

STATUTORY INSTRUMENTS SUPPLEMENT

*to The Uganda Gazette No. 75, Volume CXV, dated 16th December, 2022*

Printed by UPPC, Entebbe, by Order of the Government.

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S T A T U T O R Y   I N S T R U M E N T S

2022 No. 131.

THE INSURANCE (OIL AND GAS BUSINESS)  
REGULATIONS, 2022

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# STATUTORY INSTRUMENTS

2022 No. 131.

## **The Insurance (Oil and Gas Business) Regulations, 2022**

*(Under section 151 of the Insurance Act, 2017, Act 6 of 2017)*

**IN EXERCISE** of the powers conferred upon the Minister by section 151 of the Insurance Act, 2017, and in consultation with the Insurance Regulatory Authority, these Regulations are made this 11th day of November, 2022.

### **1. Title**

These Regulations may be cited as the Insurance (Oil and Gas Business) Regulations, 2022.

### **2. Application**

These Regulations apply to licensed insurers, reinsurers, insurance and intermediaries engaging in oil and gas business in Uganda.

### **3. Purpose of Regulations**

The purpose of these Regulations is—

- (a) to establish standards for the conduct of insurance business in the oil and gas sector;
- (b) to enable insurers and reinsurers enhance their financial and technical capacity to participate in the underwriting of oil and gas risks;
- (c) to enable local retention and effective spread of risks among insurers and reinsurers engaged in oil and gas business;
- (d) to enhance local capacity within the insurance sector in line with national content requirements; and
- (e) to encourage insurers and reinsurers to develop fair, open and equitable arrangements for the conduct of oil and gas business.

#### **4. Interpretation**

In these Regulations, unless the context otherwise requires—

“Act” means the Insurance Act, 2017, Act 6 of 2017;

“Authority” means the Insurance Regulatory Authority of Uganda continued in existence by the Act;

“health membership organisation” or “HMO” means an organisation engaged in the business of undertaking liability in respect of funding health care, by way of membership;

“local capacity” means the aggregate capacity of a pooling arrangement to engage in oil and gas insurance business;

“oil and gas insurance business” has the meaning assigned to it in regulation 5;

“Petroleum Authority of Uganda” means the Petroleum Authority of Uganda established by section 9 of the Petroleum (Exploration, Development and Production) Act, 2013;

“pooling arrangement” has the meaning assigned to it in regulation 6;

“Uganda National Oil Company” means the Uganda National Oil Company established by section 42 of the Petroleum (Exploration, Development and Production) Act, 2013.

#### **5. Meaning of oil and gas insurance business**

(1) In these Regulations, “oil and gas insurance business” means the business of undertaking liability as an insurer or a reinsurer under an insurance contract for upstream and midstream oil and gas activities.

- (2) For the purposes of subregulation (1)—
- (a) oil and gas insurance business includes insurance cover for the following—
- (i) operators' extra expenses including drilling, producing wells and pollution risks;
  - (ii) liability risks;
  - (iii) construction risks;
  - (iv) political violence, terrorism and sabotage risks;
  - (v) delay in start-up risks;
  - (vi) operational risks for all oil and gas production and processing facilities; and
  - (vii) business interruption risks.
- (b) upstream oil and gas activities includes activities related to the identification, extraction, or production of oil and gas;
- (c) midstream oil and gas activities includes activities related to the transportation or storage of oil and gas.

## **6. Meaning of "pooling arrangement"**

(1) A pooling arrangement is an arrangement made between two or more licensed insurers, reinsurers or HMOs through which the participating licensed insurers, reinsurers or HMOs insure particular types of agreed risk on the basis that the licensed insurers, reinsurers or HMOs will share the premiums, expenses, losses and profits in pre-agreed proportions.

(2) Without limiting the general effect of subregulation (1), a pooling arrangement may be established by the participating licensed insurers, reinsurers or HMOs acting directly as a group or through one or more third parties including insurance brokers and agents authorised by the participating licensed insurers, reinsurers or HMOs

for the purpose, or operate through a separate entity established for that purpose.

(3) A co-insurance pool is a pooling arrangement made between licensed insurers or HMOs.

(4) A reinsurance pool is a pooling arrangement made between reinsurers.

#### **7. Underwriting of oil and gas insurance business**

(1) In accordance with section 9(3) of the Act, all oil and gas insurance risks shall be insured by insurers licenced to carry out business in Uganda.

(2) A licenced insurer may underwrite oil and gas insurance risks under a pooling arrangement as provided for in the Insurance (Reinsurance) Regulations, 2020.

(3) A pooling arrangement referred to in subregulation (2) shall be approved by the Authority in writing.

(4) A licenced insurer that underwrites oil and gas insurance risks and is not part of a pooling arrangement shall not place insurance cover outside Uganda before placement of business with licensed insurers or reinsurers to the maximum extent possible.

#### **8. Insurance of oil and gas business**

(1) Insurance of oil and gas business may be undertaken by way of a pooling arrangement.

(2) Where insurers, reinsurers or insurance intermediaries wish to undertake oil and gas insurance business by way of a pooling arrangement, the concerned insurers, reinsurers or HMOs shall apply for approval in accordance with the Insurance (Reinsurance) Regulations, 2020.

(3) In determining whether to approve a pooling arrangement, the Authority shall consider the following—

- (a) that Ugandan local capacity has been fully exhausted and that the participants in the pool shall provide a national content programme;
- (b) the employment and training of Ugandans;
- (c) the transfer of technology, knowledge and skills to Ugandan companies, Ugandan citizens and registered entities;
- (d) the succession of expatriates by Ugandan citizens;
- (e) membership of the pooling arrangement;
- (f) administration and management of the pooling arrangement;
- (g) premium and policy requirements;
- (h) members' deposits or commitment funds;
- (i) underwriting and claims processes;
- (j) reinsurance;
- (k) dispute resolution;
- (l) safeguards for policyholders; or
- (m) any other information that the Authority may require.

(4) The Authority shall, in addition to the requirements of subregulation (3), take into consideration the provisions of regulation 13(3) of the Insurance (Reinsurance) Regulations, 2020.

#### **9. Approval of oil and gas pooling arrangement**

Upon receipt of a request for approval of a pooling arrangement, the Authority shall consider the request and communicate its decision in writing within forty-five days after receipt of the request.

## **10. Revocation of approval**

(1) The Authority may withdraw the approval granted of a pooling arrangement.

(2) In determining whether to withdraw the approval, the Authority shall take into consideration the following—

(a) that the pool is not in the public interest or is required for protecting the policy holders' interests; and

(b) that the business of the pool is not being conducted in accordance with sound insurance principles and practices.

(3) The Authority shall, before withdrawing any approval, give written notice to the insurers in the pool requiring the insurers to remedy any breach, and where the breach cannot be remedied, to show cause to the satisfaction of the Authority why the approval should not be withdrawn.

(4) Where the approval is withdrawn, the Authority shall give notice to all the insurers in the pool.

(5) The Authority shall give reasons in writing for its decision under subregulation (4).

(6) Any of the insurers in the pool may, in writing, apply to the Authority to review its decision to withdraw the approval.

(7) An insurer may, within thirty days from the receipt of the communication of the Authority of the variation, suspension or revocation of his or her licence, appeal to the Insurance Appeals Tribunal established under the Act.

## **11. Conditions for removal from pooling arrangement**

The Authority may remove an insurer or a reinsurer from a pooling arrangement, where the insurer or reinsurer—

- (a) has not complied with the relevant minimum prescribed paid-up capital or security deposit requirements;



- (b) has not complied with the capital adequacy requirements prescribed in the Insurance (Capital Adequacy and Prudential Requirements) Regulations, 2020;
- (c) has not commenced insurance business within one hundred and eighty days of obtaining approval;
- (d) has made a false statement to the Authority, which statement is material to his or her licensing and which the insurer knows or might have known to be false;
- (e) has a judgment arising out of any insurance liability obtained in any court in Uganda against the insurer in the pool which remains unsatisfied without good reason for more than ninety days from the date of final judgment;
- (f) has ceased to qualify as an insurer under the Act;
- (g) has continuously engaged in illegal activities or ignores the requirements of the Authority; or
- (h) has refused or failed to abide by the decision of the Authority to settle a claim or complaint in accordance with the Act.

## **12. Notification of change of information**

The pooling arrangement shall notify the Authority, in writing, of any change of information in respect to the pooling arrangement within seven working days of the change.

## **13. Insurers not part of pooling arrangement to obtain approval**

(1) An insurer that is not part of a pooling arrangement may, with the written approval of the Authority, undertake insurance of oil and gas business.

(2) In determining whether to approve an insurer to conduct oil and gas business, the Authority shall take into consideration the provisions of regulation 8.

**14. Annual returns**

(1) A party to a pooling arrangement shall submit to the Authority annual returns concerning the business carried out by the party to the pooling arrangement.

(2) For the purposes of subregulation (1), the Authority shall prescribe a form in accordance with regulation 36 of the Insurance (Capital Adequacy and Prudential Requirements) Regulations, 2020 to enable insurers in a pooling arrangement file annual returns.

**15. Intermediaries providing services in oil and gas sector**

The Insurance (Intermediaries) Regulations, 2020 shall apply to an intermediary providing services in the oils and gas business.

HON. MATIA KASAIJA

*Minister of Finance, Planning and Economic Development.*

### **Cross References**

Petroleum (Exploration, Development and Production) Act, 2013, Act 3 of 2013

Insurance (Capital Adequacy and Prudential Requirements) Regulations, 2020, S. I. No. 98 of 2020

Insurance (Intermediaries) Regulations, 2021 S.I. No. 36 of 2021

Insurance (Reinsurance) Regulations, 2020 S. I. No. 98 of 2020

