



# Ghana's approach to inclusive insurance markets (a case study)

**Inclusive Insurance (Microinsurance) Program  
for Supervisors in SSA Region**


Dar es Salaam, Tanzania, 4 – 8 September, 2017

Michael Kofi Andoh

---



© Copyright Toronto Centre 2017. All rights reserved.



---

This presentation was prepared exclusively for a Toronto Centre program. Information in this presentation has been summarized and is made available for learning purposes only. The information presented as examples or case studies should not be regarded as complete, factual or accurate and may contain fictional information. Discussions and conclusions reached about any named parties in the examples or case study should be considered as learning material only.

No part of this presentation may be reproduced, disseminated, stored in a retrieval system, used in a spreadsheet, or transmitted in any form without the prior written permission of Toronto Centre. The examples and case studies in this presentation are based on information that was in the public domain at the times mentioned or which became public after the resolution of the issues. It does not include information confidential to any of the parties involved.

Toronto Centre and the Toronto Centre logo are trademarks of Toronto Leadership Centre.  
© Copyright Toronto Leadership Centre 2017. All rights reserved.

## Michael Kofi Andoh



- Has been Head of Supervision, National Insurance Commission (NIC), Ghana since January 2006.
- Joined the NIC from KPMG to set up the Inspections unit of the NIC
- Has been with the NIC since 2000
- Has been actively involved in the design and implementation of Ghana's microinsurance regime.

## Key Issues



- The importance of the role of the supervisor in the development of microinsurance as a means of improving financial inclusion.
- The importance of a suitable and enabling legal framework for the development and promotion of microinsurance.
- The importance of formulating and implementing appropriate plans to effectively minimize the barriers to insurance for the low income population

## Relevant Core Principles



- The Application Paper on Regulation and Supervision Supporting Inclusive Insurance Market issued by the International Association of Insurance Supervisors (IAIS) in October, 2012.

## Ghana on the Africa map



## Ghana



## Ghana – Key Indicators



- Capital: Accra
- Official Language: English
- Legislature: Parliament
- President: Nana Addo Dankwa Akufo-Addo (2017)
- Population (Mill.): 27.4 (2016)
- Size (km<sup>2</sup>): 238.537
- Currency: New Ghana Cedi (GHS)
- GDP USD 42.7 billion (2016)
- GDP growth 3.6% (2016)
- Major cities: Accra, Kumasi, Tema, Takoradi, Tamale



## Market Context



- The Ghanaian financial market is dominated by the banks and non bank financial institutions.
- MFIs and Rural Banks play a crucial role in the low income and the informal sector.
- The insurance sector is regulated by the NIC which was established in 1990 and currently operate under the Insurance Act, 2006 (Act 724).

## Legal and Regulatory Framework



- The financial services sector in Ghana is overseen by four separate regulators:
  - **Banks:** Central Bank
  - **Insurance:** National Insurance Commission
  - **Capital Market:** Securities and Exchange Commission, and recently
  - **Pensions:** National Pensions Regulatory Authority
- The four regulators cooperate and share information via the “Regulators’ Forum”

## The Insurance Sector



- Until December 2007, Ghana insurance industry was mainly domestic and had:
  - 5 life companies
  - 6 non-life companies
  - 12 composite companies
  - 2 reinsurers
- The Insurance Act of 2006 abolished composite companies, so the then composite companies had to separate by December 2007.

## The Insurance Sector (cont'd)



- Therefore, as at now, there are:
  - 23 life companies
  - 27 non-life companies and
  - 3 reinsurers

## In the beginning...



- The problem
  - Low insurance penetration
  - Large informal sector
  - Therefore low inclusivity
- 2010 Finscope study
- The diagnostic study and its findings and policy recommendations

## The journey so far



- 2010 – Finscope study and Diagnostic study
- 2011 – The baseline survey
- 2011 – The Microinsurance Action Plan
- 2013 – Microinsurance Regulations
- 2014 – Microinsurance Landscape survey
- 2016 – Mobile insurance survey
- 2017 – Mobile insurance regulations

# The Action Plan



## 4 pronged action plan

- Legal and regulatory framework
- Technical Capacity
- Research and Development
- Insurance awareness

# What has been achieved so far



- There are 13 insurance companies selling 27 microinsurance products.
- The 27 products cover about 7.5 million lives which represent 29% of the country's population



## Lives covered analysed by product type



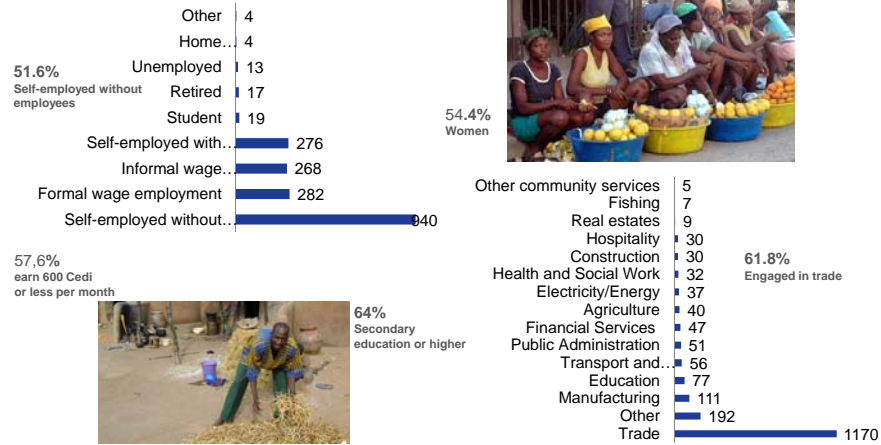
Product Type	No. of lives covered including secondary covers
Life (Non Credit)	5.2 million
Credit Life	2.3 million
Personal Accident	3.1 million
Hospital Cash	5.8 million
Property	1.7 million

## Distribution channels



Distribution Channel	Number of products	No. of lives covered
Member organizations	3	80,000
Agents/Brokers	13	220,000
MFIs, Rural Banks, other FIs	8	2.85 million
MNOs	5	4.34 million

## A description of the target group of microinsurance



## Challenges

- Low client value
- Non urban areas largely remains uncovered
- Low financial literacy
- Lack of suitable agricultural products for the small scale and subsistence farmers
- Digitisation challenges

## Challenges – Low client value



- Very low claims ratios
- Difficulty in making claims
- Suitability for client needs (may lead to low incidence)
- Poor understanding of product

## Challenges – Low financial literacy



- Low appreciation of the value of insurance
- Inability to distinguish between insurance and savings
- Lack of sufficient understanding of the product Terms and Conditions.
- Low awareness of regulator and redress mechanisms

## Challenges – Digitisation challenges



- Intangibility – virtual transaction.
- Documentation challenges
- Involvement of multiple parties both at the operational and regulatory levels.
- Payment system challenges
- Smart vs. ordinary mobile phones
- Internet availability and capability
- Data protection issues

## Challenges – Agricultural products



- A significant percentage of the Ghanaian population is engaged in agriculture as small scale and subsistence farmers.
- The industry has however so far been struggling to make available affordable and sustainable agricultural insurance products for this segment of the population.
- Even though some weather indexed products for cereals were introduced on pilot basis in 2012, there have been significant challenges with the scaling up.
- The challenges include affordability, marketing and basis risk issues.

## Activity 1: Identifying the barriers



### ALL GROUPS

- Identify the main barriers to inclusive insurance in Ghana on both the demand and supply sides.
- Which do you consider to be the most important barriers? Give reasons for your answer.

## Activity 2: Outlining the plan to remove the barriers



- With the overall objective of removing or at least minimizing the barriers to inclusive insurance, the NIC planned to undertake various tasks.
- With respect to the specific task assigned to your group, you are required to identify a number of specific activities/measures that you would take to achieve the given goal(s).
- In doing this:
  - Define the scope of action that will be taken.
  - Consider who the stakeholders are and what their concerns and vested interests are that have to be addressed to gain their support.
  - Consider the resources needed to implement your plan.
  - List the tasks and related milestones that will be executed in your plan.

## Activity 2: Assignment of tasks



### Group One

- Build Capacity

### Group Two

- Educate Consumers

### Group Three

- Conduct Research into relevant and important issues

### Group Four

- Develop a more conducive Regulatory and Supervisory framework

## Activity 3: Defining the main elements of the legal and regulatory framework.



### ALL GROUPS

With respect to the need to have a conducive regulatory and supervisory framework for inclusive insurance, what do you consider to be the main elements that need to be defined and addressed in the legal framework and why?

## Activity 4: Analyzing the Legal framework Options



### ALL GROUPS

- Under the Legal and regulatory framework, one of the important steps to be taken by the NIC was the definition of the main thrust of the regulatory approach to be used. It appeared that 4 options existed, as described in the following slides.
- You are required to:
  - Identify your preferred option and give reasons for your choice.
  - Analyze the pros and cons of your preferred option, and the potential barriers and enablers to achieving your goal.

### Option 1



The functional approach, which considers microinsurance as a separate business line (i.e., a special product with its own delivery rules). This approach would allow only licensed conventional insurance companies to sell microinsurance as a separate line of business.

## Option 2



The institutional approach, which focuses on the service provider. In the case of microinsurance, this would be a specialized type of provider created for the purpose. This would mean issuing a different tier of licenses for microinsurance providers, with lower capital and other regulatory requirements.

## Option 3



The third option is an approach which combines elements of the functional and institutional approaches described above.



## Option 4



The fourth option would be to allow mixed entities. This means licensing or allowing entities involved in business activities other than insurance to provide microinsurance not just as intermediaries, but as risk carriers.

## Epilogue and Lessons Learned



Program Leader presents lessons learned and ensuing results

## Toronto Centre Resource Centre



Key References can be found here. The TCRC is an online curated library compiling publications relevant to supervisors and regulators drawn from over 50 sources worldwide.

The screenshot shows the Toronto Centre website at <https://www.torontocentre.org>. The navigation menu includes Home, About, Programs, News, Resources, Jobs, Contact, and Administration. A red circle highlights the 'Resources' link, with a red arrow pointing to it. The main content area features a large banner for 'GLOBAL LEADERSHIP IN FINANCIAL SUPERVISION' and a testimonial from Aydin Ghoshal. Below the banner, there is a description of the organization's mission and a list of resources, including a PDF for 'G20 Leaders Welcome "Green Finance" in Summit Communiqué' and a video for 'Toronto Centre panel discussion "Climate Change and Financial Stability"'. The page number '35' is visible in the bottom right corner.

# Thank you



Program Funded by:



Global Affairs Canada  
Affaires mondiales Canada

