Stakeholders seek to block sh305b marine cargo insurance premium flight

By Faridah Kulabako

Traders could soon be forced to buy insurance for their imports from local insurers if the law that requires them to do so is enforced.

The move seeks to curb the huge marine cargo insurance premium flight, estimated at $90m (sh305.1b) annually, according to Kenneth Mwige, the secretary general of the Inter-governmental Standing Committee on Shipping.

Mwige was speaking to journalists at the sidelines of the insurance stakeholders' forum at the Kampala Serena Hotel.

Goods being transported to and from Uganda the Malaba-Uganda border

Under the Cost Insurance and Freight terms, sellers of merchandise in foreign countries have been buying cargo insurance on behalf of Ugandan traders, without giving them the opportunity to negotiate for a better package for both insurance and freight.

However, when Ugandans are exporting their commodities, they use the Free on Board terms, where the foreign buyers come to Uganda and negotiates all the costs, including the insurance and freight, reducing their expenses.

Mwige noted that the huge premium flight to overseas players robs the local insurance industry of revenue that would have been re-invested to boost sector growth.

Additionally, it depletes the country's foreign currency reserves as traders buy dollars to pay insurance premiums abroad and increases traders' cost of importation, which is then passed on to the final consumer by high prices.

"This way of importation supports foreign insurance industries at the cost of the local industry and the economy.

"The ideal situation is where our traders conduct themselves in the same way and on the same international commercial terms as the countries we import from," Mwige told journalists.

Though the Uganda Insurance and Marine Insurance acts require traders to insure their imports locally, lack of enforcement over the years has left the industry bleeding as foreign firms enjoy revenues that would have been for local players.

Mwige attributed the lack of enforcement of the existing law to liberalisation, which he said had made it difficult to implement the law.

"Let us not swallow the gospel of liberalisation without thinking about what it is. Why should Ugandans strengthen foreign insurance industries, yet they have their own. Build yours first," Mwige urged traders, adding that time for talking is over and it is now time for action.

"The longer we keep talking, the more we keep losing huge sums of money every year. We need enforcement," he said.

He said there is need for administrative action to ensure that no importer is able to clear their goods at customs for entry into Uganda without showing a certificate of insurance issued by a Ugandan insurance company.

"If Ugandan importers are forced from July 1, 2016 to procure local marine insurance and import only, at cost and freight basis, they will easily comply," Mwige noted.

The Uganda Insurers' Association (UIA) chief, Miriam Magala, said over sh1.6 trillion has been exported in insurance premiums to overseas firms over the last five years.

She asserted that insuring imports locally will boost growth of the local industry and give confidence to the local shipping community. "It also makes handling and settlement of claims, in case of loss, easier since goods are insured locally, instead of having to pursue it abroad," she said.

Amos Kankunda, the secretary general of the Uganda Shippers Council, said Uganda risks losing more money if premium flight is not stopped immediately.

"We lose a lot of money because of our careless handling of the insurance aspect of importation. Traders order goods and want the seller to do everything for them, including identifying a shipper and insurance cover. They do not know that by doing so, they are losing a lot of money," Kankunda said.

Kankunda said the council, together with UIA, will soon embark on a campaign to sensitise traders about the disadvantages of insuring abroad, before finally enforcing the law.