INSURANCE REGULATORY AUTHORITY
OF UGANDA

UNDERSTANDING INSURANCE

DRIVING GROWTH

INTRODUCTION

What is Insurance?

Insurance is a means of protection from financial loss. It is a form of risk management, primarily used to hedge against the risk of a contingent or uncertain loss. The amount of money paid by an individual or organization for insurance (cover/protection) to an insurance company is called the premium.

Benefits of insurance

Insurance enables individuals and organizations not to suffer the financial loss that would result from the occurrence of an insured risk. Insurance therefore;

- ✓ Provides payment for covered losses when they occur. The uncertainty of paying for losses out-of-pocket reduces significantly thus managing cash flow.

- ✓ Gives a peace of mind thereby enabling investments of larger amounts of money
- ✓ Provides financial protection to dependants in case of death of the breadwinner (Life insurance)
- ✓ Provides savings for future prosperity in case of life insurance
- ✓ It's a means of mobilizing investment funds. When insurance companies collect premiums, they invest those premiums in a variety of investment vehicles, and pay claims when they occur.
- ✓ Controls and reduces losses through surveys and provides risk improvement advice to the public and those insured
- ✓ Enables continuity of micro businesses that depend on the insured business
- ✓ Reduces individual burden on society such as education of the children after the death of the breadwinner.
- ✓ Reduces the burden of loss since many people shoulder the loss thus providing a form of social cooperation.

MOTOR THIRD PARTY (MTP) INSURANCE

This is a mandatory motor insurance cover which is required by all vehicles, vans or motorcycles for private or commercial use. MTP insurance was introduced by the Motor Vehicle Insurance (Third Party Risks) Act in 1989. The law provides for compulsory insurance against third party risks (bodily injury or death) in respect of the use of vehicles. Only government owned vehicles are exempted from having this motor insurance cover.

Who is a "Third Party" under this cover?

1st Party	The owner of the Vehicle, Van or Motorcycle.
2nd Party	The insurance company, that has issued the insurance policy (i.e. the risk-carrier).
3rd Party	Any other person who may be affected by the contract. The Third Party may be any road user such as the vehicle passenger or pedestrian involved in the accident (the accident victim).

a) Purpose of this motor insurance cover

It covers one against liability arising from bodily injury or death of a Third Party as a result of the insured vehicle accident subject to the pre-set limits.

b) Who is NOT covered under the Statutory Motor Third Party Insurance?

- The policyholder (1st party), his vehicle, driver and other employees, or immediate family members.
- Third party property damage i.e. Costs arising from damage to the 1st party's vehicle or any other form of property damage.

c) Motor Third Party Insurance claim process

- The moment the vehicle gets involved in an accident; report the incident to police and the Insurer.
- Where possible, the police will visit the accident scene to gather facts about the accident.

- Reporting the accident starts off the claim process because all the other parties involved have specific roles to play.
- After giving notice to the insurer, you will be required to fill an accident report form providing the following details;
  - ✓ Facts about of the accident;
  - ✓ Particulars of date, nature and circumstances of the accident;
  - ✓ Any other details the insurer may reasonably require in relation to the accident.

d) Documents required to support a claim

1. The accident victim (if possible) or his/her representative presents the following documents to the insurer to claim or seek compensation;

- Identification of the claimant;
- Police accident report- It gives particulars of the vehicles involved, drivers, owners, insurers, victims, extent of injury, the party to blame, the insurance sticker among others.

Note: All costs incurred in obtaining the police report are reimbursed by the insurer and forms part of the aggregate compensation.

- Medical Examination Report – this form is issued by the Police and is known as Police Form 3;
- In case of incapacitation, Medical Doctor's Report- this assess the extent of incapacitation.
- Receipts in respect of expenses incurred during treatment;

2. In case of death, the deceased representative should present the following documents to the insurer for compensation;

- Deceased identification;
- A police report;
- A post mortem report;
- Letters of Administration;
- Introductory letters from the LC I, of the deceased's area of residence.

e) Compensation limits of cover

Under the law, the maximum liability for Motor Third Party Insurance is one million shillings (Shs1M) per person and ten million shillings (Shs10M) in aggregate per accident.

If the claimed amount exceeds the above statutory limits, and unless the insured had sufficient extra coverage in place, the claimant has an option of recourse to courts of law against the vehicle/motorcycle owner, for the amount over and above the said limits.

All vehicles/motorcycle owners are therefore encouraged to secure insurance policies for improved limits since the Motor Third Party limits are usually low.

f) Motor Comprehensive Insurance

This motor Insurance policy covers the vehicle and its occupants against damages or losses arising from unforeseen calamities. It also covers third party injury and/or death as well as third party property damage. It is therefore prudent to purchase a Comprehensive Motor Insurance policy.

g) How long does it take to settle a claim?

The law provides that once all documentation has been submitted, accurate and with undisputed, the insurer will settle a claim within sixty (60) days of reporting the incident.

In cases where disputes arise, the claim should be settled within thirty (30) days after the dispute is settled.

AGRICULTURE INSURANCE

Through the Agro Consortium, a coalition of Ten Insurance Companies was set up to provide agriculture insurance to Ugandan farmers under the Uganda Agriculture Insurance Scheme (UIAS).

The Scheme is a Private-Public Partnership (PPP) between Government of Uganda and the Insurers with a stake in Agriculture Insurance. The PPP is aimed at protecting farmers from financial losses arising from damage and destruction of their crops and livestock resulting from;

Fire	Uncontrollable diseases
Drought	Hailstorm
Lightening	Landslides
Earthquake	Windstorm
Explosion	Malicious damage
Uncontrollable pests	Flooding
Excessive rainfall	

a) Who can join benefit from the scheme?

Both small and large-scale farmers can benefit from the scheme, but the benefit varies (a relatively greater subsidy for small scale farmers). For effectiveness and cost management, Small scale farmers may come together and form groups whereas large scale farmers may join the scheme as individuals.

b) What is covered under the scheme?

Crops Coffee , Tea, Rice, Oil seeds, Vegetables, Cotton , Maize, Bananas, Irish potatoes, Fruit trees , Cocoa, Beans, Millet, Barley , Cassava, Horticulture			
Livestock - Cattle	Poultry	Pigs	Fish

c) Government's contribution to the scheme

The government since 2016/17 financial year avails 5 billion shillings to be used to subsidize the insurance premiums payable by farmers.

The government pays 30% of the basic premium for large scale farmers and 50% for small scale farmers.

d) Multi-peril insurance (Insurance cover for many risks)

CROPS	ANIMALS	FISH
Value of crops is determined based on; • Cost of farm inputs (seeds, fertilizers, ploughing, weeding etc); • Estimated crop value when harvested • How much is sold from the crops	Value of animals is determined based on; • How much is spent on raising them; • Expected market value at the end of the insurance period; • In case of poultry, value is based on farmer's investment in the poultry farm.	Value is determined based on; • Stock projection and risk survey for new farm

HEALTH INSURANCE

Health insurance is a type of insurance coverage that covers the cost of an insured individual's medical and surgical expenses. ... Depending on the type of health insurance coverage, either the insured pays costs out of pocket and is then reimbursed, or the insurer makes payments directly to the provider.

a) Why get health insurance?

- Health insurance, also known as private medical insurance, is designed to ensure that if you need medical treatment in future, you won't need to worry about paying for the cost of the treatment.
- If you are treated privately, health insurance will pay all or some of your bills.
- It should get you diagnosed and treated quickly, as well as offer you a prompt referral to a consultant and admission to a private hospital at a time and place that is convenient for you.
- With health insurance, you will have a choice of private hospital from an agreed list provided by your insurer.

In short, the main benefits of private health insurance are:

- ✓ Shorter waiting times for treatment
- ✓ Better facilities
- ✓ Faster diagnosis
- ✓ Choice from a range of private facilities
- ✓ Choice of convenient time for appointments and treatments

b) What it does - and does not - cover

- Health insurance covers an array of things, including exclusive drugs, hospital stays, scans and surgical procedures.
- Inpatient treatment where you require a hospital bed is covered with most plans.
- Outpatient treatment where you visit external specialists or consultants is usually available on more expensive policies. Different plans will offer different options.
- Not usually covered, however, are any existing condition, chronic problems, elective surgery, organ transplants, and non-essential cosmetic treatments.

LIFE ASSURANCE

A Life assurance policy is a contract between an insurance company and an individual, where payment of a claim by the insurance company in return for premiums paid depends in some way on the duration of a human life or lives.

You can take out life assurance on your own life or the life of other individuals, such as your spouse or business partner, provided you can show that there is a financial relationship between you. A joint life first-death policy pays out on the first death of one of the lives assured. A joint life last-survivor policy pays out on the death of the last of the lives assured.

a) The size of the monthly premium will depend on, among others, the following factors:

- ✓ The amount of cover
- ✓ The insured's age
- ✓ The Insured's lifestyle e.g. whether the insured smokes
- ✓ The duration of the cover
- ✓ The number of persons covered
- ✓ The insured's medical history and current state of health
- ✓ The insured's occupation

The benefit of a life assurance policy is that it guarantees that if a life-assured dies, the life company will pay out a cash sum. This money will be paid to the person paying the premiums or, if the sole life-assured has died, the proceeds will be passed into his or her estate and distributed according to the terms of the will. If there is no will, the sum will be handled according to the laws of intestacy.

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