



Regulation of Mobile Insurance in Ghana

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M-Insurance Landscape in Ghana

**2.7 million policyholders for m-insurance products (June 2015),
5m GHS premium (2014), 60% of all MI policyholders (2014);**

Three types of players:

- Three MNOs (Tigo, Airtel, MTN) currently active in the market
- The active insurers in the market are Prudential, Enterprise Life and UT Life
- Technical service providers, such as BIMA and MicroEnsure also operate in the market, also IT platforms such as MFS Africa

6 products currently on the Market



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M-Insurance Actors Landscape in Ghana



**Tigo Family Care
Insurance Policy**
Life insurance for you and your family





Products

Main Products;

- Funeral
- Hospital Cash
- Personal Accident

The products usually transition from loyalty to paid products



Mobile insurance approval process

- All insurance products require NIC's prior approval
- Application must comply with the microinsurance requirements
- In addition, it must contain;
 - a description of the nature of the product
 - Sale and distribution process
 - Branding arrangements
 - The parties involved and their respective roles
 - Service Level Agreements between the parties



Summary of Current M-Insurance Products as at 06.2016

Partnerships	Type of product	Risks insured	Year Started	Estimated Policyholders (06.2015)	Estimated Policyholders (06.2016)
Partnership A	Paid	Funeral (subscriber and next of kin)	2011	8,000	8,000
Partnership B	Paid	Funeral (subscriber and next of kin)	2010	550,000	890,037
	Paid	Hospital-cash	2013	700,000	806,926
	Loyalty	Funeral	2010	70,000	-
Partnership C	Loyalty	Life, Accident, Disability, Hospital-cash	2014	1,400,000	-
	Paid	Life, Accident, Disability, Hospital-cash	2015	94,000	29,319



Roles and Responsibilities

- Role of MNO's
 - “face” of the m-insurance policy for customers (products are MNO branded)
 - Marketing of the product (ATL, BTL, 360°...), communication etc.
- Role of Insurer
 - Underwriting the products (mostly technical role); Pricing, reserving (often influenced by TSPs);
 - Very little involvement in marketing, sales, customer contact, discussions with MNOs;
- Role of TSP
 - Owns the operational work e.g. marketing, customer registration, complaints, claims;



Actors

- MNOs – are licensed as Corporate Agents
 - Can only deal with one insurance company

- TSPs – are licensed as Microinsurance Intermediaries
 - Are allowed to deal with a specified number of insurance companies
 - Are not required to meet the requirements of conventional Brokers
 - Not subject to commission caps due to nature of roles played
 - Permitted to deal only in microinsurance products



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Risk Framework

Clients Value risk

- Subscribers may not be aware of product (particularly loyalty products)- hence very low claims frequency, very low claims ratios;
- Even when aware, subscribers may not fully understand product coverage and T&Cs;
- Customers perceive poor value if low utilization or very few claims being paid out

Prudential Insurer Risk

- Risk premium is underpriced (assumes low customer awareness);
- Insurer does not meet liabilities;

Distribution Channel Risk

- Business case for continuing loyalty-based products is very weak for MNO's(no significant increase in ARPU nor reduction in Churn)
- Premium has to be very low for loyalty product for it to make business sense for the MNO (not justifiable actuarially)- dependent on under-reporting of claims



Marketing Risk

- Sales staff not trained sufficiently;
- Customer awareness during transition from loyalty to paid products;
- Marketing literature not clear/misleading;

Legal Risk

- Recourse to settling disputes not clear;
- Insufficient regulatory oversight;
- Perception of product ownership and Accountability
- Data protection

System Risk

- Occasional systems problems were reported by some MNOs, such as 'down-time' of the network coverage. This led to customers not being notified that their premium is due.
- Data not maintained properly. Data errors.

3rd Party Default Risk

- Most insurers are not involved in the technical and operations areas of m-insurance business, the risk is that the TSP and MNO's can easily change an insurer



Risk Management

- Product Approval Stage : analyze and assess product before has been launched
 - Claims ratio on pricing
 - Expected expense ratio
 - Breakdown of 100% premium between TSP , Insurer and MNO
 - Expected claims incidence
- After launch stage : product performance
 - Quantitative measure of key performance indicators(e.g. claims ratio, expense ratio etc.)
 - All KPIs being monitored should be compared to industry benchmarks e.g. paid claims ratio should be in the range of 30%-60%
 - observed values outside the range should trigger action by NIC



Risk Management - 2

- Qualitative measure of key performance indicators(Marketing strategy, training of sales agents, complaints handling etc.)
- Practitioners agreed with a biannual reporting requirement tied in with Microinsurance reporting.
- Multi regulatory approach : coordination between regulatory authorities
 - Tripartite MOU develop between the three regulators NIC, NCA and BoG
 - Most practitioners preferred NIC to be the lead in driving the process.



Challenges

- The question of “which entities should be licensed”?
- Are MNOs “Agents” or “Policyholders”?
- Lack of insurable interest where the MNO is the master policyholder
- Confidentiality of customers’ data.
- Use of airtime credit for premium payments.
- Legal definitions to accommodate the nature and roles of the various parties involved.
- What is the best mode of disclosure?



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Market Conduct (M-Insurance) Rules

The Market Conduct Rules yet to be issued to industry will cover the following;





Thank you for your attention!

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