



Insurance Regulatory Authority of Uganda

Plot 5, Kyadondo Road, Nakasero. Legacy Towers, Block B, 2nd Floor.

Telephone: 0312-266364/ 0414-346712 / 041-4253564

P.O Box 22855 Kampala - Uganda

E-mail: ira@ira.go.ug

Fax: 256 414 349260

<http://www.ira.go.ug>

THE UGANDA OIL AND GAS CO-INSURANCE CONSORTIUM GUIDELINES, 2019.

**THE UGANDA OIL AND GAS CO-INSURANCE CONSORTIUM GUIDELINES,
2019**

ARRANGEMENT OF GUIDELINES

Guidelines

PART I - PRELIMINARY

1. Citation and Commencement
2. Definitions and Acronyms
3. Preamble
4. Objectives
5. Scope and Application of The Guidelines

PART II - THE UGANDA OIL AND GAS INSURANCE CONSORTIUM

6. Establishment of The Oil and Gas Insurance Consortium
7. Management of The Uganda Oil And Gas Consortium
8. The Technical Committee
9. The Consortium Manager
10. The Lead Insurer (Leader)
11. The Consultant
12. External Auditors

PART III - THE CONSORTIUM PROCESSES & ARRANGEMENTS

13. Underwriting of Oil & Gas Risks
14. Reinsurance Arrangements
15. Premium Collection
16. Claims
17. Returns
18. Conflict Resolution
19. Local Capacity Development

PART IV - SCHEDULES

Schedule One (1) - Insurance Business to be underwritten by The Uganda Oil and Gas Insurance Consortium

Schedule Two (2) - The Tendering Process

Schedule Three (3) - Claims Procedure

**THE UGANDA OIL AND GAS CO-INSURANCE CONSORTIUM GUIDELINES,
2019**

PART I - PRELIMINARY

1. CITATION AND COMMENCEMENT

These Guidelines may be cited as The Uganda Oil and Gas Co-insurance Consortium Guidelines, 2019 and shall come into force on the 19th day of March 2019.

2. DEFINITIONS AND ACRONYMS

(1) In these Guidelines, unless the context otherwise requires –

“Authority” means the Insurance Regulatory Authority of Uganda.

“Consortium” refers to the Uganda Oil and Gas Co-insurance Consortium approved by the Authority.

“Constituting documents” means the Consortium Member Agreement /Memorandum of Understanding/Constitution, Consortium Management Agreement, the Consultancy Agreement and includes any other document which is key to the activities of the Consortium

“Insurance Act” refers to The Insurance Act No. 6 of 2017.

“IOC” refers to International Oil Companies.

“Leader” refers to the Lead insurer as appointed by the Technical Committee.

“Local Capacity” refers to the aggregate capacity of all Ugandan registered insurers and reinsurers to reinsure any Ugandan Oil & Gas risks which shall be fully exhausted prior to any application for approval to reinsure overseas.

“PAU” means The Petroleum Authority of Uganda.

“PPDA” means Public Procurement and Disposal of Public Assets Authority

“Solvency margin” means the surplus of the value of the capital resources (admitted assets) of an insurer over the value of its liabilities;

“The Consultant” refers to the technical consultant on Oil and Gas Insurance contracted by the Consortium to build capacity for the local industry and recognised by the Authority.

“The Manager” refers to a reinsurance company or any other entity approved by the Authority as the Administrative Manager of the Consortium.

“UNOC” means The Uganda National Oil Company.

“Qualifying reinsurer” means a foreign reinsurer that has –

(a) a current financial strength rating of:

(i) A +, A, B+, B or C+ assigned to it by the A. M. Best Company;

(ii) AAA, AA, A, BBB BB assigned to it by the Fitch Group or Standard & Poors; or

(iii) Aaa, Aa, A or Baa assigned to it by Moody’s Corporation; or

(b) Such other financial strength rating as may be approved by the Authority on a case-by-case basis.

- (2) Terms and expressions used in these Guidelines and not defined shall have the same meaning ascribed to them in the Insurance Act, The Petroleum (Exploration, Development and Production) Act, 2013, and The Petroleum (Exploration, Development And Production) (National Content) Regulations, 2016.

3. PREAMBLE

Section 9(3) of the Insurance Act makes it mandatory for all local risks and persons, including imports to be insured by insurance companies licensed to carry out insurance business in Uganda.

In addition, Section 74 (6) of the Act obligates an insurer to first place reinsurance business with a company licensed under the Act, to the maximum extent possible, before placement of the business outside Uganda.

While noting developments in the oil and gas sector in Uganda, the role the insurance industry has to play in underwriting oil and gas risks, and the setup of the insurance industry in Uganda, the Authority also recognized that the risks to be covered are too enormous to be adequately insured in Uganda and that there is a need to grow local capacity /content in that regard.

The Authority therefore recognizes the need for The Consortium which is a co-insurance group, established by licensed local insurance companies, to undertake local insurance for the oil and gas sector in Uganda in accordance with the Insurance Act and to enable and foster consolidation of the financial and technical capacity required of insurance companies participating in underwriting of oil and gas risks.

Whereas the Authority is in the process of making comprehensive insurance Regulations for oil and gas activities, for the better carrying into effect the provisions of the Insurance Act, Section 12(1)(a) of the Act mandates the

Authority to establish standards for the conduct of business in the insurance sector and to issue such guidance as it considers appropriate.

Based on the foregoing and given the numerous requirements prescribed in The Petroleum (Exploration, Development And Production) (National Content) Regulations, 2016 and other prerequisites by PAU in order to have Insurance listed in the schedule to the said Regulations as part of the services to be provided by Ugandan companies, Ugandan citizens and registered entities, the Authority makes these Guidelines in the interim to streamline the operations of The Uganda Oil and Gas Co-insurance Consortium.

4. OBJECTIVES

The objectives of these guidelines are to;

- (1) Provide a framework for regulation, supervision, monitoring and control of the Consortium;
- (2) Facilitate and consolidate the financial and technical capacity of the Ugandan insurance companies to participate in the underwriting of oil and gas risks.
- (3) Enable local retention and effective spread of risks amongst Ugandan insurance and reinsurance companies;
- (4) Protect the interests of Ugandans and enhance local capacity in tandem with local content requirements;
- (5) Provide an arrangement that is fair, open and equitable for participation of other insurance intermediaries in the oil and gas sector in Uganda.

5. SCOPE AND APPLICATION OF THE GUIDELINES

- (1) These guidelines apply to the Consortium (its membership being voluntary) and all its members.
- (2) The Authority may recognise any other insurance or reinsurance arrangement for oil and gas related business in Uganda, independent of the Consortium provided;
 - (a) the licensee demonstrates uttermost technical competence and financial ability to underwrite the risk;
 - (b) a portion of the business is placed with the Consortium to the maximum extent possible;
 - (c) there is full observance of the national local content regulatory policy framework requirements.

PART II - THE UGANDA OIL AND GAS INSURANCE CONSORTIUM

6. ESTABLISHMENT OF THE OIL AND GAS INSURANCE CONSORTIUM

- (1) The Consortium shall be established under the Laws of Uganda and recognised by the Authority.
- (2) The liability of members of the Consortium shall be joint to any insured and several amongst themselves.
- (3) The Authority shall review and approve all the constituting documents of the Consortium at least once in every three years while bearing in mind the following factors:
 - (a) membership of the Consortium;
 - (b) management of the Consortium;
 - (c) premium and policy requirements;
 - (d) members' deposits/commitment funds;
 - (e) underwriting and claims processes;
 - (f) reinsurance;
 - (g) dispute resolution;
 - (h) safeguards for policyholders;
 - (i) Any other matter the Authority may consider appropriate.
- (4) The Consortium will be a provider of insurance related services for oil and gas activities in Uganda for insurance business designated in Schedule One (1) to these guidelines.
- (5) All products provided by The Consortium shall be competitive, transparent and up to International Standards.

7. MANAGEMENT OF THE UGANDA OIL AND GAS CONSORTIUM

- (1) The General Assembly which comprises all the members of the Consortium is the supreme authority of the Consortium and shall oversee the management of the Consortium.
- (2) There shall be a Technical Committee of the Consortium elected by the General Assembly at its Annual General Meeting whose composition and tenure and responsibilities shall be determined by the General Assembly.
- (3) The General Assembly may at its discretion appoint any other committees that it considers necessary for the discharge of the functions of the Consortium.
- (4) The General Assembly shall appoint a Consortium Manager and Consultant to manage the day to day activities of the Consortium.

8. THE TECHNICAL COMMITTEE

- (1) The Technical Committee shall be the core technical and decision-making organ of the Consortium.
- (2) The Technical Committee shall be responsible for the following -
 - (a) Implement resolutions of the General Assembly and the general policy of the Consortium;
 - (b) guide the Consortium on matters related to underwriting and reinsurance arrangements;
 - (c) Recommend to the General Assembly the criterion for participation of a member;
 - (d) Consider the annual audited accounts (which should be separate from those of the Leader and the Consortium Manager) and recommend the same to the General Assembly for approval;
 - (e) following approval by the Authority, recommend to the General Assembly the portion of surplus to be distributed to members and that to be retained;
 - (f) Recommend the appointment of the Consortium Manager to the General Assembly.

9. THE CONSORTIUM MANAGER

- (1) The Consortium Manager shall be a reinsurance company or any other entity approved by the Authority.
- (2) The Consortium Manager shall have the following roles and responsibilities -
 - (a) Manage the day to day activities of the Consortium including supporting the Leader in pursuing and negotiating business for the Consortium, securing reinsurance, premiums collection and claims management.
 - (b) Act as an agent of the Consortium and shall have authority to represent the Consortium in all fora.
 - (c) Prepare annual audited accounts (which should be separate from those of the Leader).
 - (d) The Manager shall make returns and reports (inclusive manpower capacity development reports) to the Authority in a manner and format determined by the Authority.

10. THE LEAD INSURER (LEADER)

- (1) The Leader shall be appointed by the Technical Committee.
- (2) The Technical Committee in appointing the Leader shall include the following as part of its selection criteria;-
 - (a) compliance with tax obligations;
 - (b) its solvency margin;

- (c) its administration and compliance capabilities;
 - (d) any current assignments undertaken as Leader under the Consortium;
 - (e) Any other factor as determined by the Authority.
- (3) The Leader shall be the legal representative of the Consortium and therefore sue and may be sued on behalf of the Consortium and members shall not sue third parties in their own name unless authorised in writing by the Lead Insurer.
- (4) The Leader shall have the following roles and responsibilities -
- (a) management of bids in conjunction with the Consortium Manager;
 - (b) prepare and issue local documentation pertaining to the risks underwritten by and through the Consortium for local compliance purposes only;
 - (c) managing the applicable tax and levy requirements in line with the applicable Regulations.
 - (d) receiving premiums from the insured, if need be.
- (5) The Leader shall be the legal representative of the Consortium and therefore sue and may be sued on behalf of the Consortium and members shall not sue third parties in their own name unless authorised in writing by the Lead Insurer.
- (6) The Leader shall be entitled to indemnification from the Members, proportionate to their interest in the Consortium, for all claims, damages, losses, penalties, costs and expenses (including legal expenses) it may suffer arising from or related to its acting as the Lead Insurer.

11. THE CONSULTANT

- (1) The Consultant shall have the following roles and responsibilities -
- (a) Advising the Consortium on securing professional, adequate and competitive insurance and reinsurance and generally advising the Consortium in all technical matters.
 - (b) Providing Oil and Gas Insurance training to the Consortium and other stakeholders.
 - (c) Building capacity, expertise and knowledge transfer to the Consortium.
 - (d) Any other roles that the Authority or the Consortium shall consider necessary for the effective functioning of the Consortium.

12. EXTERNAL AUDITORS

- (1) The Auditors appointed at the Annual General Meeting of the General Assembly shall audit the Consortium's books of accounts and records in accordance with appropriate auditing and accounting standards and principles.

- (2) The auditors shall report to the Technical Committee or any other committee that the General Assembly so designates.
- (3) The service of the same external auditors shall not exceed a consecutive period of three (3) years.
- (4) Only Approved Auditors for that year as published on the Authority's website shall audit the Consortium's books of accounts.

PART III - THE CONSORTIUM PROCESSES & ARRANGEMENTS

13. UNDERWRITING OF OIL & GAS RISKS

- (1) A party wishing to purchase insurance for oil and gas business specified in schedule one (1), may approach The Consortium through the appointed Consortium Manager.
- (2) The Leader together with the Manager, will obtain full underwriting information from the parties concerned and the necessary approvals if any from PAU and UNOC together with the covers required.
- (3) The terms and conditions for any risks to be underwritten by The Consortium will be based on International markets and The Consortium will conduct an International reinsurance tender for each of the policies.
- (4) The policy format forms to be issued and the wording shall be approved by the Authority and any underwriting should be in full compliance with the Insurance Act, and the Regulations made thereunder.

14. REINSURANCE ARRANGEMENTS

- (1) Reinsurance arrangements shall only be placed outside Uganda with qualifying reinsurers after making reinsurance placements with Africa-Re, ZEP-RE, Uganda Re and any other reinsurer licensed by the Authority to the maximum extent possible.
- (2) The Consortium shall undertake reinsurance tenders for each policy issued at least every three (3) years to ensure competitiveness with the prevailing international markets prices, terms and conditions.
- (3) The reinsurance tendering shall be implemented by the Manager of the Consortium as guided by the Technical Committee and overseen by PAU, UNOC and the Authority.

- (4) Reinsurance shall be tendered through reinsurance brokers and only placed with a licensed reinsurer, a qualifying foreign reinsurer or through any other arrangement as approved by the Authority.
- (5) Each reinsurance market tender shall include the participation of a minimum of 2 reinsurance brokers, following a three (3) stage process outlined in schedule (Two) 2 to these Guidelines.
- (6) Provision of reinsurance broking services shall not be undertaken by a foreign company unless the foreign company is in a partnership /venture with a reinsurance broker licensed by the Authority and the partnership /venture is approved by the Authority.
- (7) Reinsurance arrangements shall be construed as part of The Consortium's capacity for the purpose of determining local capacity or retention.
- (8) Any other reinsurance programme/facility shall be acceptable in determining local capacity or retention only after the security has been confirmed for each risk.
- (9) Reinsurance arrangements will be approved by the Regulator and must be structured to protect aggregate losses with maximum retention per policy not being more than 5% of the Consortium Members' contribution.

15. PREMIUM COLLECTION

- (1) The Leader will issue invoices for the designated premium which will be paid into a bank account designated by The Consortium.
- (2) The premium received from the insured will be dealt with as provided for in the Consortium Members' Agreement after provisioning for the statutory and regulatory deductions; i.e.; taxes, levies etc.

16. CLAIMS

- (1) Claims shall be administered in accordance with the Insurance Act, the Regulations thereunder and standard insurance practices including the Authority's Claims guidelines where applicable, except that in the case of the Consortium; settlement of claims shall be the responsibility of the Leader.
- (2) In the event of a loss, the insured shall notify The Consortium in writing through the Leader.
- (3) The Leader shall liaise with the Manager, Technical Committee, reinsurers and their appointed loss adjusters to ensure that a claims is handled in accordance with the Claims procedure provided in Schedule Three (3)

- (4) The Leader shall keep the insured informed of the progress of its claim and will advise and keep all members of the Consortium updated on any claims submitted; for their benefit in reporting monthly/annual returns to the Authority.
- (5) On issuance of a Discharge Voucher or other document detailing the agreed claim settlement amount by the Consortium Manager, the Leader will issue a credit note to the insured and the Manager will collect claims amounts from members, reinsurance brokers and reinsurers within 30 days of signing of the discharge voucher, or other document detailing the agreed claims settlement amount and remit to the insured / loss payee.
- (6) Where a member of the Consortium fails to settle its share of the claim, the Leader of the Consortium must settle in full and seek reimbursement from the defaulting member's Consortium Account.
- (7) It is the responsibility of the Leader of the Consortium to coordinate and ensure that a claim is fully settled or declined within 90 days from the date of intimation.
- (8) Provision of loss adjusting, insurance surveying or investigation services and other insurance intermediate services shall not be undertaken by a foreign company unless the foreign company is in partnership /venture with an intermediary licensed by the Authority and the partnership /venture is approved by the Authority.

17. RETURNS

- (1) The Manager will file all returns with the Authority indicating written Oil & Gas business including any reinsurance arrangement.
- (2) The filing will detail total premiums written, commissions, claims paid and financial statements as stipulated in the Insurance Act and as guided by the Authority.

18. CONFLICT RESOLUTION

- (1) Should any dispute arise amongst the members of the Consortium, the members shall resolve the Dispute amicably with the assistance of the Uganda Insurer's Association within 14 (fourteen) working days from the date on which the Dispute arose and on failure, refer the dispute to the Authority for resolution.
- (2) Where there is a dispute between the Consortium and the insured or any other stakeholder in respect of insurance matters in fulfilment of the

provisions of the Insurance Act, the Authority shall on petition by any aggrieved party provide an appropriate remedy within two months from the date of receipt of the same.

19. LOCAL CAPACITY DEVELOPMENT

- (1) In granting an approval for procuring insurance services outside Uganda, the Authority shall ensure that Ugandan local capacity has been fully exhausted and that the foreign company shall provide a national content programme providing for –
 - (a) the employment and training of Ugandans;
 - (b) the transfer of technology, knowledge and skills to Ugandan companies, Ugandan citizens and registered entities;
 - (c) the succession of expatriates by Ugandan citizens;
 - (d) any other condition the Authority may require.

PART IV - SCHEDULES

Schedule One (1) - Insurance Business to be underwritten by The Uganda Oil and Gas Insurance Consortium

- a) All upstream and midstream oil and gas insurance business
- b) Operators Extra Expenses (Insurance of drilling and producing wells, pollution, etc.)
- c) Comprehensive General Liability
- d) Construction of production facilities (CAR/Project Cargo/CGL)
- e) Construction of process facilities, petrochemical, power plants etc. (CAR, Project Cargo/ CGL)
- f) Terrorism and Sabotage.
- g) Delay in start-up if required.
- h) Operational Risks (PD and CGL) for all oil and gas production and processing facilities.
- i) Business Interruption.
- j) Any other related insurance required by contract.

Schedule Two (2) - The Tendering Process

Stage 1: Selection process.

1. The Consortium Manager will issue a call for Expression of interest by way of open competitive bidding.
2. The reinsurance brokers authorised to obtain definite supported terms from the International markets will be selected based on a fair and equitable selection process that ensures maximum competition and also on the basis of their responses to the expression of interest.
3. The Consortium will select at least 2 brokers amongst those that will have expressed interest to enter the market to provide competitive terms (Stage 2).
4. A Foreign reinsurance broker shall not participate in the tendering process without collaborating with one reinsurance broker licensed under the Insurance Act except with the written permission of the Authority.
5. The selection will be based on pre-determined criteria established by The Consortium (Consortium Manager, Consultant and Technical Committee) and/or IOCs and/or the Insured parties which shall take into account among others, the brokers;
 - a) Experience in obtaining insurance cover for oil and gas related activities.
 - b) Number of years in the business.
 - c) Claims management experience in the oil and gas sector.
 - d) Availability of dedicated oil and gas insurance/reinsurance specialists.
 - e) Proven resilience and ability to meet the strategic needs and requirements of an oil and gas client, including the ability to serve the client globally.

- f) Suggested reinsurance plan structure.
- g) Additional services relevant to oil and gas (e.g. claims adjustment services, risk management).
- h) Availability of a reinsurance policy obtained from a qualifying reinsurer.
- i) Ability to understand and comply with the Insurance Act.

Stage 2: Market Tender.

1. The reinsurance brokers selected from Stage 1 will then be authorised to approach markets, in accordance with tender requirements, to provide competitive terms by a specified date.
2. The market tenders will be evaluated by a Technical Committee with representatives from The Consortium parties.
3. The IOCs, the Prospective Insured or person responsible for procuring the respective insurance policies, may monitor the evaluation process as required.
4. Tenders shall include clear guidelines to participants as to coverage required and structure. Each tenderer must guarantee that the price is achievable in the International markets with qualifying reinsurers and/or any reinsurers mandated by the Ugandan Insurance Act 2017.
5. All tenders shall be evaluated taking into account compliance with tender requirements. Failure to comply with all requirements will render any tenderer's submission null and void.
6. With all compliant tenderers, evaluation will then be primarily based on price but the evaluation may include flexibility to evaluate improvements in coverage proposed by tendering reinsurance brokers.
7. On declaration of the best evaluated bidder, a bidder may seek for an administrative review in writing to the Authority and a team from the Authority which may co-opt technical staff from PAU, UNOC and PPDA shall be constituted to review the process and provide an appropriate remedy within 21 working days.

Stage 3: Placement of risks.

1. Once the terms and conditions as well as pricing have been agreed upon as a result of the transparent tendering process (Stage 2), The Consortium will establish its net retention for members and then will offer reinsurance at these terms to Captives of IOCs and The Consortium own reinsurance facility together with the winning reinsurance broker.

2. The reinsurance broker will offer reinsurance to regional reinsurers as mandated by the Insurance Act and other reinsurers licensed by the Authority.
3. Once reinsurance is fully placed, the Consortium leader will issue the policy on the terms and conditions agreed by reinsurers which will be co-signed by all Consortium members for their agreed share.

Schedule Three (3) – Claims Procedure

Claims Notification

1. Each policy issued by the Leader will include a claims notification provision which will require the insured to notify the Leader of an event likely to give rise to a claim under the policy.
2. The Leader should give immediate notice to the Manager who, together with the Consultant and Technical Committee will manage the claim until it's satisfactorily concluded.
3. The Leader will inform all members of any claim under the policy and will provide intermittent reports of its progress and equally keep the insured frequently informed about progression of their claim.
4. Members can at any time ask the Manager for an update on any claims that have been notified.

Claims Handling

1. The Leader will acknowledge to the Insured and/or claimant receipt of the initial notification and then notify the Manager.
2. The Manager may at this stage ask for more details of the loss from the Leader and then notify the reinsurance brokers and reinsurers.
3. Reinsurance will be subject to claims cooperation or claims control clauses so good communication between the Insured, the Leader, the Manager and reinsurers is essential throughout the claims process.
4. In the event that reinsurers request the appointment of an adjuster, loss assessor or investigator etc. the Leader in consultation with the Manager and consultants will appoint an adjuster, loss assessor or investigator for and behalf of the Consortium and liaise with the insured and/or claimant to ensure that smooth communication is achieved at all times.
5. Copies of initial interim and final adjuster's, loss assessor or investigators reports will be discussed between the lead insurer, the Manager, the Consultant and the

Technical Committee. Questions or concerns regarding these reports should be addressed by the Leader and/or the Manager, the consultant to the adjuster, loss assessor or investigator and reinsurers as appropriate.

6. The Leader with the assistance of the Manager will furnish copies of adjuster's; loss assessor or investigators reports to members as appropriate.
7. Should there be a dispute as to liability under the policy and/or the appointment of a lawyer to represent the Consortium, the Manager will advise all members of the Consortium accordingly.
8. Any claims discussions with the insured shall be undertaken by the Leader together with the Manager and consultant for and on behalf of the Consortium after consultation with the Technical Committee.
9. No acceptance of liability on behalf of the Consortium shall be made without the agreement of the Technical Committee.
10. The insured is at liberty to file a complaint with the Authority if a dispute of liability arises and the Insurance Complaints Bureau Guidelines 2017 shall apply.

Claims Payments

1. Once agreement has been reached to pay claims, the Leader shall obtain a "proof of loss" or other claim acceptance document as appropriate from the insured and submit it to the Manager who will submit to reinsurers (through the reinsurance broker as appropriate) and monitor collection from reinsurers so that claims can be paid to the insured in accordance with the claims settlement provisions of the policy.
2. The Leader will pay the insured or claimant once funds have been received from the Consortium Manager including Members' net retentions and reinsurances which if these have not been received from Members' in due time will be from funds held in the Consortium members' account.
3. Those Members' who do not pay the due amounts in time shall expeditiously pay to the Manager the outstanding amounts to maintain the Members' funds intact.
4. No ex gratia or without prejudice payments shall be made by the Leader or Manager without the agreement of the Technical Committee.
5. On payment of the claim the Leader shall obtain a discharge form from the insured/claimant and submit to the Manager, who shall proceed with any subrogation action as may be appropriate.