



UGANDA

January 2018

TECHNICAL ASSISTANCE REPORT—MOVING TOWARDS RISK-BASED SUPERVISION OF INSURANCE IN UGANDA—TRAINING ON SUPERVISION OF REINSURANCE AND ASSISTING ON AN INDUSTRY SEMINAR ON RISK-BASED SUPERVISION

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**Moving Towards Risk-Based Supervision of Insurance in Uganda:
Training on Supervision of Reinsurance and
Assisting on an Industry Seminar on Risk-Based Supervision**

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Technical Assistance Report

April 2016

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GLOSSARY

AFE	East AFRITAC
CARAMELS	Capital, Assets, Reinsurance, Actuarial provisions, Management, Earnings, Liquidity, and Subsidiaries and group issues
EAISA	East African Insurance Supervisors Association
IA	Insurance Act of 2000, as amended in 2011
IAIS	International Association of Insurance Supervisors
IAU	Insurance Association of Uganda
ICPs	Insurance Core Principles
IBNR	Incurred But Not Reported
IRA	Insurance Regulatory Authority of Uganda
RBS	Risk-Based Supervision
TA	Technical Assistance
UGX	Uganda Schilling

PREFACE

The Insurance Regulatory Authority of Uganda (IRA) requested East AFRITAC's (AFE's) assistance with regard to developing a strategy for implementing risk-based supervision (RBS) and achieving compliance with the Insurance Core Principles (ICPs) of the International Association of Insurance Supervisors (IAIS).

AFE has been assisting IRA since 2013 in its multi-year effort to move from compliance based methodology to risk-based supervision and regulation of insurers. IRA has adopted a progressive approach to implementing risk-based supervision. In mid 2014, it commenced implementing the CAMELS methodology, which has been adopted by the East African Insurance Supervisors Association and is currently used by a number of regulators in the region.

The current mission focused on: (i) assisting the IRA in building capacity in analyzing and assessing reinsurance (both life and non-life), from both a primary insurer's and a reinsurer's perspectives; (ii) coaching a team of IRA supervisors on-site at the Uganda Reinsurance Company in assessing a reinsurer; (iii) participating in an industry workshop on risk-based supervision and discussing implications of IRA's move to risk-based supervision for the IRA and the industry; and (iv) meeting with the IRA Board to discuss essential elements for success in implementing risk-based supervision as well as recommendations of the July 2015 Technical Assistance (TA) report¹.

In carrying out the work, the mission met with the IRA Board, Chief Executive Officer (CEO) of the IRA, Mr. Alhaj Kaddunabbi Ibrahim Lubega, the Director Operations, Mr. George Steven Okoth, and other senior staff, the supervisory teams, as well as the CEO and line management personnel of Uganda Reinsurance Company. The assistance, co-operation and hospitality extended by the IRA personnel, in specific by Mr. Ivan Kilameri, and the staff of Uganda Reinsurance Company is gratefully appreciated and contributed to the success of the mission.

¹ Moving Toward Risk Based Insurance Supervision in Uganda: On-site Assistance for the Inspection of Insurance Companies (July 2015)

EXECUTIVE SUMMARY

This report describes the tasks completed, findings and recommendations of the mission undertaken during the period October 26–November 4, 2015. The mission built further on previous AFE missions and focussed on (i) assisting IRA in building capacity in analyzing and assessing reinsurance (both life and non-life) from both a primary insurer’s and a reinsurer’s perspectives; (ii) providing on-site coaching to the supervisory team at Uganda Reinsurance Company in assessing areas specific to a reinsurer (reinsurance assumed, retrocessions and technical provisions); (iii) participating in an industry workshop to discuss IRA’s move towards risk-based supervision and its implications for IRA and the industry; and (iv) meeting with the IRA Board to discuss essential elements for successful implementation of risk-based supervision as well as recommendations resulting from July 2015 TA report to give the members of the Board a deeper appreciation of what needs to be done for success.

The key recommendations resulting from the mission are summarized in Table 1 below.

Table 1. Moving Towards Risk-Based Supervision: Key Recommendations

	Recommendations	Priority
	Insurance Industry	
1	<p>Under the revised insurance legislation, IRA will be requiring non-life insurers to provide certification for adequacy of technical provisions by an actuary as is currently required for life insurers.</p> <p>When the requirement comes into effect, it will be necessary for it to be supported by guidance from IRA in terms of its expectations for the actuarial reports to be filed. This will ensure consistency in reporting to the IRA and that the reports will provide the information needed by the IRA for supervisory purposes. Examples of guidelines to the actuaries (both life and non-life) were provided to IRA and are incorporated in a separate Technical Appendix.</p>	Medium
	Reinsurance	
2	<p>Companies in the industry do not seem to buy catastrophe protection. As recommended during the last mission, IRA, in conjunction with the industry association, need to evaluate the need for such a protection in the country and give guidance to the industry. It is interesting to note that Uganda Reinsurance Company has considered it necessary and has arranged for catastrophe protection.</p>	Medium
	Meeting with the IRA Board Members	

3	<p>The Board indicated a desire to be more involved in overseeing the initiative to move towards risk-based supervision.</p> <p>This is essential for the overall success of the project. In addition, approvals by the Board will be required at the various stages of the process. An increased level of Board oversight will ensure that the Board is in a position to provide the required approvals on a timely basis.</p>	High
4	<p>The Board has asked management to provide an action plan to address the recommendations resulting from the mission in May 2015.</p> <p>There were numerous recommendations made during the last mission and, although some of the recommendations were of a longer term nature, most of the recommendations remain to be addressed. The Board's involvement in ensuring these are addressed on a timely basis is an important initiative by the Board. It should also periodically review implementation of the plan to make sure it remains on track.</p>	High
5	<p>Progress made by the two managers in building a deeper understanding of the application of the CARMELS methodology was clear through their industry presentations.</p> <p>In order to build on the progress to-date, it will be important for the IRA to use the knowledge of the two managers to coach other supervisors in the application of the methodology. This will require that the two managers be given enough time to provide coaching to other supervisors. This should occur during the on-site phase as well as through subsequent review of supervisory documentation and reports.</p>	High
	<p>N.B Institution specific recommendations related to Uganda Reinsurance Company are incorporated in Annex 1.</p>	

I. INTRODUCTION

1. **AFE has been assisting IRA since 2013 in its multi-year effort to move from compliance-based to risk-based supervision and regulation of insurers.** IRA has adopted a progressive approach to moving to risk-based supervision. In mid-2014, it commenced implementing the CAMELS assessment methodology, which has been adopted by the East African Insurance Supervisors Association and is currently used by a number of regulators in the region.

2. **This Technical Assistance (TA) was to support the IRA in (i) building capacity in analyzing and assessing reinsurance (both life and non-life) from both the primary insurer's and a reinsurer's perspectives; (ii) coaching a team of IRA supervisors on-site at Uganda Reinsurance Company in assessing a reinsurer; (iii) participating in a workshop for the industry on risk-based supervision and discussing implications of IRA's move towards risk-based supervision for the IRA and the industry; and (iv) discussing with the IRA Board essential elements for success in implementing risk-based supervision and the recommendations resulting from July 2015 TA report.** The entire supervision staff of IRA attended the two days reinsurance training. The on-site coaching of the IRA team at Uganda Reinsurance Company was focused on training in assessing areas that are different in a reinsurer from that of a direct writer (business assumed by type, retrocessions and the technical provisions). The one day industry workshop was attended by about 75 participants. The mission was concluded with about half a day meeting with the IRA Board.

II. INSURANCE INDUSTRY

3. **The insurance industry in Uganda is in its early stages of development.** Non-life insurance represents 90 percent of the business and life insurance 10 percent. The level of penetration is gradually increasing. It has increased from 0.65 percent in 2010 to 0.86 percent in 2014. Insurance density is also gradually increasing. It has increased from USD 3.16 in 2010 to USD 5.30 in 2014.

4. **Total premiums have grown from UGX 240 billion in 2010 to UGX 504 billion in 2014, an average annual growth rate of 20.22 percent over the period.** Non-life premiums grew from UGX 216 billion in 2010 to UGX 384 billion in 2014, an average annual growth rate of 16.25 percent. Life insurance premiums grew from UGX 24 billion in 2010 to UGX 74 billion in 2014, an average annual growth rate of 30.0 percent.

5. **Under the revised insurance legislation, IRA will be requiring non-life insurers to provide certification for adequacy of technical provisions by an actuary as is currently required for life insurers.** When the requirement comes into effect, it will be necessary for it to

be supported by guidance from IRA in terms of its expectations for the actuarial reports to be filed. This will ensure consistency in reporting to the IRA and that the reports will provide the information needed by the IRA for supervisory purposes. As discussed below under Uganda Reinsurance Company, the company had retained an actuary for reporting on its technical provisions (both life and non-life), but the reports were lacking in a number of respects. Examples of guidelines to the actuaries (both life and non-life) were provided to IRA and are incorporated in a separate Technical Appendix.

III. REINSURANCE

6. **Being a developing market, the Uganda insurance market relies heavily on reinsurance for capacity and expertise.** As indicated in the table below, its cessions for non-life insurance from 2011 to 2014 have ranged from 42–45 percent. Cessions for life insurance have been lower and have ranged from 12–22 percent over the same period. Most of the reinsurance for non-life business is based on quota share and surplus treaties and for life business on yearly renewable term basis.

Table 2. Non-Life Insurance – Gross, Ceded and Net Premiums

Gross, Ceded and Net Premiums (UGX Billions) (IRA Annual Market Reports)	2014	2013	2012	2011
Gross Premiums Written	383.7	351.4	313.1	262.2
Premiums Ceded	162.6	152.5	141.4	111.8
Net Premiums Written	221.1	198.9	171.7	190.4
	Percent	Percent	Percent	Percent
Gross Premiums Written	100.0	100.0	100.0	100.0
Premiums Ceded	42.3	43.4	45.2	42.6
Net Premiums Written	57.7	56.6	54.8	57.4

Table 3. Cessions of Non-Life Insurance

Lines of Business (IRA Annual Market Reports)	2014 Percent	2013 Percent	2012 Percent	2011 Percent
Motor	10.0	11.1	9.7	8.0
Fire (Property)	72.2	79.8	74.7	75.5
Medical	31.1	39.0		
Personal Accident	41.4	31.9	46.6	23.2
Marine/Aviation	66.9	66.8	66.6	65.8
Engineering	75.8	80.1	81.2	75.8
Workmen Compensation	37.1	32.1	25.0	27.0
Public Liability	59.8	73.1	65.5	72.2
Burglary	25.0	27.0	14.2	22.0

Bonds	67.5	50.7	57.0	53.8
Miscellaneous	59.2	46.3	52.4	61.9
Total	42.4	43.4	45.2	42.6

7. In most cases motor insurance, which represents about 28 percent of the business written, is retained by the insurers for their net account, with other lines (particularly fire, engineering, public liability and bonds) being ceded at varying rates as indicated in the table above.

Table 4. Life Insurance – Gross, Ceded and Net Premiums

Gross, Ceded and Net Premiums (UGX Billions) (IRA Annual Market Reports)	2014	2013	2012	2011
Gross Premiums Written	74.0	55.4	39.3	34.6
Premiums Ceded	10.8	12.2	5.5	4.2
Net Premiums Written	63.2	43.2	33.8	30.4
	Percent	Percent	Percent	Percent
Gross Premiums Written	100.0	100.0	100.0	100.0
Premiums Ceded	14.6	22.0	14.0	12.1
Net Premiums Written	85.4	78.0	86.0	87.9

Table 5. Cessions of Life Insurance

Lines of Business (IRA Annual Market Reports)	2014 Percent	2013 Percent	2012 Percent	2011 Percent
Individual Life	2.1	2.2	2.1	13.5
Group Life	16.7	24.8	20.2	14.4
Medical	41.2	84.8		
DAP				
Total	14.6	22.0	14.1	12.1

8. The business ceded has been profitable for the reinsurers. Net loss ratios for non-life were just below 40 percent in 2013 and 2014, while the loss ratios for life varied between 28 and 34 percent during the same period (see Tables 6 to 9 below).

Table 6. Loss Ratios on Non-life Insurance Ceded for 2014

Gross, Ceded and Net Premiums (UGX Billions) (IRA Annual Market Reports)	Gross	Ceded	Net
Premiums Earned	368.0	164.4	203.6
Claims Incurred	132.5	51.6	80.9
Loss Ratios	36.00 Percent	31.38 Percent	39.73 Percent

Table 7. Loss Ratios on Non-life Insurance Ceded for 2013

Gross, Ceded and Net Premiums (UGX Billions) (IRA Annual Market Reports)	Gross	Ceded	Net
Premiums Earned	329.9	146.8	183.1
Claims Incurred	123.0	50.1	72.9
Loss Ratios	37.28 Percent	34.12 Percent	39.81 Percent

Table 8. Loss Ratios on Life Insurance Ceded for 2014

Gross, Ceded and Net Premiums (UGX Billions) (IRA Annual Market Reports)	Gross	Ceded	Net
Premiums Earned	71.9	8.6	63.3
Claims Incurred	27.0	5.2	21.8
Loss Ratios	37.55 Percent	60.46 Percent	34.43 Percent

Table 9. Loss Ratios on Life Insurance Ceded for 2013

Gross, Ceded and Net Premiums (UGX Billions) (IRA Annual Report 2013 and 2012)	Gross	Ceded	Net
Premiums Earned	57.0	13.8	43.8
Claims Incurred	17.4	4.9	12.5
Loss Ratios	30.52 Percent	35.50 Percent	28.93 Percent

9. **Companies in the industry do not seem to buy catastrophe protection.** As recommended during the last mission, IRA, in conjunction with the industry association, need to evaluate the need for such a protection in the country and give guidance to the industry. It is interesting to note that Uganda Reinsurance Company has considered it necessary and has arranged for catastrophe protection.

IV. TRAINING ON ASSESSING REINSURANCE

10. **Comprehensive training on analyzing and assessing reinsurance (both life and non-life) from both a direct writer's and a reinsurer's perspectives was provided over two full days to the entire IRA supervisory staff.** The key topics covered in the training are listed below and the presentation used is incorporated in a separate Technical Appendix. The presentation material was developed to provide on-going reference to IRA staff in supervision of reinsurance.

- i. What is reinsurance?
- ii. Purpose of reinsurance.
- iii. How reinsurance works.
- iv. Reinsurance vs. Co-insurance.
- v. Types and methods of reinsurance arrangements.
- vi. Parties to reinsurance.
- vii. Net retentions.
- viii. Clauses in reinsurance contracts
- ix. Reinsurance attachments and accounting.
- x. Insurance Core Principle 13 (Reinsurance).
- xi. Global reinsurance.
- xii. Reinsurance in Uganda.
- xiii. Applicability of financial stability indicators.
- xiv. Analyzing and assessing reinsurance.
- xv. Uganda Reinsurance Company.
- xvi. Case study on reinsurance.
- xvii. Terms used in reinsurance.
- xviii. Questions and challenges in assessing reinsurance.

V. INDUSTRY WORKSHOP ON RISK-BASED SUPERVISION

11. **IRA had requested assistance from AFE in preparing for the industry workshop and making a presentation on supervisory methodologies to the industry and discussing implications of IRA's move towards risk-based supervision for the IRA and the industry.** The one-day workshop was well attended by the industry. Based on the active participation of the industry members, the workshop was well received by the participants. A copy of the agenda for the workshop, the presentations on supervisory methodologies delivered by the Consultant, and two presentations on the CARMELS methodology currently being implemented by the IRA are incorporated in a separate Technical Appendix. The latter two presentations were done by IRA supervision managers.

12. **To engage the industry early in IRA’s move towards risk-based supervision was an excellent initiative on the part of the IRA.** As IRA progresses towards more advanced risk-based supervisory methodologies, it will need to issue guidance to the industry on various topics such as its expectations on corporate governance, risk management, etc. These are best developed in consultation with the industry; hence, engaging the industry at this early stage was an excellent initiative on the part of IRA.

VI. MEETING WITH THE IRA BOARD OF DIRECTORS

13. **To engage the industry IRA Board had requested a meeting with the mission.** The objectives of the meeting were to discuss (1) implications of IRA’s move towards risk-based supervision and how IRA can ensure success and (2) recommendations resulting from the May 2015 mission. A copy of the presentation made to the Board is attached to the report as Annex 8.

14. **Besides a suitable supervisory methodology, a number of elements were highlighted that are essential for successful implementation of risk-based supervision by the IRA. The elements discussed with the Board included the following:**

- Risk-based Supervisory Methodology
- Organization Structure and Accountabilities
- Resources and Staffing Strategies
- Supervisory Tools
- Knowledge Development and Sharing
- Quality Assurance (Line Management)
- Internal Audit
- Leadership and Change Management

15. **At the meeting, the Board indicated a desire to be more involved in overseeing the initiative to move towards risk-based supervision.** This is essential for the overall success of the project. In addition, approvals by the Board will be required at the various stages of the process. An increased level of Board oversight will ensure that the Board is in a position to provide the required approvals on a timely basis.

16. **As an initial step, the Board has asked management to provide an action plan to address the recommendations resulting from the July 2015 TA report.** There were numerous recommendations made during the last mission and, although some of the recommendations were of a longer term nature, most of the recommendations remain to be addressed. The Board’s involvement in ensuring these are addressed on a timely basis is an important initiative by the Board. It should also review implementation of the plan on a periodic basis to make sure it remains on track.

17. **Progress made by the two managers in building a deeper understanding to the application of the CARMELS methodology was clear through their industry presentations.** In order to build on the progress to-date, it will be important for the IRA to use the knowledge of these two managers to coach other supervisors in the application of the methodology. This will require that the two managers be given enough time to provide coaching to other supervisors. This should occur during the on-site phase as well as through subsequent review of supervisory documentation and reports.

ANNEX 1. UGANDA REINSURANCE COMPANY

Uganda Reinsurance Company was licensed by the IRA in 2013, with 2014 being its first full years of operations. It is the only reinsurer licensed in Uganda. It is widely held by local insurers (45.1 percent), regional reinsurers (43.1 percent), insurance associations (8.1 percent) and others (3.7 percent). It reinsures both life and non-life business.

In order to support the development of a local reinsurer, IRA requires insurers to cede 15 percent of their reinsurance programs to Uganda Reinsurance Company. Uganda Reinsurance Company has an option to decline the business offered.

Through the creation of the first reinsurer, Uganda Reinsurance Company, it is intended that as the company grows and increases its capacity, it will be able to retain more of the business in the country. The approach is similar to other countries in the region that have set up reinsurers and require local companies to cede a certain per cent of the business to the reinsurer so it can grow its capacity over time.

In its first full year of operations, Uganda Reinsurance Company wrote gross premiums totaling 14.96 billion UGX, of which 14.44 billion UGX was non-life business and 0.52 billion UGX life reinsurance. In 2013, it wrote non-life business only on a facultative basis. Most of the business is generated in Uganda (95 percent), with the balance (5 percent) coming from Tanzania, Rwanda and South Africa. The distribution of the type of business written for 2014 was as follows:

Table 1. Type of Business Written by Uganda Reinsurance Company in 2014

Type of Business	Non-Life	Life	Total
	UGX Billions	UGX Billions	UGX Billions
Facultative	1.80		1.80
Excess of Loss	1.15		1.15
Proportional	11.49		11.49
Yearly Renewable Term		0.52	0.52
Total	14.44	0.52	14.96

Table 2. Line of Business Written by Uganda Reinsurance Company in 2014

Line of Business	Non-Life	Life	Total
	UGX Billions	UGX Billions	UGX Billions
Motor	0.45		0.45
Fire (Property)	5.67		5.67
Personal Accident	1.19		1.19

Engineering	1.38		1.38
Public Liability	0.16		0.16
Marine	0.85		0.85
Bonds	0.62		0.62
Miscellaneous	4.12		4.12
Individual Life		0.03	0.03
Group Life		0.49	0.49
Total	14.44	0.52	14.96

The company retrocedes business on an excess of loss basis. Being a new reinsurer, the company had arranged an 85 percent quota share retrocession on the business assumed with companies outside Uganda. However, when the Government introduced a 15 percent withholding tax on premiums ceded to companies outside Uganda, the company rearranged its retrocession program from quota share to excess of loss in view of the cost implications as quota share premiums to be paid to the reinsurers would have been much higher than those required to be paid for the excess of loss arrangements.

Under its excess of loss retrocession program for non-life, its maximum net retention is USD 200,000 and for life insurance USD 160,000 as indicated in the Table below.

Table 3. Retentions under Retrocession Arrangements

Non-Life Retrocessions	Net Retention	Maximum Coverage
	USD	USD
Fire and Engineering	200,000	20,000,000
General Accident and Motor	75,000	4,000,000
Marine	200,000	3,500,000
(N.B. Upper layers of the program provide both per risk and per event covers.)		
Life Retrocessions		
85 percent quota share with a retention limit of USD 160,000		

The company's retrocessions have been profitable for its reinsurers as indicated in the table below.

Table 4. Profitability of the Retrocessions

	Non-Life	Life	Total
	UGX.	UGX.	UGX.
	Billions	Billions	Billions
Premiums Retroceded	9.48	0.44	9.92
Incurred Claims on Retrocessions	1.97	0.11	2.08

Provision for unearned premiums was assessed as adequate. To determine unearned premiums, pipeline premiums were estimated based on the company's experience in the first three quarters of 2014. The unearned premiums were determined by the actuary using the 1/8th method. This amount was slightly below the 40 percent minimum required by the Insurance Act. Based on subsequent reporting in 2015, the estimates appear to be more than adequate.

The provision for claims was developed by the actuary with reference to industry loss ratios. Considering 95 percent of the business is from Uganda and 80 percent of it is proportional, the approach is reasonable. However, going forward, it would be important to analyze the business by type (facultative – non-proportional and proportional; quota share, surplus and excess of loss separately) as the experience on these businesses tends to vary. Uganda Reinsurance is still not able to assess adequacy of the provision as it is awaiting reporting by the direct writers. Apparently, reporting to reinsurers is very weak in the industry. This is a reflection of the quality of information generated by insurers. The situation should improve once IRA introduces the revised regulatory returns as most insurers tend to generate information based on the information required to be filed with the regulatory agency.

Both non-life and life actuary's reports were prepared on a net basis and could not be fully reconciled to the technical provisions reported in the audited financial statements. Although actuarial certification of technical provisions for non-life insurers is currently not required by the IRA, it is important for the actuarial assessments to be developed on a gross, ceded and net basis by type of business (quota share, surplus, excess of loss) The reports also need to clearly include the rationale for the various assessments and the resulting amounts should be reconciled to the amounts reported in the audited financial statements. The reports did not include an explanation of the rationale used and the company was not able to provide a reconciliation of all the amounts in the reports to the amounts reported in the audited financial statements during the course of the mission. IRA should consider formally requesting the reconciliation from the company.

The company's CEO is scheduled to retire at the end of the year. The company's Board is currently looking for a replacement. IRA should monitor the appointment of the new CEO and his/her continued development of the company as well as dealing with the IRA recommendations on a timely basis. The company is small with a staff of seven; hence, all aspects of developing and managing the company fall to the CEO. The current CEO is a very experienced individual and has made good progress in setting up the company and developing it.

IRA should also monitor the implementation of the new information technology systems planned to be implemented by the company in 2016. Currently most of the accounting is done either on desktop computers or manually. This has limited the type of analysis and information available on the business; for example, loss ratios by treaty, experience by type of business, experience on excess of loss business by working layers and others separately, experience on proportional treaties split between quota share and surplus, etc. This type of analysis is necessary to acquire a deeper understanding of the underwriting experience on the business as these different types of businesses have different experience patterns.

**Table 5. On-site Examination Uganda Reinsurance Company:
Key Recommendations**

	Recommendations	Priority
Uganda Reinsurance Company.		
1	Both non-life and life actuary's reports were prepared on a net basis and could not be fully reconciled to the technical provisions reported in the audited financial statements. Although actuarial certification of technical provisions for non-life insurers is currently not required by the IRA, it is important for the actuarial assessments to be developed on a gross, ceded and net basis by type of business (quota share, surplus, excess of loss, etc.) The reports also need to clearly include the rationale for the various assessments and the resulting amounts should be reconciled to the amounts reported in the audited financial statements. IRA should consider formally requesting the reconciliation from the company.	Medium
2	The company's CEO is scheduled to retire at the end of the year. The company's Board is currently looking for a replacement. IRA should monitor the appointment of the new CEO and his/her continued development of the company as well as dealing with the IRA recommendations on a timely basis.	Medium
3	IRA should monitor the implementation of the new information technology systems planned to be implemented by the company in 2016. Currently most of the accounting is done either on desktop computers or manually. This has limited the type of analysis and information available on the business; for example, loss ratios by treaty, experience by type of business, experience on excess of loss business by working layers and others separately, experience on proportional treaties split between quota share and surplus, etc. This type of analysis is necessary to acquire a deeper understanding of the underwriting experience on the business as these different types of businesses have different experience patterns.	Medium