

INSURANCE LAW AND PRACTICE FOR UGANDA LAW SOCIETY MEMBERS

LIFE INSURANCE

WHAT IS LIFE INSURANCE

- LIFE INSURANCE IS A CONTRACT BETWEEN AN INSURANCE COMPANY AND AN INSURED (CUSTOMER/ POLICYHOLDER), WHEREBY THE POLICYHOLDER PAYS A REGULAR CONTRIBUTION (PREMIUM) AND THE INSURANCE COMPANY PROMISES TO PAY A LUMP SUM (SUM ASSURED) TO THE NOMINATED BENEFICIARY OF THE POLICYHOLDER IF THE INSURED EVENT (USUALLY DEATH) OCCURS.
- LIFE POLICIES CAN EITHER BE PROTECTION ONLY OR A COMBINATION OF PROTECTION AND INVESTMENTS.

WHAT ARE THE DIFFERENT TYPES OF LIFE INSURANCE?

- **PROTECTION POLICIES** - THESE ARE DESIGNED TO PAY A BENEFIT (USUALLY DEATH) ONLY IN THE EVENT THAT THE RISK INSURED AGAINST HAPPENS. EXAMPLES ARE TERM ASSURANCE, MORTGAGE/LOAN PROTECTION, KEYMAN INSURANCE AND WHOLE OF LIFE ASSURANCE;
- **LAST EXPENSE:** THIS POLICY IS MEANT TO CATER FOR FUNERAL EXPENSES OF THE POLICYHOLDER AND THEIR LOVED ONES.
- **INVESTMENT POLICIES** - THESE POLICIES USUALLY COMBINE PROTECTION AND INVESTMENT SUCH THAT THE PAYOUT IS EITHER ON DEATH OR MATURITY (END OF POLICY TERM). AN ENDOWMENT POLICY IS AN GOOD EXAMPLE OF AN INVESTMENT POLICY.
- THEY ARE POPULAR WITH THOSE WHO WANT TO SAVE TOWARDS A HOUSE OR FOR CHILDREN'S EDUCATION.

WHAT IS GROUP LIFE INSURANCE

- THIS IS A LIFE INSURANCE COVER THAT ANY COMPANY OR GROUP CAN TAKE OUT FOR PROVISION OF BENEFITS TO ITS MEMBERS.
- IT IS A KEY BENEFIT THAT EMPLOYERS OFFER EMPLOYEES. THE POLICY IS USUALLY ISSUED IN THE NAME OF THE EMPLOYER WHO USUALLY PAYS THE PREMIUM. AS WITH OTHER TYPES OF GROUP BENEFITS, GROUP LIFE INSURANCE IS GENERALLY CHEAPER THAN INDIVIDUAL POLICIES. SACCOs AND INVESTMENTS GROUPS CAN ALSO TAKE GROUP LIFE INSURANCE.
- BENEFITS PROVIDED UNDER THIS POLICY ARE DEATH FROM ALL CAUSES, CRITICAL ILLNESS, PERMANENT TOTAL DISABILITY AND LAST EXPENSES (FUNERAL COVER).

THE IMPORTANT PROVISIONS IN A LIFE INSURANCE POLICY DOCUMENT

- **PREMIUM:** THIS IS THE AMOUNT YOU PAY TO THE INSURANCE COMPANY TO BUY THE LIFE COVER. THE COVER STARTS WHEN YOU PAY THE FIRST PREMIUM.
- **WITH PROFITS POLICY:** THIS POLICY ALLOWS YOU TO SHARE IN THE PROFITS OF THE INSURANCE COMPANY, USUALLY PAID ANNUALLY AS BONUS ADDITION TO THE GUARANTEED AMOUNT KNOWN AS SUM ASSURED.
- **WITHOUT PROFITS POLICY:** THE GUARANTEED AMOUNT (SUM ASSURED) REMAINS THE SAME THROUGHOUT THE TERM OF THE POLICY. BECAUSE OF INFLATION, WITHOUT PROFITS POLICIES ARE NO LONGER COMMON.
- **BONUS:** THIS IS THE AMOUNT ADDED TO THE SUM ASSURED AT THE END OF EACH YEAR (PROVIDED THE INSURANCE COMPANY MAKES A PROFIT) AND IS PAYABLE TOGETHER WITH THE POLICY BENEFITS I.E. MATURITY OR DEATH.
- THIS IS ONLY APPLICABLE TO WITH PROFITS POLICIES.

CONTINUATION...

- **CASH / SURRENDER VALUE:** WHEN YOUR LIFE INSURANCE POLICY HAS BEEN IN FORCE FOR A CERTAIN PERIOD (NORMALLY 2 -3 YEARS) IT ACQUIRES A CASH VALUE KNOWN AS A SURRENDER VALUE. THIS IS THE AMOUNT THAT THE LIFE INSURANCE COMPANY SHALL PAY YOU IF YOU CANCEL YOUR POLICY. YOU SHOULD STRIVE TO MAINTAIN YOUR POLICY UNTIL MATURITY SO THAT YOU CAN GET THE FULL BENEFITS.
- A POLICY THAT HAS NOT BEEN IN FORCE FOR 2 TO 3 YEARS, HAS NO CASH VALUE BECAUSE OF THE HIGH SET UP COSTS ASSOCIATED WITH THESE POLICIES.
- EARLY CANCELLATIONS ARE THEREFORE DISCOURAGED BECAUSE THE CLIENT DOES NOT RECEIVE AND PAY-OUT.

CONTINUATION...

- FOR THE PURELY PROTECTION POLICIES THERE IS NO RETURN OF CASH ON CANCELATION.
- **POLICY LOAN:** OTHER THAN SURRENDERING TO GET LESS BENEFITS SOME POLICIES ALLOW YOU TO APPLY FOR A POLICY LOAN WHEN YOUR POLICY HAS ACQUIRED A CASH VALUE. INTEREST IS CHARGED ON THE POLICY LOAN. SHOULD YOU DIE OR THE POLICY MATURES, ANY UNPAID PORTION OF THE LOAN IS DEDUCTED FROM THE BENEFITS TO BE PAID.
- **ENDORSEMENTS:** SINCE THESE POLICIES SPAN FOR LONGER PERIODS THERE ARE PROVISIONS TO ALLOW YOU MAKE MATERIAL CHANGES TO YOUR POLICIES FOR EXAMPLE, POLICY BENEFITS, CHANGE OF BENEFICIARY ETC.
- IT IS THE NAMED BENEFICIARIES THAT ARE ENTITLED TO THE POLICY BENEFITS IN THE EVENT OF DEATH.

CONTINUATION...

- **REDUCED PAID-UP POLICY:** INSTEAD OF SURRENDERING THE POLICY ONE CAN OPT TO STOP PAYING PREMIUMS BUT FOR THE POLICY TO MATURE (PROVIDED THE POLICY HAS ACQUIRED A CASH VALUE.). THE POLICY WILL REMAIN IN FORCE BUT THE SUM ASSURED IS REDUCED IN PROPORTION TO THE PREMIUMS PAID COMPARED TO WHAT SHOULD HAVE BEEN PAID.
- **AUTOMATIC PREMIUM LOAN (NON-FORFEITURE ADVANCE):** IF PREMIUMS ARE NOT PAID WITHIN THE GRACE PERIOD, PROVIDED YOUR POLICY HAS ACQUIRED A SURRENDER VALUE, THE INSURANCE COMPANY WILL PAY PREMIUMS ON YOUR BEHALF TO KEEP THE POLICY IN FORCE.
- THE ADVANCED PREMIUMS WILL BE TREATED AS A LOAN AGAIST YOUR POLICY WHICH ATTRACTS INTEREST.
- THIS DEBT SHOULD EVENTUALLY BE REPAYED AS IT REDUCES THE CASH VALUE OF YOUR POLICY.

CONTINUATION...

- **COOLING-OFF PERIOD FOR REVIEW OF POLICY DOCUMENT:** YOU CAN CANCEL YOUR LIFE INSURANCE POLICY BY RETURNING THE POLICY DOCUMENT TO THE INSURANCE COMPANY WITHIN 30 DAYS FROM INCEPTION, IF YOU FEEL THAT IT DOES NOT REFLECT THE COVER YOU AGREED UPON WHEN BUYING THE POLICY. THE PREMIUM THAT YOU HAVE PAID WILL BE REFUNDED, AFTER DEDUCTING ANY MEDICAL FEES INCURRED.
- **GRACE PERIOD:** THE PERIOD INSURANCE PREMIUMS MAY REMAIN UN-PAID WITHOUT SUSPENDING THE INSURANCE COVER. (THIS PERIOD IS USUALLY BETWEEN 60 TO 90 DAYS).

SOME KEY EXCLUSIONS

- **SUICIDE CLAUSE:** BENEFITS SHALL NOT BE PAID OUT IF DEATH WAS AS A RESULT OF SUICIDE WITHIN A PRESCRIBED PERIOD USUALLY TWO YEARS.
- **WAR:** WHETHER DECLARED OR NOT.
- **PANDEMICS:** DEATH FROM PANDEMICS IS USUALLY EXCLUDED, HOWEVER IN UGANDA, THE INDUSTRY AGREED TO HONOUR COVID-19 DEATH CLAIMS.
- **STRIKES, RIOTS & CIVIL COMMOTION:** THIS IS EXCLUDED ONLY IF YOU ARE A PARTICIPANT.
- **HAZARDOUS PURSUITS:** ONLY IF YOU ENGAGE THESE IN A PROFESSIONAL CAPACITY.

WINSTON CHURCHILL'S QUOTE

“IF I HAD MY WAY, I WOULD WRITE THE WORD '**INSURE**' UPON THE DOOR OF EVERY COTTAGE AND UPON THE BLOTTING BOOK OF EVERY PUBLIC MAN, BECAUSE I AM CONVINCED, FOR SACRIFICES SO SMALL, FAMILIES AND ESTATES CAN BE PROTECTED AGAINST CATASTROPHES WHICH WOULD OTHERWISE SMASH THEM UP FOREVER”

SUMMARY STATISTICS AND MEMBERS

LIFE INSURANCE PREMIUM IN BILLIONS					
YEAR	Individual	Group	Medical	Pension	Total
2014	18.2	31.8	12.5	11.5	74.0
2015	24.4	57.7	5.3	12.5	99.9
2016	50.2	61.0	7.1	14.3	132.5
2017	71.1	53.7	23.6	20.4	168.7
2018	102.0	66.0	32.2	16.7	216.9
2019	131.2	84.9	41.4	21.5	279.0

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