable efficiency.

I also call for the membership to keep abreast with the developments on the East Africa Integration process. As highlighted in this Report, Insurance is recognized as a distinct financial service and we should be prepared for increased competitiveness on both the national and regional platforms with the full implementation of the East Africa Common Market Protocol.

NOTE OF APPRECIATION

I thank member companies for their contributions to the activities of the Association.

I again take the opportunity to appreciate the support accorded by the IRA to the Association. I also thank our representatives on the Board of the IRA, Mr. John Carruthers and Mr. J.W. Kiwanuka for presenting the industry concerns before the IRA.

I acknowledge and thank the members of the Executive Committee, Technical Committees, Members and Staff of the Association for their efforts and support in ensuring that the Association activities are carried out in a timely and efficient manner. In a special manner, I take cognizance of the role and contributions of Mr. Mathew Koech, who served as Chairman of the Association until 15th June 2012.

I recognize the support extended by the Insurance Brokers, Agents, Loss Assessors and Adjustors, our business partners and stakeholders, in growing the insurance market.

On a final note, I continue to call for business co-operation and good-spirited competition among the member companies and intermediaries for the good of the industry.

With that ladies and gentlemen, I invite you to read the Annual Report.

Deepak Pandey

Chairman

March 2013

The Executive Committee



Mr. Mathew Koech
Chairman
Till 15th June 2012



Mr. Deepak Pandey
Ag. Chairman
(w.e.f 15th June 2012)



Mr. Azim Tharani
Vice Chairman



Mr. Sam Phiri
Hon. Treasurer



Mrs. Solome Luwaga
Hon. Secretary



Mr. John Karionji
Hon. Deputy Secretary



Mr. Ronald Zake
Committee Member



Mr. George Alande
Committee Member



Ms. Gugulethu Ngwenya
Committee Member
(w.e.f 18th July 2012)



Mr. John Carruthers
Committee Member



Mr. Joseph W. Kiwanuka
Committee Member

The Association's Staff



Ms. Miriam Magala
Chief Executive Officer



Mr. David Tumuhaise
Technical Manager



Ms. Martha Aheebwa
Life and Pensions
Officer



Ms. Faith Ekudu
Public Relations and
Advocacy Officer



Mr. Sultan Ndaula
Accountant



Mrs. Jane kawuki
Executive Assistant to
the CEO



Ms. Gertrude Nakyeyune
Accounts and Technical
Assistant



Mr. Jude Kafeero
IT/Office Assistant



Mrs. Ruth Kayugi Munyirwa
Administrative Assistant

Market Overview

In 2012, our economy continued to suffer harsh economic conditions that saw the rise in inflation and reductions in rate of economic growth. BOU was forced to cut the country's GDP growth rate from the earlier projection of 5.4% percent to 5% and then to 4.3% in December. Economists expect that as Commercial Banks interest rates decline in order to stimulate borrowing and ignite investments, the economy will start to recover in 2013.

In terms of the insurance industry, according to the Swiss Re's Sigma publication, *World Insurance Report 2011*, overall premiums declined to 0.8% (inflation adjusted) in 2010. Conversely, growth for non-emerging markets was robust at 8.6% while growth was marginal in advanced markets at 0.5%. Despite the fact that slower economic growth will affect demand for life and non-life insurance, premium growth is expected to revive in emerging markets.

Market Penetration in Selected African Countries

	COUNTRY	LIFE & NON-LIFE PREMIUM (US\$ MILLIONS)	GDP (US\$ MILLIONS)	2011 PENETRATION RATE	2010 PENETRATION RATE
1	South Africa	52,376	406,000	12.90	14.80
2	Morocco	2,859	100,000	2.86	2.82
3	Egypt	1,714	236,000	0.73	0.72
4	Nigeria	1,557	242,000	0.64	0.48
5	Algeria	1,201	178,000	0.67	0.76
6	Kenya	1,036	46,000	2.25	2.87
7	Uganda	128.84	19,795	0.65	0.6

Source: IRA Annual Market Report 2011

According to the Report, market penetration in Uganda stagnated at 0.65 % in 2010 and 2011 while countries like Kenya and South Africa enjoyed a market penetration of 2.25% and 12.90% respectively. The implication is that there are still many untapped opportunities in our market that need to be explored.

Insurance in Uganda

In 2012, the industry had twenty two (22) insurance companies of which two (02) were Life companies, six (06) were Composite and fourteen (14) were General Insurance companies.

Industry research shows that in 2011, the aggregate insurance premium income totalled UGX 296.83 billion, up from UGX 239.98 billion in 2010 which represents an increase of 23.69%. Premiums written for non-life insurance represented 88% (UGX 262.24 billion), with an increase of 21.21% while life accounted for 12% (UGX 34.2 billion), with a rise of 46.32%.

In 2011, the aggregate insurance premium income totalled UGX 296.83 billion

Market share

Non-Life Insurance

	COMPANY	MARKET SHARE (%)
1	Jubilee	21.82
2	Chartis	15.64
3	UAP	13.80
4	Goldstar	6.36
5	Lion	5.69
6	EAUL	5.05
7	Phoenix	4.76
8	ICEA	4.62
9	SWICO	3.60
10	APA	3.27
11	NICL	2.66
12	Excel	2.48
13	NIKO	2.31
14	TransAfrica	2.28
15	FICO	2.22
16	Leads	2.10
17	PAX	0.82
18	Rio	0.20
19	NOVA	0.01
20	Britam	0.31

Life Insurance

	COMPANY	MARKET SHARE (%)
1	Liberty Life	39.6
2	ICEA	25.7
3	UAP	16.1
4	Jubilee	6.3
5	Sanlam	6.2
6	NICL	4.7
7	Britam	1.3
8	Goldstar	0.1

an **enhanced collaborative effort** is essential to developing a competitive market environment

Transforming the market environment

One of the driving forces behind our programs and directives was the need to add value to the industry and remain relevant to our current and future stakeholders.

A key part of that involved ensuring that our actions and contributions lead to the development of a sound insurance and reinsurance environment in Uganda. There is also a need to streamline business practices within the industry which is essential in terms of building consumer and public confidence in the Sector.

INDUSTRY DEVELOPMENTS

The National Reinsurer

Uganda Re's shareholding structure was approved and it was recognized as the National Reinsurer by IRA. Thirty four (34) entities, including insurance and reinsurance companies, insurance brokers and loss assessors, took up shares in Uganda Re which will be licensed in 2013.

The Retirement Benefits Sector

As a member of the Task Force chaired by the Ministry of Finance, Economic Planning and Development, we discussed and recommended amendments to the Retirement Benefits Sector Liberalization Bill in response to the concerns raised by our members. These concerns include the following:

- (i) The Bill does not expressly provide for retirement benefits products provided by insurance companies and as such the role of insurance companies in fund management has been overlooked;
- (ii) The Bill provides for umbrella schemes. However, there is no provision for schemes falling under the pooled funds managed by Insurance companies, which are not necessarily umbrella schemes;
- (iii) That schemes managed by an insurance company should be exempt from producing an investment policy as the Insurance Act is very elaborate on investment of funds of insurance companies.

We will continue negotiations in the course of 2013 and also carry out an industry wide sensitisation on the Bill.

Policyholders Compensation Fund

The Fund, which protects policyholders in the event that an insurer is declared insolvent and thereby unable to settle claims, was introduced by the Insurance (Amendment) Act, 2011. We engaged with IRA on the Modalities of setting up the Fund and the related regulations will cover contributors, beneficiaries, management and pay-outs.

Minimum Premium Rates

The Special Rating Committee reviewed the rates in order to match these to current market conditions and widen their scope. The rates have been approved by IRA for implementation by the market.

Agricultural Insurance Products

UIA collaborated with IRA and the IIU and carried out industry training programs that were facilitated by FMRe (Zimbabwe) and the College of Insurance (Nairobi). The main aim was to enhance capacity among insurers to enable them develop and rollout Agricultural Insurance products for the farmers.

We shall continue to take a coordinated approach to the development of this area which will, among others, involve liaising with stakeholders (including Farmers Associations, UBA, Microfinance institutions, IRA and Reinsurers), lobbying for Government support in form of premium subsidies and tax incentives and participating in the structuring of an enabling regulatory framework.

Oil and Energy Insurance

The industry will underwrite the risks under the facility of an Oil and Energy Syndicate which will enable the consolidation of human and financial capacity necessary to underwrite oil, energy and mining risks locally. With the technical support of M/s landa (Oil & Energy consultant), the structure of the Syndicate was completed for consideration by the membership.



Industry concerns on the Petroleum (Exploration, Development, Production and Value Addition) Bill No. 1 of 2012 and the Petroleum (Refining, Gas Processing, Conversion, Transportation and Storage) Bill, No 2. of 2012 were jointly discussed by UIA and IRA with the Parliamentary Committee on Natural Resources.

The revised Bills, in line with the Insurance Law, to a greater extent now incorporate a requirement for local insurance placement. All local oil and energy related risks must therefore first be insured in Uganda with licensed insurance companies. This will facilitate premium retention and the development of the local insurance market. Areas that were overlooked were re-submitted for consideration by the Committee.

National Health Insurance

UIA participated in the Task Force (set up by Ministry of Health) meetings at which the National Health Insurance Scheme Bill was reviewed. A provision that allows for Private Commercial Health Insurance has now been included in the revised Bill for presentation to Parliament.

Workers Compensation Insurance

Following discussions with the Ministry of Gender, Labour and Social Development and IRA, IRA will be considered to take over the role of compliance from the Ministry in order to encourage uptake in this area of insurance. UIA will continue efforts to ensure that Workers Compensation Insurance is enforced and that the necessary Regulations to operationalize the Workers Compensation Act are in place.

Marine Insurance

UIA, IRA and Uganda Revenue Authority (URA) agreed to collaborate in the advocacy for local marine insurance cover for imports. This will essentially be executed through the sensitization of URA and the business community through Uganda Manufacturers Association (UMA), Kampala City Traders Association (KACITA) and the Uganda Clearing Industry and Forwarding Association (UCIFA).

COMESA & RCTG Schemes

UIA participated in the 6th Regional Customs Transit Guarantee (RCTG) Council of Surety meeting. Among others, it was noted and agreed to interest medium and small scale clearing agents in RCTG and for the Council to address challenges emanating from competing programs like ASSET. Uganda (NICL) was elected to chair the RCTG Council of Surety for the year 2012/ 2013.

The COMESA Yellow Card Council of Bureau Meeting held in 2012 resolved that motorists travelling into states with limited MTP coverage (like Uganda) should be covered in accordance with the high limits in their respective Mother States.

The COMESA Secretariat has also developed an electronic goods monitoring system- that is the COMESA Virtual Trade Facilitation System (CVTFS). The purpose of the CVTFS is to reduce delays during transportation and improve the security of goods, ultimately reducing the transportation costs and enabling in goods tracking. The pilot scheme commenced in December 2012 and will run for three (03) months.

Alternative System for Secure Transit (ASSET)

Trade Mark EA facilitated the ASSET Banking – Insurance Consultation Workshop in Mombasa for insurance companies and banks from all EA States from 6th- 7th September 2012. ASSET serves as an alternative to transit bonds in the East African Community. The scheme is designed to reduce the importation costs incurred by traders, thus reducing the costs borne by the final consumer. ASSET is piloted on the Mombasa – Dar-Es-Salaam route with fuel imports.

Bonds underwriting

- I. UIA continued to lobby for the acceptance of conditional bonds issued by insurers and so far, the Government has allowed insurers to provide bid guarantees. Discussions are on-going for unconditional acceptance of performance and advance payment bonds.

7 Transforming the market environment

II. Crossroads Guaranty Fund: This Fund, which applies to Bonds in relation to road construction and managed by aBi Trust, guarantees payment of 50% of the total amount of the recalled bond. This reduces the exposure of the insurance companies and enhances their ability to underwrite more business. Initially, this Fund was accessible to Bankers but Insurers have now been allowed to participate in the program.

Terrorism & Risk Sabotage Pool

The creation of this pool will enable local insurers to underwrite terrorism and political risks at competitive rates as well as enhance industry co-operation and minimise capital flight. Chaucer Syndicate of Lloyds has accepted to lead the Reinsurance Treaty and the structure of the Treaties will be finalized in 2013.

Loss Assessor/Adjustor services

In order to build local capacity for assessment of the following risks:

- (i) Aviation
- (ii) Marine Hull & Protection & Indemnity
- (iii) Forensic investigations
- (iv) Professional Indemnity
- (v) Oil & Gas
- (vi) Mining
- (vii) Business Interruption (including, risk mitigation, delay in start- up)
- (viii) Industrial All Risks

IRA agreed to pre-qualify five foreign firms (Toplis & Harding, General Adjusters, McLaren Young International, Cunningham Lindsay and Safety Surveyors) for the business period of 2013, subject to each of the firms meeting the prequalification requirements. Each firm is required to execute a Memorandum of Partnership with a local loss assessor/adjuster firm, and carry out trainings for the local firms. This arrangement will be reviewed on an Annual basis.

Related to the fees chargeable for loss assessor/adjuster services, an Opinion was submitted by UIA to URA and the Ministry of Finance, Planning and Economic Development contesting the levy of VAT on the above services. The Opinion is premised on the exemption of insurance services from VAT (which the above services are part of).

A new Assessors fees schedule, which came into effect on 15th May 2012, was also agreed upon with the Uganda Association of Engineering Valuers and Loss Assessors (UAEVLA). This schedule standardizes assessment and valuation costs across the industry.

Security Deposits

Following an Amendment to the Insurance Act (effective September, 2011) insurance companies will individually manage and invest their security deposits, as opposed to the previous position where these were maintained and invested by BOU. Companies are required to comply with the new security deposit requirements with effect from 1st July, 2013 and open CDS Accounts, on which the IRA will hold a lien.

Investment of Paid Up Capital and Insurance Funds

In order to enhance the financial credit ratings of insurance companies, UIA recommended that the IRA reviews the regulations to include additional investment avenues extending to recognized securities exchanges within the EA region, collective investment schemes and high interest savings accounts.

The Training Levy

The modalities of operationalizing the Levy, which will facilitate training and certification of insurance professionals, were worked out in consultation between UIA, IRA, IIU, UAIB and representatives of HMOs. The Levy (which constitutes 0.5% of gross direct written premium (less inward reinsurance), excluding annuities, retirement savings products, endorsement policies), came into effect on October 1st 2012.



STREAMLINING BUSINESS PRACTICE

Industry Code of Corporate Governance

Engineered towards building public confidence in the industry, this Code puts in place guiding principles on conduct of business and includes a company's relations with its stakeholders and the public. The Code will assist in consolidating a positive identity for individual companies.

Agents Code of Conduct

The purpose of the Code is to establish professional business standards for Insurance Agents, in order to protect and enhance the image, credibility and the sustainability of Insurance business in Uganda.

Health Insurance Practice

In order to raise the quality of healthcare provided to an insured; the Medical Insurers Committee was set up in July 2012. The Committee was tasked with and is developing standards in respect to medical insurance packages, pricing of products and contract agreements.

Separation of Life and Non- Life Business

By 1st September 2014, composite companies are expected to have transitioned into single line companies. This change was introduced by the Insurance (Amendment) Act, 2011. UIA engaged with IRA on the modalities of this transition which relate to; the structure of the companies, operation of back end offices, separation of Boards of Directors, Management and Investments. Regulations will be rolled out in the course of 2013.

Credit Life Insurance

The new BOU Consumer Protection Guidelines require that when Bankers enhance their generic product packages, their customers need to be provided with at least four (04) service provider options to choose from to support that products extension. The Banks must also provide sufficient information on the services of each of these four (04) providers.

In the case of insurance, this inadvertently introduces bancassurance and yet the Financial Institutions Act (FIA) still does not allow for it. UIA is working with IRA and UBA to seek agreement with BOU on the implementation of these guidelines.

Registries and Databases

The principle objectives in developing these registries are to:

- (i) Facilitate increased transparency in the underwriting and claims management process of motor insurance.
- (ii) Enable information management and sharing, in order to minimize fraudulent claims.
- (iii) Provide more information that companies can use to more accurately price their products.
- (iv) Create credible sources of information on industry statistics.

To this end,

1. The Association, with the assistance of the UPF, is developing a Motor Insurance Database which will assist in underwriting of motor risks as well as prompt settlement of genuine claims. This has started with the design of an accident databank.
2. The Life, Death and Disability Registry went into effect in October 2012 and is intended to further the growth of life insurance by, among others, helping the market minimise anti-selection, moral hazard and fraudulent claims. At the start, it shall be used to capture all sub-standard lives and all claims and eventually to capture all lives underwritten.

Related to the development of the Life Industry, UIA is in discussion with the Actuarial Association of Uganda to start work on mortality tables for the Ugandan Market. Mortality tables indicate the life expectancy of the population and therefore improve efficiency in life business writing.

Key Events in Pictures



The Minister of State for Economic Monitoring (Office of the President) Hon. Henry Banyenzaki launches the "Do the Math" Campaign.



Hon. Henry Banyenzaki donates blood as part of the blood drive at the Association. As part of our CSR over 120 units of blood were donated to Nakasero blood bank.



For the 4th time, the Association won Private Sector Foundation Uganda's (PSFU) "Association of the Year 2011" Award.



Ms. Birungi Susan won the "Life Agent of the Year" Award at the 2011 Life Agent of the Year Awards



As part of our Corporate Social Responsibility program, we donated medical supplies to Kagadi Hospital through the Ministry of Health, to assist in the fight against the Ebola epidemic



Participating in the National Road Safety Council (NRSC's) Road Safety Processional Walk in the city



Sensitization forum for UPF on Motor Third Party Insurance



Ms. Miriam Magala (CEO, UIA) and Mr. Azim Tharani (Managing Director, GoldStar Insurance) enjoy a moment at the End of Year Party.

Publicity

Focused on the affordability, accessibility and benefits of insurance.

The “Do the Math” Campaign

Fireworks Advertising Ltd. was contracted in July 2012 to run this campaign which focused on the affordability, accessibility and benefits of insurance. by mainly using radio and outdoor media.

The campaign mainly used CBS radio (1 & 2), Capital FM, Billboards (in Bunga, Bugolobi and on Lugogo by pass) as well as flagpoles in the City centre.

Online

As a strategic communication channel, the UIA website was extended to interactive engagement sessions with the public, through the social media networks Facebook and LinkedIn. This enabled UIA reach an even wider group of people and provided additional channels for feedback from the public.

Awards and recognitions

- The Association was awarded the “2011 Association of the Year” by Private Sector Foundation.
- The Life Agent of the Year Awards 2011 saw eleven (11) Agents awarded. Each company selected their best two performing agents in the New Business category from which Ms. Birungi Susan emerged the overall industry winner.
- UIA, along with seven (07) other insurance companies participated in the 2012 Financial Reporting (FiRe) Awards. NICL emerged as the Insurance Services category winner and Lion Assurance the category runner up.

SENSITIZATION INITIATIVES

Radio Talk Shows

We used this media to help improve on the general perception of insurance by participating in talk shows on CBS radio and Capital FM. We intend to continue using talk shows in 2013.

Get back at almost



UGX 600,000* = UG

With Motor Insurance, a wrecked car
will cost almost nothing, to be replaced

on track no cost



UGX 15 million car

car worth UGX 15 million,
ced.

Exhibitions

The Association took advantage of the instantaneous feedback opportunities provided by exhibitions by participating in the PSFU SME Members Event, the Banking, Finance and Insurance Expo, the Full Woman Health Camp and the Uganda International Trade Show.

Universities Outreach program

UIA worked with the Uganda Christian University (UCU) to promote the understanding of insurance amongst business students at both the Mukono and Mengo campuses as part of our Colleges program. We were recognized by the University as a centre of excellence in insurance matters and we will continue to work with UCU which intends to develop a curriculum to enable it achieve its goal of becoming a centre for insurance training in Uganda.

We also engaged with students from the Makerere University Business School (MUBS) and in the course of 2013, this program will extend to other universities.

Police Sensitization workshops

These workshops were conducted mainly to sensitize the Police on Third Party Insurance with emphasis on the role it plays in enforcing this insurance. The Police agreed to upscale the inspections, but also requested that insurers pay claims promptly, for the benefit of the accident victims.

Road Safety Brochures

These brochures, which were developed in partnership with UPF, provide the public with road safety and insurance tips and were distributed by the Police during the festive season (December). The brochures will be used to continually sensitize motorists, with the expectation that this will positively change the perception about insurance.

Distribution of booklets on Insurance

The FINLIT foundation and UIA produced booklets on insurance, "The ABCs of Insurance" and "All You Need to Know About Insurance" respectively, in English, Luganda and Swahili and circulated these to members of UIA, for distribution to customers. The booklets were also distributed during the Association's face-to-face engagements with the public.

7 Building skills and knowledge

The Association organised and engaged in a number of trainings and sensitization workshops through the year in conjunction with a number of stakeholders who included IRA, FMRE (Zimbabwe), Zep Re (Nairobi), Africa Re (Nairobi), Marsh UK Limited, Trade Mark EA, the Ministry of Information and Communication Technology, the Ministry of Justice, the National Information Technology Authority-Uganda (NITA-U), Clearing and Forwarding Agents, the Banking industry and the Media.

The overall objectives of these trainings and workshops included:-

1. Facilitating continued professional development.
2. Increasing awareness about insurance.
3. Enhancing capacity in underwriting emerging risks in the areas of oil and energy insurance, micro insurance and Agriculture.

Trainings and workshops in 2012

1. The Bancassurance and Product Development workshop.
2. Underwriting of Oil & Energy Risks.
3. Development of Agricultural Insurance Products.
4. Development of Micro Insurance.
5. The Sensitization on Customs Bonds for Clearing Agents.
6. Operationalisation of the Life, Death and Disability Registry.
7. Trademark EA Sensitization on the Alternative System for Secure Transit (ASSET).
8. Industry Sensitization on ICT Laws (Electronic Transactions Act (2011), Computer Misuse Act (2011) and the Electronic Signatures Act (2011).
9. Training for Journalists.

Engagement with the members & Strategic Partnerships

The Member Services Program

This member specific program commenced in 2012, with the intention of providing insight into the needs of our members, help us improve our service delivery and ascertain key issues we need to concentrate on as an industry in order for us to grow and expand as well as create a favourable environment. In line with the above, CEO fora were also held on a quarterly basis and the results of both programs will feed into the 2013 program.

The UIA Annual General Meeting (AGM) March, 2012

In support of establishment of the Industry Oil and Energy Syndicate, at the 44th AGM of the Association, it was agreed that all the non- life companies will collectively participate in the Syndicate that will underwrite related risks, and participating companies will equally contribute to capitalization in order to facilitate its operations.

Mr. Mathew Koech, Mr. Deepak Pandey, Mr. George Alande and Mr. John Karionji were elected to the Executive Committee 2012/3 at the 44th AGM.

The CEO Annual Retreat (October 2012)

The CEOs approved the building designs for Insurers House. It was specifically agreed to address the development of oil and energy underwriting skills within the industry as well as advocate for the use of local content by International Oil companies.

Strategic partnerships and Networks

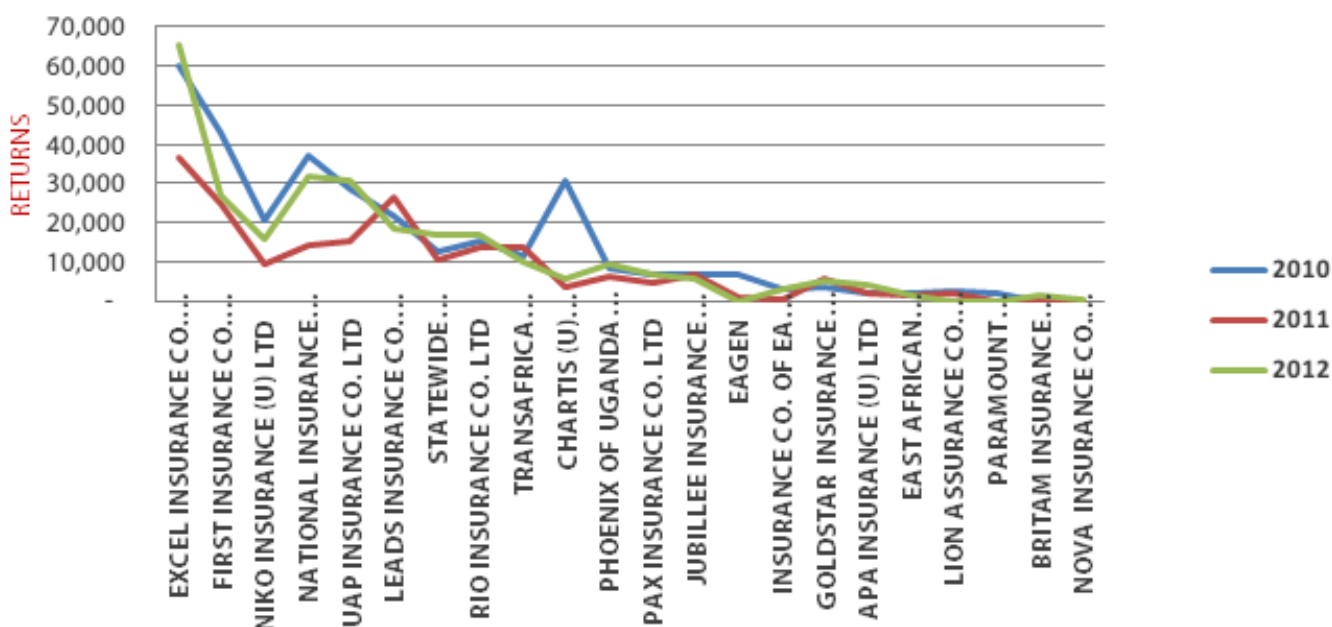
On the regional front, we engaged with various stakeholders including the EAC Secretariat, EAC- CMIPC, EABC, OESAI, AIO, Trade Mark EA and ADB;

- I. Our involvement in the EAC Integration process, resulted in the recognition of insurance as a distinct financial service and regional agreement on the need for standardized insurance laws and practices in order to create a level playing field in line with the EAC Common Market Protocol;
- II. Under the auspices of a consultative meeting arranged by ADB, it was agreed to develop a regional strategy that will enable the utilization of the private sector as an engine of economic growth to facilitate trade, investment and financial integration;
- III. There continues to be a need in the insurance markets within the region, for enhanced capacity building and product development in emerging risks (oil and energy, agriculture insurance and micro insurance);
- IV. The development of pools was observed as essential to management of specialized risks (including oil and energy, catastrophic risks) in emerging markets.

Management of Motor Third Party Stickers

In 2012 we successfully met our members' motor third party stickers (MTP) supply needs. We also registered the highest number of sales this year (36,880) as compared to 2010 and 2011 in which sales averaged at 33,516 and 30283 respectively.

RETURNS TREND ANALYSIS BY COMPANY



As represented by the table above, returns for the year ended 2012 were slightly lower than they were in 2011.

There were also several reported cases of forged and faded stickers. Following meetings with stakeholders and investigations, we managed to trace some of the people printing forged stickers and a printer and Agent were also arrested. Investigations are on going to find their accomplices.

In addition, we placed an announcement in the Press to sensitize the public on the features particular to a genuine sticker.



Agency inspections

Agencies operating in Masaka, Jinja, Iganga, Mbale, Soroti, Mityana, Mubende, Fort Portal, Kasese, Ishaka, Lyantonde were inspected, and the anomalies were as follows:-

- Premium undercutting.
- Improper underwriting-some agencies lacked key information such as gross weight, make of vehicle, seating capacity. Most of the motorists in these areas do not provide log books which makes the recording of the necessary information impossible.
- Falsification of documents, especially the premium reported.
- Poor Record Keeping and Register maintenance.
- Failure to display licences.
- Inadequate knowledge by the Agents.
- Many of the branches had the adequate stocks. However some complaints were received in regards to the delayed delivery of the stickers to the branches. The safety of the stickers in many of the branches was lacking since many kept them in drawers that can easily be broken into.

Agents were advised to stop the malpractices. The findings have been reported to the respective companies to take corrective action. For 2013, disciplinary action is to be taken against defaulting companies.

In order to ascertain compliance, the Uganda Police also carried out two (02) on- spot inspections of MTP in the course of 2012. Although uptake remains low, compliance was found to have improved.

The Financials

STATEMENT OF EXECUTIVE COMMITTEE RESPONSIBILITIES

The Association's constitution requires the Executive Committee to prepare financial statements which give a true and fair view of the state of affairs of the Association as at the end of the financial year and of the operating results for that year. It also requires the Executive Committee to ensure that the Association maintains proper accounting records which disclose with reasonable accuracy the financial position of the Association. The Executive committee is also responsible for safeguarding the assets of the Association.

The Executive Committee accept the responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates consistent with previous years, and in conformity with the International Financial Reporting Standards and the requirements of the constitution.

The Executive Committee is of the opinion that the financial statements give a true and fair view of the financial affairs of the Association as at 31st December 2012 and of its operating results for the year then ended. The Executive Committee further confirm the accuracy and completeness of the accounting records maintained by the Association which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the system of internal financial controls.

Nothing has come to the attention of the Executive Committee to indicate that the Association will not remain a going concern for at least the next twelve months from the date of this statement.

Approved by the Executive Committee on 7th March, 2013 and signed on its behalf by

Mr. Sam Phiri
Honorary Treasurer

Mr. Deepak Pandey
Ag. Chairman



REPORT OF THE INDEPENDENT AUDITORS

Report on Financial Statements

We have audited the accompanying financial statements of Uganda Insurers Association set out on pages 6 to 25 which comprise the Statement of financial position as at 31st December 2012 and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and the summary of significant accounting policies and other explanatory notes

Executive Committee's responsibility for Financial Statement

The Executive Committee is responsible for the preparation and fair presentation of these statements in accordance with International Financial Reporting Standards and the requirements of the Association's constitution. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatements, whether due to fraud or error; selecting, applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements, give a true and fair view of the state of financial affairs of Uganda Insurers Association as at 31st December 2012 and of the results and cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the requirements of the Association's Constitution.

The Financials

Income and Expenditure Statement

		2012	2011	2010
	Notes	Ushs'000	Ushs'000	Ushs'000
Operating Income	3	2,633,500	2,418,090	1,773,500
Other Income	4	238,832	69,559	26,072
Total Income		2,872,332	2,487,649	1,799,572
Cost Of Motor Third Party Sales	5	(639,645)	(634,142)	(406,861)
Administrative Expenses	7	(1,012,460)	(1,126,534)	(968,818)
Other Operating Expenses	9	(178,059)	(235,316)	(217,849)
Total Expenditure		(1,830,164)	(1,995,992)	(1,593,528)
Operating Surplus for the Year		1,042,168	491,657	206,044

Statement of Financial Position

As at 31 December				
		2012	2011	2010
	Notes	Ushs'000	Ushs'000	Ushs'000
CAPITAL EMPLOYED				
Accumulated Funds		3,380,954	2,338,786	1,847,129
Association's Funds		3,380,954	2,338,786	1,847,129
REPRESENTED BY				
ASSETS				
Non- Current Assets				
Property and Equipment	8	557,455	585,320	651,853
Prepaid Operating Lease rentals	9	667,520	689,053	423,786
Investment in Unquoted shares	10(a)	8,000	-	-
		1,232,975	1,274,373	1,075,639
Current Assets				
Held to maturity Investments	10(b)	1,701,218		
Inventories	11	382,619	324,784	206,701
Receivables	12	132,195	58,724	101,389
Cash and Cash Equivalent	13	553,875	1,242,484	563,237
		2,769,907	1,625,992	871,327
Current Liabilities				
Trade and Other Payables	14	529,928	495,579	39,835
Subscriptions Received in advance	15	92,000	66,000	60,000
		621,928	561,579	99,835
Net Current Liabilities		2,147,979	1,064,413	771,492
		3,380,954	2,338,786	1,847,131

The financial statements which appear on pages 16 to 25 were approved by the executive committee on 7th March 2013 and were signed on its behalf by:

Mr. Sam Phiri

Mr. Deepak Pandey

Hon Treasurer

Ag.Chairman

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