

THE BACKGROUND OF THE EAC INSURANCE BILL 2018

The East African Community (EAC) is a regional inter-governmental organization established under Article 2 of the Treaty for the Establishment of the Community that entered into force in July 2000.

The Vision of EAC is a prosperous, competitive, secure, stable, and politically united East Africa, and the Mission is to widen and deepen Economic, Political, Social, and Cultural Integration in order to improve the quality of life of the people of East Africa through increased competitiveness, value-added production, trade and investment.

As part of the pursuit of the EAC's integration agenda, the EAC Secretariat in collaboration with the World Bank and other developmental partners established the EAC Financial Sector Development and Regionalization Project I (EAC - FSDRP I). The Project Development Objective is to support the broadening and deepening of the financial sector through the establishment of a single market in financial services among the EAC Partner States, with a view to making a wide range of financial products and services available to all, at competitive prices.

The FSDRP 1 is structured in six components:

- i. Financial inclusion and strengthening market participants;
- ii. Harmonization of financial laws and regulations against common standards;
- iii. Mutual recognition of supervisors;
- iv. Integration of financial market infrastructures;
- v. Development of a regional bond market;
- vi. Capacity building at the EAC, of financial sector regulators and market practitioners as well as the general public through mass education.

With the view to realize the component of harmonization of financial laws and regulations, the EAC Secretariat embarked on having in place the EAC Insurance Policy. This policy envisions a world class integrated insurance sector within the EAC and its mission is "to create an enabling environment for the sustainable development of an integrated, safe, stable and inclusive insurance sector within the EAC".

The policy highlighted salient issues in the EAC insurance industry as follows:-

- i. Insurance legal and Regulatory Structure: the policy seeks the development of an integrated legal, regulatory and institutional framework in the region in line with international best practices. It also seeks the enactment of the EAC Insurance Act and the establishment of an EAC Insurance Commission;
- ii. Licensing and mutual recognition of regulators: the policy requires insurance regulators to practice mutual recognition whereby insurance players licensed in one Partner State can freely operate in another Partner State;
- iii. Insurance fraud and money laundering: the policy requires the development of a comprehensive fraud risk management framework and anti-money laundering requirements;
- iv. Investment: the policy seeks the removal of investment restrictions within the EAC Partner States;
- v. Emerging insurance issues: the policy requires Partner States to have legal provisions to address emerging issues;
- vi. Insolvency and winding up: the policy require Partner States to make legal provisions to allow the insurance regulators to appoint a liquidator of an insolvent insurer.
- vii. Insurance of Government assets: the policy requires Partner States to develop policies and legal framework for insurance of Government assets and liabilities;
- viii. Policyholders Compensation Schemes: the policy requires Partner States to make provisions for the establishment of a Policyholder Compensation Scheme in each Partner State;
- ix. Payment of insurance premiums: the policy requires Partner States to make provisions in their insurance laws for direct payment of premiums to insurers;
- x. Dispute resolution: the policy requires all Partner States to establish an office of the Ombudsman in each Partner State and at regional level and also the establishment of an ad hoc insurance Appeals Tribunal in each Partner State;
- xi. Professional and capacity building: the policy requires the establishment of a Fund for capacity building by introducing an insurance training levy in each Partner State.

The policy issues form the foundation of the EAC Insurance Bill, 2018 whose main objective is to achieve the harmonization of financial laws and regulations