

KAGGWA FRANCIS (2010-M102-20020)

Insurance Regulation and Development of the Insurance Sector in Uganda: A Case Study of Selected Insurance Companies in Kampala City

The study examined the influence of insurance regulation on the development of the insurance sector in Uganda. The rationale for this study was premised on the need to examine the impact of insurance regulation on the insurance penetration and density levels in Uganda. The major objective of the study was to establish whether Insurance Regulation has had any impact on the development of insurance business in Uganda. The specific objectives of the study were; to establish the reasons for insurance regulation; to identify laws and regulations relating to insurance industry and, to examine the impact of insurance laws and regulations on the development of the insurance industry. A descriptive, analytical and cross-sectional approach was used to find out the effect of regulation on insurance penetration in Uganda. The research employed a combination of a short quantitative survey focusing on key questions, coupled with a more detailed qualitative investigation where respondents were probed on specific relevant topics. Eighty-five (85) respondents from the 15 insurance companies were purposively selected. A questionnaire capturing close and open-ended questions was employed in the study and an interview guide was used to collect data from key informants who were senior staff of the Insurance Regulatory Authority of Uganda. The major findings of the study indicated that consumer protection and ensuring the financial stability of the insurance companies were the major reasons for insurance regulations. The findings further revealed that the insurance Act cap 213 and the Motor Third Party Act were the major laws relevant for the development of insurance business in Uganda. The findings further indicated that minimum capital requirements were the major hindrance in the development of local companies and micro insurance business in Uganda, these were followed by restrictive investment and solvency guidelines. The major conclusions drawn from the study are; insurance regulations are important for the development of insurance business as it increases consumer confidence, financial stability of insurance companies and ensuring good market conduct. It was also established that the Motor Third Party Act was outdated and necessitated a revision. It was further concluded that despite the fact that regulation of insurance services has helped in stabilising the insurance sector, there were limitations within existing Insurance laws which in effect, negatively impact the development of the Insurance business in Uganda. The major recommendations from the study include; the Ministry of Gender, Labour and Social Development and the Insurance Regulatory Authority of Uganda should work together to come up with a mechanism of enforcing the Workman's Compensations Act to ensure its compliance. The study further recommended that the insurance regulator should revise the minimum capital requirements to cater for various layers of capital to allow product development for micro insurance. The Insurance regulator should first track the process of coming up with regulations on HMOs to ensure supervision and control of these services in Uganda. It was further recommended that the insurance regulator in consultation with the Ministry of Finance and Ministry of Constitutional Affairs should consider revision of the Motor Third Party Act. The government should first track the establishment of a local re-insurance company in Uganda to minimise high levels of capital freight.

Key words: Insurance, Regulation, Development