

Feasibility Study on Support to the Microinsurance Sector in Ghana with a Financial Systems Approach



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List of Abbreviations

ACII	Associate of the Chartered Institute of Insurance
ARB	Association of Rural Banks
ATM	Automatic Teller Machines
BOG	Bank of Ghana
CARE	Cooperative for Assistance and Relief Everywhere
CGAP	Consultative Group to Assist the Poorest
CUA	Credit Unions Association
ELAC	Enterprise Life Insurance Company
GHAMFIN	Ghana Microfinance Institutions Network
GHAMP	Ghana Microfinance Policy
GHC	Ghanaian Cedi
GHS	Ghanaian New Cedi
GIA	Ghana Insurance Association
GIAA	Ghana Insurance Agents Association
GIBA	Ghana Insurance Brokers Association
GIC	Ghana Insurance College
GIGA	German Institute for Global and Area Studies
GLICO	Gemini Life Insurance Company
GNI	Gross National Income
GTZ	Gesellschaft für Technische Zusammenarbeit
IAIS	International Association of Insurance Supervisors
IIC	Insurance Institute of Canada
IIG	Insurance Institute of Ghana
ILO	International Labour Organization
IPA	Innovations for Poverty Action
JWG	Joint Working Group
KfW	Kreditanstalt fuer Wiederaufbau
MFI	Microfinance Institutions
MI	Microinsurance
MIA	Micro Insurance Agency
MIS	Management Information Systems
MOFEP	Ministry of Finance and Economic Planning
MOTI	Ministry of Trade and Industry
NGO	Non-governmental Organization
NIC	National Insurance Commission
OI	Opportunity International
PEN	Peruvian New Sol
POS	Point of Sale
PPP	Public Private Partnership
PPP	Purchasing Power Parity
PTP	Protection for Traders Plan
RSP	Regulation, Supervision and Policy
SCA	Susu Collectors Association
SIC	State Insurance Company
SMS	Short Message Service
SPEED	Support Programme for Enterprise Empowerment and Development
TOT	Training of Trainers
USD	United States Dollar

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Finally, thank you to Charles Clarke who assisted in the mission as he learned about the realities of microinsurance in the field.

Executive Summary

The plan to support microinsurance in Ghana has emerged from various angles. First, it was the National Insurance Commission (NIC) that started to raise this issue at local and international levels in an effort to gain a better understanding of the relevance of microinsurance for financial inclusion and poverty reduction. Second, the Program for Sustainable Economic Development of the German Development Cooperation (GTZ) has been supporting microfinance in general for many years. As microinsurance is an integral part of a comprehensive financial inclusion strategy it fits well into the overall objective and therefore, GTZ has implemented this feasibility study to assess the state of microinsurance in Ghana and identify entry points for support.

Compared to other microfinance products, such as savings and credit, microinsurance has received little attention from government and donors or even from the private sector, which is expected to provide these services. Data and information is also lacking. Nevertheless, during the weeklong mission, the team has identified the following **main findings** at various levels of the financial system:

(1) Micro level: clients, insurers and intermediaries

The micro level includes individuals within the low-income market as well as those microinsurance entities that influence them directly. Almost 250 000 people in Ghana have some type of microinsurance product. Typically, they are required to purchase it because of another primary demand, such as to obtain credit. Products include term life, life linked savings, disability, funeral, health, and some property. These products are provided by at least six insurers two of which are working with specialized microinsurance agencies. Several other delivery channel types are involved in microinsurance including Microfinance Institutions (MFIs), rural banks, banks, Susu collectors, non-financial Non-governmental Organizations (NGOs), specialized direct agents, and others.

Products tend to be weak, and the market is generally antagonistic towards insurance and insurance companies. Delivery channels tend to be weaker than in most other countries and have made limited efforts to sell microinsurance to their clients. Insurers have done little to market their microinsurance products in a way that generates interest from the market.

All that said, insurers appear significantly interested in penetrating the low-income market, and the market has strong demands for good risk-management products that provide easy access.

The following interventions on the micro level, combined with appropriate interventions on the meso and macro levels could have a significant impact in the massification of microinsurance in Ghana.

- **Training:** All parties in microinsurance require training to understand how microinsurance works effectively and why it is important. Clients require market education in terms of more structured financial education and broader social marketing. This will help them to be more receptive to microinsurance products when available. Delivery channels need to understand how to market microinsurance as well as how to manage it and work with an insurance partner so that clients are getting the best possible deal. Insurers need to understand better product development, pricing, and in general working with this market. A basic microinsurance training was held in Accra during the mission and appeared to be well received.

- **Research:** Research will be important as a means of ensuring the effectiveness of microinsurance activities. To minimize costs to the client microinsurance providers will need to make sure they develop responsive products (demand research), monitor product expansion (satisfaction research), and fund marketing and market education activities wisely (market / market education effectiveness research).
- **Product development:** Partnerships of insurers and agents will require assistance in working through a proper product development process. This will help to ensure that products are market driven and provide an increased potential for success. Guidance through the process will be important for both parties.

(2) Meso level: support bodies

The meso level includes those entities that provide support to both the micro and macro levels in order to make the microinsurance operations more effective. These entities are crucial to the smooth works of the microinsurance, and indeed the insurance Industry. Support structures are weak in terms of microinsurance in Ghana.

Training facilities exist and some appear to be well established like the Ghana Insurance College. Delivery channel training both in-house and external appears weak. No evidence of microinsurance specific training of other services (consulting, data collection) has been found.

The associations have varying potential from the under-funded GHAMFIN to the Susu Collectors' Association which has actively tried to entice insurers to work with their members, to the Credit Union Association that considers starting their own insurance company. Researchers for microinsurance have been limited but now seem to be coming to Ghana with significant funding and string agendas. Technology and infrastructure generally seem to be weak in terms of electronic communication, though there are interesting happenings on the microinsurance market in Ghana which includes Star Microinsurance Systems using E-zwich cards for premium payments and the potential for SMS banking which may broaden to include insurance.

Areas of potential intervention on the meso level include:

- **Market education:** Though some aspects of market education will occur through the micro level (insurers and intermediaries), the social or mass marketing will occur through the meso level. This is an important component of a massification strategy and where effective would be run by the insurance association or another company-neutral entity. In reality, getting this started will require significant intervention from a donor.
- **Technical and infrastructure development:** This is a massive task and likely better left to the commercial sector to expand the communications technologies. Where a donor has an important role is in making sure that technology interventions in microinsurance are properly tested and monitored for effectiveness, cost, and efficiency. Additionally, microinsurance managed between different partners requires efficient, accurate, and timely information. A donor could work with partnerships to develop a flexible interface that could be used by several partners in Ghana.
- **Training:** As noted on the micro level, there is a strong need for effective training of all micro level parties. However, there is currently no microinsurance training available in Ghana. In order to provide appropriate and effective training to this level, there is a need to develop training capacity within Ghana. This will include developing training curricula, trainers, systems and structures for training not only in Accra but also around the country.
- **Data:** With significant resources, either recently entered or soon entering Ghana, it will be important to track the results of these efforts for information and lessons that may benefit

microinsurance partners. One gap in research that would be helpful in improving the effectiveness of microinsurance delivery in Ghana might be to research which delivery models are most effective in which circumstances in Ghana. This will also help to improve the efficiency of microinsurance massification. Another gap is data collection at sector level, e.g. on microinsurance clients, providers, products and prices.

(3) Macro level: policy, regulation and supervision

The macro level is in a perfect position for microinsurance development. The Insurance Act, which does not reference microinsurance, is being actively reviewed to address regulatory gaps and the Commissioner has directed the team of consultants to include issues of microinsurance in their draft. The National Insurance Commission (NIC) is mandated by the Act to follow an insurance development role along with its traditional consumer protection / financial system stability responsibility. Intervening now in the microinsurance development process with the Commission offers an opportunity to create a strong legal structure for microinsurance that is not likely to be seen again for several years.

Areas of potential intervention on the macro level include:

- **Regulation:** This is the perfect opportunity to be involved in microinsurance regulation development. Without a doubt, a consultant microinsurance policy expert should be linked with the team revising the regulations for the Commission. The consultant is to advise the NIC on the strategic options available such as A) designing market conduct and product rules for microinsurance which are to facilitate microinsurance marketing by traditional insurers (functional regulation), or B) the development of a new category of specialized insurers (institutional regulation) as well as the regulatory and supervisory implications of both approaches. A combination is feasible, yet, requires a thorough assessment.
- **Commission support:** The Commission will require technical assistance support in addressing the many questions that will arise while developing regulations for microinsurance for example in terms of the above strategic orientation, product features, specific market conduct rules and code of practice issues,
- **Policymaker support:** In addition to the Commission, several other parties will need to understand the implications of microinsurance related policies and regulations. These parties will need an expert to clarify issues for them, preferably one that works to transfer knowledge to and through the Commission to build their capacity as governmental authorities on microinsurance. The regulations will be brought before Parliament for a vote and it will be imperative that at least a core within Parliament understand and champion the microinsurance regulations. Development of this core will require international technical assistance. Finally, the Commission should take on the role of microinsurance coordinator among the different policymakers. The Commission will benefit from international examples and the insight of an experienced technical assistant.

It will be important that each of these levels is addressed through various technical assistance efforts. One lesson from microfinance is that an unbalanced approach to these levels results in significant blockages to massification. Diagram 1 provides a structure within which interventions should be considered.

It is clear that for GTZ to approach these issues, which fall nicely within traditional GTZ activities, there will need to be staff in the GTZ Accra offices to coordinate and manage these efforts, as well as to provide some technical assistance (appropriate to their skills).

The government of Ghana is looking for more effective ways to offer the population financial services. Traditional ways of risk management for the poor although still heavily relied upon, are not serving the poor and informal sectors and their enterprises sufficiently. Yet, no steps have been taken so far, from the policy level, to make this happen.

The NIC initiative for microinsurance and its new regulation come at a critical time in Ghana. Private sector players have been learning some

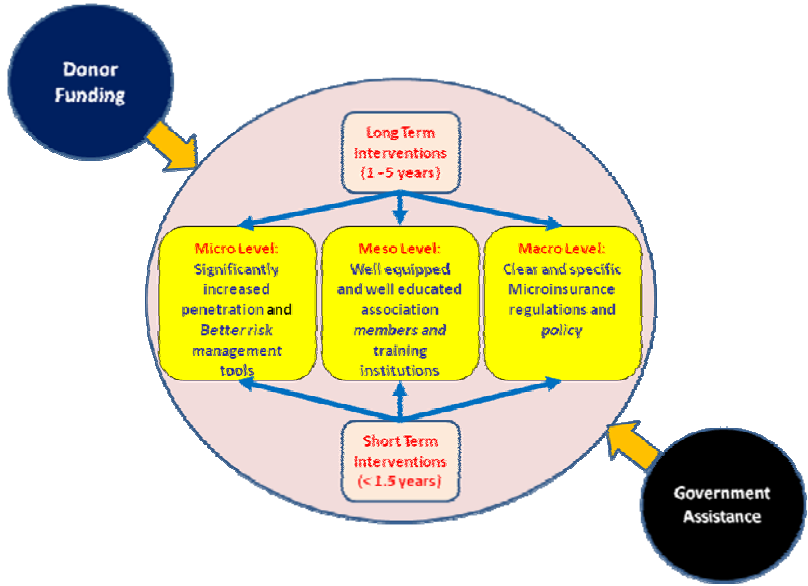


Diagram 1: General recommended intervention structure

of the initial lessons but they are little documented or understood. Financial literacy and affordability of microinsurance are still huge challenges. Public players are not informed about the potential and challenges of massive microinsurance provision. Support agencies such as networks or training institutes have not yet taken up this challenge. Donors are looking into new ways to support financing marketed to the low-income population in Ghana but are only recently discovering the potential microinsurance has. Therefore, with a total potential of maybe four million people covered by microinsurance, massive microinsurance provision in a competitive market is still far from being near and is a goal for the next decade.

This study hopefully contributes to using the opportunities ahead in a more systematic way. The authors have aimed to create a better understanding of the milestones for the development of microinsurance in Ghana. Table 1 summarizes the mission's recommendations:

Table 1: Entry points with recommendations for short- and long-term support

Level	Entry Point	Short-term Support (by priority)	Long-term Support (by priority)
Micro level	<ul style="list-style-type: none"> (1) Training (2) Research (3) Product development (4) Awareness creation 	<ul style="list-style-type: none"> (1) Begin training of delivery channels and insurers (2) Assist in product development (3) Collect research findings from existing projects 	<ul style="list-style-type: none"> (1) Identify and implement innovative marketing strategies (2) Develop methods to promote further appreciation of microinsurance (development of new strategies, test runs, impact assessments on methods) (3) Assist in expansion of quality, quantity, and type of delivery channels
Meso Level	<ul style="list-style-type: none"> (1) Market education (2) Technology and infrastructure (3) Training (4) Data collection (5) Industry dialogue 	<ul style="list-style-type: none"> (1) Develop training curricula (2) Conduct ToT and use trainings at micro level as practice for trainers (3) Begin to research effective market education opportunities 	<ul style="list-style-type: none"> (1) Develop market education partnerships and strategies (2) Expand training to back office, management, and others (3) Assist with integration of planned actuarial data into effective use in pricing
Macro level	<ul style="list-style-type: none"> (1) Regulation development (2) Commission support (3) Policymaker support (4) Insurance literacy (5) Stakeholder dialogue 	<ul style="list-style-type: none"> (1) Work with insurance regulation review team to build microinsurance into the new regulations (2) Support the Commission in implementing a stakeholder dialogue (3) Develop a strategy for policymaker support (4) Integration with consumer protection policy framework 	Support to NIC (capacity building for NIC) in terms of <ul style="list-style-type: none"> (1) specific regulations for microinsurance (2) guiding the policy dialogue (3) improve consumer protection for microinsurance (4) adjustment of supervisory systems (5) integration microinsurance into the financial sector policy framework (literacy, other financial sector regulations)
Donors	<ul style="list-style-type: none"> (1) Donor integration 	<ul style="list-style-type: none"> (1) Include microinsurance in microfinance forum deliberations (2) Improve donor coordination on microinsurance (3) Create transparency on donor contributions 	<ul style="list-style-type: none"> (1) Develop a common vision among donors how to support microinsurance by way of dialogue and capacity building

1. Introduction

1.1 Background

In some countries, the development of microinsurance has become a well-accepted component of financial inclusion strategies. It is increasingly being seen as a tool not only for social protection but also for equitable mitigation of risks thereby spurring poverty alleviation and economic development. Access to insurance at an affordable cost to the poor is now seen in many countries as a condition necessary for poverty reduction and social harmony in the financial landscape. Having recognized its huge potential demand, an increasing number of governments and donors have been promoting microinsurance. More commercial insurers are becoming active, and informal “insurers” are expanding with some seeking integration into the formal insurance system.

Access to microinsurance is generally very limited. Compared to some other regions, in Africa, there is still a dramatic lack of microinsurance available to the low-income market. Even in countries with established microfinance institutions – a common delivery channel for microinsurance – only few microinsurance schemes are available. According to the Landscaping Study of the Microinsurance Centre, only 3.5 million people in Africa (among those African countries that fell among the world’s poorest 100 countries) use microinsurance to secure against risks. In most sub-Saharan countries less than 2% of the poor and vulnerable have access to microinsurance.¹

With growing markets and new players, an enabling policy environment is a prerequisite for microinsurance to develop. Sound policies and regulations for microinsurance encourage innovation, investment, sustainability and growth in the insurance sector while protecting consumers and the soundness of institutions. While the private sector is a key driver of microinsurance market development, the policy framework is a crucial element.

The Ghana National Insurance Commission is a member of the CGAP-IAIS Joint Working Group (JWG) on Microinsurance which is currently working on guidelines for the regulation and supervision of microinsurance based on a multi-country study.² Lessons from this work are used to assess the regulatory and policy framework for insurance / microinsurance in Ghana.

Against this background, the Ghanaian National Insurance Commission has approached German Technical Cooperation to conduct a feasibility study identifying gaps at the micro, meso and macro levels and come up with recommendations for potential points of entry to develop broad-based insurance services for low-income households in Ghana.

¹ The [Landscape of Microinsurance in the 100 poorest Countries](#), [MicroInsurance Centre](#) (2007)

² In 2006 the IAIS and the CGAP Working Group on Microinsurance/Regulation, supervision and policy issues Sub group formed a Joint Working Group (JWG). The JWG drafted a paper on [Issues in regulation and supervision of microinsurance](#) which was adopted by the International Association of Insurance Supervisors (IAIS) in June 2007. The RSP Sub group simultaneously initiated a cross-country study on the impact of regulation and supervision on access to insurance markets. Draft guidelines (see Annex 7) have now been prepared which provide important insights on RSP issues. However, the JWG stressed that individual country approaches have to be found as each jurisdiction has its specific features.

1.2 About the mission

The objectives of this feasibility study³ include:

- Identifying promising short-term as well as long-term interventions at the macro, meso and micro level
- Identifying options for financial and technical cooperation to support the microinsurance sector in Ghana
- Developing concrete proposals for next steps

The product focus of the assessment was on life and non-life products (exclusive of agriculture and health). The team was specifically directed not to focus on health or agriculture products and therefore these are only mentioned in this paper as far as deemed relevant in general.

The assessment was directed towards the current and planned structure of the insurance industry as follows:

- Micro, meso and macro level bodies in Ghana
- Existing microinsurance products and gaps in service provision
- Issues surrounding microinsurance and its development at these levels
- Microinsurance education and training, whether formal or informal
- Past and present activities of development partners, including NGO's, and donors
- Improvements that are needed for success in the future

The data used for this paper was collected via interviews with banks, insurers, rural banks, MFI's, training facilities, ministries, regulators, supervisors and the NIC (Full list in Annex 1).

The structure of the assessment and findings is divided into three sections – micro, meso and macro level. Organizations and individuals that fall into these levels are explained through the Diagram 2, below.

Micro Level: This is the front line of global microinsurance and includes those companies

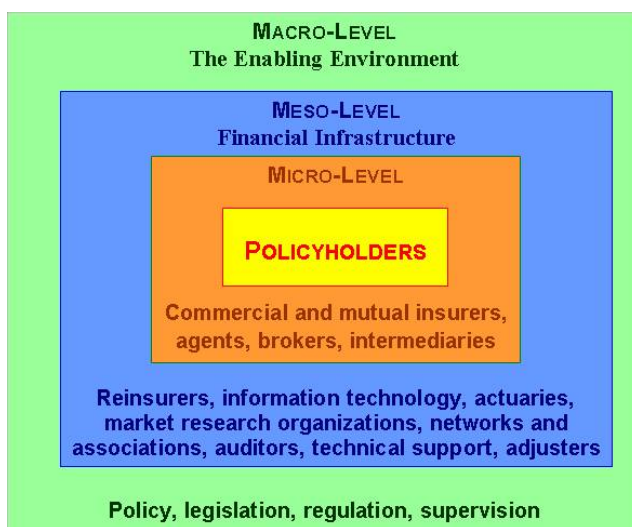


Diagram 2: Levels of the insurance sector

and organizations that design and underwrite microinsurance products as well as those that are involved in the delivery of such policies. In Ghana, such delivery channels include agents, credit unions, brokers, NGOs, MFIs, churches, Susu collectors, and rural banks.

Meso Level: This axis between the macro and micro levels include organizations and individuals that support the development and implementation of microinsurance products. In Ghana, these include: associations of insurers and of current and potential delivery channels, training institutions, research organizations,

³ The feasibility study was carried out by Martina Wiedmaier-Pfister (Financial Systems Development Support), and Michael J. McCord (Microinsurance Centre) with some assistance from Charles Clarke from September 20th to September 30th 2008, followed by a three-day training course on Microinsurance delivered by Michael J. McCord.

actuaries, reinsurers, technical assistance providers and others that add value to microinsurance.

Macro Level: The macro level in microinsurance relates to those parties that can create and maintain an enabling environment for microinsurance. These entities are typically housed within government and include regulators, supervisors, and policymakers. With well-structured legislation and policy, the insurance industry is able to operate prudently and securely. Coupled with well-directed supervision and regulation, the market is able to develop in a way that benefits the micro and meso level but most importantly the policyholders.

Effective interventions into microinsurance require reviewing the status of each of these levels to gain an understanding of areas which may require adjustment. It is only through a broad inclusive focus across levels leading to strength within each level that significant interventions might be successful.

1.3 Overview of the economic environment in Ghana

The economy of Ghana includes a diverse and rich resource base, and as such, has a Purchasing Power Parity (PPP) Gross National Income (GNI) per capita of about 2,640.4 USD. "Ghana has roughly twice the per capita output of the poorest countries in West Africa. Even so, Ghana remains heavily dependent on international financial and technical assistance."⁵ The discovery of up to three billion barrels of oil off the coast of Ghana has the potential to propel the country into a higher economic league.⁶

However, the domestic economy continues to revolve around subsistence agriculture, which accounts for 35% of GDP and employs 55% of the work force, mainly small landholders.⁷ On the negative side, public sector wage increases and regional peacekeeping commitments have led to continued inflationary deficit financing, depreciation of the Cedi, and rising public discontent with Ghana's strict economic measures. Even so, Ghana remains one of the more economically sound countries in all of Africa.⁸

The country has, since July 2007, embarked on a currency re-denomination exercise, from the Ghanaian Cedi (GHC) to the new currency, the Ghanaian New Cedi (GHS). The transfer rate is 1 GHS for every 10,000 GHC. As at 3 October 1 GHS is equivalent to 0.624 EUR and 0.867 USD.⁹

Value Added Tax (VAT) is a consumption tax administered in Ghana. The tax regime which started in 1998 had a single rate but since September 2007 entered into a multiple rate regime. In 1998, the rate of tax was 10% and amended in 2000 to 12.5%.¹⁰ VAT, however is not charged on insurance policies or premiums, alleviating the cost to the customer. Yet, there is a 10% withholding tax payable by insurers on all policies.

⁴ World Development Report 2008.

⁵ CIA World Factbook. <https://www.cia.gov/library/publications/the-world-factbook/print/gh.html> Sourced on 22 October 2008.

⁶ IRIN, <http://www.irinnews.org/Report.aspx?ReportId=77851> Sourced 22 October 2008.

⁷ CIA World Factbook. Sourced 22 October 2008.

⁸ http://en.wikipedia.org/wiki/Ghana#cite_note-twzwxn-10 Sourced 22 October 2008.

⁹ <http://www.oanda.com/convert/classic> Sourced 22 October 2008 calculating as per 3 October 2008. These exchange rates will be used for this paper where appropriate.

¹⁰ http://en.wikipedia.org/wiki/Ghana#cite_note-twzwxn-10 Sourced 22 October 2008.

1.4 Evolution of insurance in Ghana

“In 1962, the government created the State Insurance Corporation (SIC) with the primary aims of tightening control over the activities of insurance companies (including their investment policies) and providing insurance coverage for the government and governmental bodies. In 1972, the SIC started a new subsidiary, the Ghana Reinsurance Organization, to curb the outflow of reinsurance premiums from the country. Insurance services were available as of 1997 through 16 companies, five of them classified as foreign (although a 1976 law required the latter to distribute 20% of equity to the government and 40% to Ghanaian partners). In 1999, there were 21 insurance companies operating in Ghana.”¹¹

By passing Act 724 of the new Insurance Law 2006, the National Insurance Commission separated composite insurance companies into separate life and non-life entities. No single insurance company can practice both life and non-life business and must set up separate entities if they wish to issue both types of insurance.

As of September 2008, the total number of registered insurers stands at 33 (17 non-life and 16 life insurers) with 2 registered reinsurers (including the state-owned Ghana Reinsurance Co. Ltd.). Annex 2 of this paper contains a complete list of registered licensed life and non-life insurers, brokers, loss adjusters and reinsurers.

Ghana's insurance penetration currently stands around 1.90%.¹² This is very low compared with Cote d'Ivoire's figure of 5%, Namibia's 8 % and 16 % for South Africa.¹³

1.5 Donor support in Ghana

To date, donor support for microinsurance development has been very limited. It is not at all comparable to microfinance which has been receiving considerable and continuous donor support. That said, several donors are now becoming more active in Ghana with respect to microinsurance. These include:

- GTZ and SPEED who have included microinsurance in their financial literacy efforts with the development and dissemination of informational booklets and posters and initiated this study together with NIC.
- Innovations for Poverty Action (IPA) is a donor-funded research organization with plans to conduct significant research on microinsurance and its impact in Ghana.
- German Institute for Global and Area Studies (GIGA) which is also conducting research on microinsurance demand.
- University of Cologne is also conducting microinsurance research in Ghana with the intention of analyzing how access to appropriate insurance products for all can be successfully reached.¹⁴ Through a University network that includes University of Ghana, the project (active in Ghana, Malawi, and Botswana and funded by a 500,000 EUR grant from the EU) plans to strengthen community-based health microinsurance. The project includes analysis of the community-based health microinsurance units that they develop, as well as offering a microinsurance diploma.¹⁵

¹¹ <http://www.nationsencyclopedia.com/Africa/Ghana-INSURANCE.html>

¹² Reported directly by the Insurance Commissioner.

¹³ <http://www.modernghana.com/news/174922/1/nigerian-insurance-coys-dock.html>

¹⁴ Press Release, University of Cologne.

¹⁵ http://ec.europa.eu/research/headlines/news/article_08_02_13_en.html

- The World Bank has held meetings to discuss the possibility to introduce weather-based index insurance in Ghana. The Insurance Commission is likely to submit a request to the Ministry of Finance and Economic Planning requesting technical assistance support from the Economic Management Capacity Building Project funded by the World Bank. Additionally, the Ministry of Trade noted that the World Bank, IFAD, the Italian Government, and the African Development Bank would be meeting in Accra in October 2008 to discuss rural finance with insurers.
- The ARB Apex Bank sent a group of Rural Bank and Apex Bank managers to view microinsurance in action in India.
- The newly launched microinsurance investment company, Leapfrog, and Kreditanstalt fuer Wiederaufbau (KfW) have held discussions with Star Microinsurance Systems leading to the potential of an investment and accompanying technical assistance.
- Though not directly related to microinsurance, there are several donor programs that are working to build the capacity of rural banks including introducing computers (which has been mandated for all rural banks by the end of 2010). These include GTZ/SPEED and United Nations Development Program (UNDP).

2. Micro level: Clients, Insurers and Intermediaries

Although popular insurance products in Ghana have been evolving over the last ten years (motor, life and health), penetration remains small in comparison to neighboring countries. With 28.5% of Ghana's population living under the poverty line¹⁶, insurers have realized both the challenge and potential that will come with covering the low-income market.¹⁷ That said, the significant improvement from 52% living in poverty in 1991/2 should offer significant and growing opportunity for insurers.¹⁸

According to estimates by industry participants, so far about 80% of life insurance policies cover salaried people, mostly government employees. The insurance market has traditionally focused on the wealth and corporate entities. In a speech in 2002, the insurance Commissioner, Josephine Amoah noted: "Owing to increased competition, the urban insurance market [in Ghana] is becoming saturated, and as insurers, our best bet in terms of growth opportunities lies in developing new products which can meet the needs of the rural and low-income populations." Since then, several insurers have entered the microinsurance market with differing products and delivery channels. As interest in this market continues to develop, competition is expected to increase in developing microinsurance products. Comments and thoughts which were gathered during the mission from other microinsurance stakeholders are included in Annex 3.

A stakeholders' workshop was held in Accra at the close of the information gathering part of the mission. Comments from stakeholders at that meeting are shown in Annex 4.

¹⁶ World Factbook. <https://www.cia.gov/library/publications/the-world-factbook/geos/gh.html> Sourced 24 Oct 2008.

¹⁷ The National Poverty Line is defined as GHC 3.7 million per year (about USD 385 or EUR 292) or a bit more than USD 1 per day. <http://www.undp-gha.org/docs/Human%20Development%20Report.pdf> Sourced 24 Oct 2008.

¹⁸ DFID. <http://www.dfid.gov.uk/pubs/files/ghana-factsheet.pdf> August 2008. Sourced 24 Oct. 2008.

2.1 Landscape: clients, microinsurance providers and intermediaries

At the micro level, the mission reviewed demand issues, microinsurance providers and intermediaries/delivery channels.

Though comprehensive demand studies are not available, the findings of available research documents (see also 3.1), mostly focused on Gemini Life Insurance's Anidaso Product, indicate **demand** for various types of insurance products. Although the majority of policies are life, and loan and savings protection, there are indications that demand is spreading. Some comments on other available policies are shown below.

Demand Side Issues

Funeral

Funeral policies appear to be among the most prevalent stand-alone¹⁹ insurance policies sold in Ghana. An example of one provisional funeral policy that was being developed is by Sinapi Aba Trust which uses a tiered system that, with adjusted premiums, offers a variety of sums insured ranging from USD 250 to USD 5,000. Another organization, Hopeline, works in conjunction with the Micro Insurance Agency (MIA) to sell funeral policies.

Long-term insurance linked savings, including children's' education

The demand for long-term insurance linked policies including those for education appears to have increased. However, based on discussions and documents²⁰ it appears this type of cover is aimed at the higher income market due to the premium levels and associated coverage.

Property insurance and goods in transit

There is little evidence of property insurance at the microinsurance level in Ghana at present. This was emphasized following the fires at the Makola market during the week that the mission team was in Ghana. After the fires, people were asking about property insurance and noting the many fires that destroy the inventory of low-income market vendors. Some insurers are trying to enter this market in ad hoc ways but none has done so to a significant degree. Star Microinsurance Services for example is trying to attract market vendors though they had just begun selling policies the week before the mission.

In terms of the **demand side (actual and potential clients)** for microinsurance, the team identified a clear misperception of credit, savings and insurance in people's minds and found that they regularly confused the three financial products.

- Some believe that buying insurance was a step to obtaining a loan.
- Some believe they will receive their insurance premium back, as they might withdraw their savings, if they have not made a claim during the term of the policy.
- Some believe that they must have either a loan or savings account (or both) if they are to obtain insurance.

Insurers respond to this confusion through a number of mechanisms. These both enhance the confusion and attempt to use the confusion to attract clients. For example:

- GLICO agents tell people that after three years they can use their endowment balance as collateral for a loan.

¹⁹ "Stand-alone" refers to products that are sold without a link to either loans or savings.

²⁰ Lena Giesbert. "Demand for Microinsurance Among Low-Income Households in Rural Ghana: The Anidaso Policy." Unpublished. GIGA, June 2008

- Donewell insurance has a product where after 3 months, half of the premium is returned as cash (like savings) and of the other half, a substantial part is held as longer-term savings, with the balance treated as an insurance premium.

Such confusion is also partly a factor of education. People are not clear about what insurance is or what the policy covers and revert to something that they know. The add-ons that they want – savings components and loans – are typically cheaper and more efficient for people to access if they do it directly rather than through using insurance as a vehicle to obtain them. If they clearly understood the insurance products and their value, it is more likely that the market would receive more appropriate products at more appropriate prices.

Misconceptions of insurance were apparent at institutional levels also. A number of rural banks and MFIs, for example, noted that they offer insurance products to customers for which the institutions hold the insurance risk. They charge their customers one to two percent of the total loan amount borrowed and hold this in a reserve. However, on further discussion with each institution it became clear that this fund covered default under any circumstance. Indeed these are simply prudent risk management strategies for any lender, as they are typically required to maintain a Reserve for Possible Loan Losses. These funds protect the lender and such practice is standard in any lending operations. This is not insurance.

Table 1, below, documents the mission’s findings of the current available **microinsurance products and insurers** in Ghana:

Table 2: Insurers and products

Insurer	Product Name	Year Est.	Class of policy	Covered Lives	Notes
GLICO (Ghana Life Insurance Corporation)	Anidaso	2003	Life, family life, endowment, hospital cash, children’s education	≈80,000	~20,000 main policyholders plus families
Donewell Insurance	Edwadifus Ahobanbo	2005	Life Insurance & Savings	2,200	50% of premium towards insurance linked savings, 50% to 3 month savings fund
SIC Life	Sika Plan	2003	Life, premium return, advances (≤80%) , funeral	≈10,000 plus ≈67,000 through their agent Micro Insurance Agencies	Sika plan (1990’s) closed over bad debts and distrust in field staff New Sika policy introduced and operational. MIA products discussed below.
Star Life Assurance	Various	2008	Life , health, funeral, goods in transit	100 through their agent SMS	Only active since September 2008 via agent office of Star Life
Credit Unions	Savings life	N/A	Life	≈80,000	Traditional credit union product
Vanguard	n/a		Shop owners policy		
Enterprise Life Insurance (ELAC)	n/a	2008	Life, funeral		Working with EB ACCION and KEK brokers to develop a product

Various commercial insurers interviewed seemed interested in getting further involved in microinsurance (in particular Donewell and SIC), with many insurers interested to learn more about microinsurance (e.g. Metropolitan) with the view to participating in such products in the next 5 years.

There was no indication of any formal mutual or cooperative insurers although the Insurance Act (2006, section 69, part 1.c) provides a respective framework for regulation and licensing of such bodies. The Credit Union Association did note that they may consider the creation of an insurance company in the future whether it be member-owned or capital based.

In order to complete the picture at the micro level, Table 3, below, gives an overview of **delivery channels** that are currently working with microinsurance products, or would be a potential channel in future:

Table 3: Delivery channels

Type	Description	Covered lives
Agents	<p>Micro Insurance Agency (MIA) is an agent for SIC. Established in 2007, the MIA works with finance organizations to supply around 67,000 lives with insurance. Products include credit life, disability (permanent and partial), property, and funeral expenses. The MIA operates based on an agent license of the Country Director. MIA is linked to the international Micro Insurance Agencies with operations in Uganda, Ghana, Philippines, and India. They are a wholly owned for-profit subsidiary of Opportunity International.</p>	67,000
	<p>Star Microinsurance Services (SMS): Established in 2008 by and as a direct agent for Star Assurance, SMS works with both financial and non-financial organizations, as well as directly with the low-income population, offering microinsurance products including credit life, disability, personal accident and funeral expenses. In just the first week of selling these products, 100 policies had been sold. SMS are testing the utility of E-zwich cards for the payment of premiums. Although likely problematic, this may prove to be an important advancement in microinsurance delivery and service.</p>	100
	<p>The MIA and SMS agencies have also approached additional delivery channels such as market groups and MFIs to act as sub-agents. For example, a “goods in transit policy” is being developed and tested through Hopeline, acting as a sub-agent for SMS.</p>	
	<p>Insurers reported having used Susu collectors in the past as agents for their insurance products. These efforts proved unsuccessful as the cash controls appear to have been weak.</p>	
	<p>Some insurers, like Donewell, are using their own agent staff to make links with low-income policyholders. These efforts have resulted in (relatively) very slow growth. This is common, as traditional agents commonly do not see the incentive to working with the low-income market.</p> <p>GLICO, in response to failures of Rural Bank staff working effectively as agents, have developed their own cadre of microinsurance agents. These agents have limited training and are placed within the participating rural banks offices to sell Anidaso.</p>	

Type	Description	Covered lives
Brokers	<p>The Ghana Insurance Brokers Association (GIBA), overseeing some 37 registered brokers in Ghana does not see at present a strategic entry point in microinsurance for brokers, for financial and logistical reasons. However, the president of GIBA suggested that this may change once products are more developed, the market has grown to a considerable size, and education of all parties in the microinsurance chain has been significantly realized. This suggests that the important role they could play (the development of the market) is not likely to occur as they await the market to develop through other means.</p> <p>The MIA is clearly acting as a broker and supports the structure of a broker, yet is licensed as an agent. This legal designation restricts them from being able to generate competition in product components, service, or pricing because they must remain tied to one life and one non-life insurer. Altering their legal status to a brokerage would benefit the MIA and more importantly, their current and future clients who should benefit from better products at better prices. The MIA notes that they recently submitted a special request to the NIC in relation to altering their status.</p>	Possibly interested in future
Credit Unions	<p>Credit Unions traditionally offer insurance on credit and savings. On death, these policies cover the full value of a loan, and typically provide a doubling of any savings held at the credit union. Such insurance is also provided by credit unions in Ghana.</p> <p>The CU's microinsurance for members is offered under the guise of risk management, based on both savings and loans as a voluntary product. In the case of savings, the customer receives 100% of the value of his savings (plus original savings total) up to GHS 5,000 (USD 4,300). The premium is factored as a discount of the customer's savings interest rate. Similarly for the loan based policy, the CU insure the full loan (not the declining balance) and charge the customer either an up-front payment of load monthly payments by 0.1% of loans up to GHS 10,000 (USD 8,700).</p>	80,000 lives covered in the 140 CUs
Susu Collectors' Association	The Susu Collector's Association (SCA) currently offers no formal insurance though management notes that some members have ad hoc relationships with insurers. The Association has approached "several" insurers to try to develop a product with them. Insurers have not responded. The idea to develop an insurance program for Susu Collectors would be a positive step forward for the SCA and they would like to work with an insurer to offer such products to their members, for selling to the savers.	No insurance services yet
NGOs	Hopeline: This non-financial, women-focused training facility offers loan protection and funeral expenses to local market women. In addition, it offers goods in transit cover for those travelling to the North of the country to collect their seasonal goods that will be their business for up to 6 months. Hopeline's primary activity is training low-income women to be able to take on MFI loans.	n/a
EB-Accion and KEK Brokers	EB-Accion is currently developing a product which will be launched at end 2008. They work with KEK Brokers and ELAC (Enterprise Insurance Company). The idea is to add an insurance rider to savings and loan products for funeral.	No insurance yet.
Barclays Bank	Barclays Bank is implementing several lending initiatives with the low-income market including providing loans through the Susu collectors.	Potential

2.2 Findings at the micro level

The mission identified the following important issues with regard to the three types of actors (clients, insurers, delivery channels) at micro level:

1 - Low-income market: current and potential policyholders

- (1) **Limited access:** There remains limited access to insurers and delivery channels within the low-income market. The logistics of purchasing microinsurance is particularly weak outside Accra. However, even in Accra's markets, some insurers are only recently approaching market women.
- (2) **Negative attitude towards insurance by staff:** The result of previous failings of insurance products and dishonest insurers and intermediaries in the past is still being felt. Poor training of staff or agents and lacking appropriate motivation means that staff are ineffective at conveying the message of microinsurance as a risk management tool for low-income people. This results in a poor understanding of the potential benefits of microinsurance within the market. Staff members of financial institutions expressed the idea that as an individual, saving small amounts of money at compound interest is far safer than paying money away to an insurance company in the belief that it will not be seen again. In addition, the negative perception of bank staff (see box) with significant experience in insurance show how low the level of trust is.

"I have worked in insurance for 20 years and know that poor people won't ever buy it" – Rural Bank
- (3) **Lack of appreciation of insurance:** A combination of poor education of customers and lack of positive experiences leaves microinsurance clients and potential clients without understanding the nature of insurance as a risk mitigation tool, and thus people cannot grasp how having a microinsurance product might make them and their families better prepared to cope with certain risks.
- (4) **Mixing insurance concepts with other financial services:** Comments from insurers, delivery channels and sales staff show that microinsurance is often not understood but mixed up with other microfinance services. The market looks to insurance as a savings tool (Donewell, for example) or as a conduit to credit (GLICO or SIC, for example). The market does not appear to recognize insurance for its risk management role, but rather for roles for which microinsurance is not the most effective vehicle. If the objective is to save or borrow, the payment of premiums makes either of these more expensive.
- (5) **Catastrophic events spur interest:** When faced with catastrophic scenarios people appear to see the value of insurance more clearly. One example during the mission was the fire in the clothing section of the Makola market. Very few, if any, people within the market are insured for their inventory. Yet after the fire there was much discussion (as related by drivers and others) about insurance and how the market sellers did not know of insurance.²¹
- (6) Available demand and market research reports (GIGA and CARE) suggest that there appears to be significant demand from low-income people for effective risk mitigation tools. However, as noted above, people do not yet see microinsurance as a solution to their risk management gaps. Even those that do access the current products leave quickly resulting in high lapse rates according to Mr. Baba from the insurers' association.

2 - Delivery channels

- (1) **Weak understanding of microinsurance:** Similar to their customers, the staffs that work for current and potential delivery channels lacked sufficient training in microinsurance. Some rural banks and MFIs offered limited information sessions to their customers, though most did not. There seemed a weak understanding of the benefits of

²¹ Interestingly, this fire took place within a day of the launch of the Financial Literacy Week in Ghana which was kicked off in, among other places, the Makola market.

microinsurance in terms of both the staff and the clients. Delivery channels noted their own need for training of trainers.

- (2) **Weak incentives for delivery structures:** Staff are generally not offered any incentives and exert very limited effort to sell microinsurance. Where there are large numbers of microinsured, these are the result of mandatory products (MIA using financial institutions that require client coverage, and the credit unions providing cover to all members, for example).
- (3) Rural banks in particular have much potential as delivery channels for microinsurance, however, this **potential is not being converted to actual sales**. In working with rural banks as delivery channels, GLICO learned that the insurer had to place its own staff in the rural banks if they wanted to sell. The rural banks do not clearly see the benefits of offering microinsurance to their clients. Field staff see even less reason to spend their limited time with clients on selling insurance. Thus, the large branch network of Rural Banks, or credit Unions both reaching out to over 1 million poor clients together is underutilized as delivery channel for microinsurance. The MFIs (Financial NGOs, and Savings and Loans Companies) which account for at least 300,000 poor clients would be an important delivery structure for microinsurance which is hardly tapped apart from compulsory loan insurance, often organized as informal in-house scheme by those actors.
- (4) **Premium payment:** Innovative approaches such as premium payment by the new E-zwich card are being developed but are not yet widely disseminated.
- (5) **The entry of microinsurance agents:** A very positive development is the addition of two microinsurance agencies into Ghana. These entities have the potential to both communicate effectively with the market as well as insurers to help provide good products to clients. If MIA is able to shift to the status of broker this will further improve their potential as well as the potential for better products on the market. Star Microinsurance expressed a strong interest in converting to a microinsurance company, which would also significantly transform the microinsurance landscape.

3 - Insurers

- (1) **Insurer's interest:** Insurers seem to be increasingly interested in designing and delivering microinsurance products as they recognize the market potential of the low-income segment. However, they are poorly equipped to face this challenge and have no access to external training and support (coaching). This results in an advice-gap. Some insurers and rural banks expressed a desire to use consultants for advice on product development as well as for training of trainers for financial and market education.
- (2) **Weak product design:** Products are generally weakly designed, ranging from a quasi-insurance product (loan protection fund in Rural Banks of which the borrowers are not informed) to some innovative products with promising features, however, these features have not been tested sufficiently. Because insurers are working without the benefit of experienced assistance, their products often result in limited market response.
- (3) **Poor in-house distribution capacity:** Limited education in microinsurance at all levels within insurance companies has led to a number of difficulties such as poorly trained and equipped sales staff and agents and inefficient methods of organizing the delivery of insurance products to a wide customer-base. In addition, agents often lack basic materials such as advertising materials, identification for agents, and computers. Therefore, many agents are ill equipped to sell microinsurance products.

2.3 Conclusions at the micro level

- **Products:** Voluntary insurance purchase is rare in Ghana. The range of products is rather narrow, with credit-life insurance dominating. Many products seem to be weakly designed by staff who have limited experience and no external support. Poor education and understanding of MI within insurance companies also leads to difficulties when designing effective products. If insurers do not understand their customer's needs, finances and cultures then the design of effective products is seriously impeded. Combine this with limited actuarial research and financial education product value becomes insignificant.
- **Insurance literacy:** Education for all members of the micro level as well as the low-income policyholders is limited to some small exercises by insurers and rural banks. The good news is that all micro level bodies that were interviewed expressed the desire to integrate more education programs, both for sales staff and for company-designated trainers as well as for their clients.
- **Delivery:** There are various traditional delivery channels close to the low-income segment in Ghana such as CUs, Susu Collectors, Rural Banks and SLCs, but their impact for microinsurance provision is still very limited. Much potential is clear, but realizing the potential will take improved training, incentives, and selling tools, as well as better products.
- **Insurers:** Some insurers seem to be interested in entering this market, however, serious efforts to provide good-value products on a massive scale were not identified outside the MIA. Capacity at all levels and understanding (from management to sales force) are probably the major constraints. Their good-will and openness provides a good chance for motivating them and make a business case out of this which really serves the poor.

Subsequent event: After the data was gathered for this feasibility work, there was a very well attended introductory course on microinsurance for insurers and delivery channels (the micro level actors) including some staff of NIC who wanted to learn about MI. This course provided key information that could help improve products as well as delivery. However, this course will require follow-up and additional skills building if the efforts to address some of the deficiencies mentioned in this section are to be realized.

2.4 Points of entry for support at micro level

The mission team recommends a three-pronged approach to addressing issues at the micro level. These include supporting and developing the demand side, building capacity within the delivery structure, and improving the products and service offered by the insurers. This strategy is designed to address the three key areas of blockage to massification with the ultimate result of significantly increased microinsurance penetration with risk management tools that are truly valuable to the low-income market.

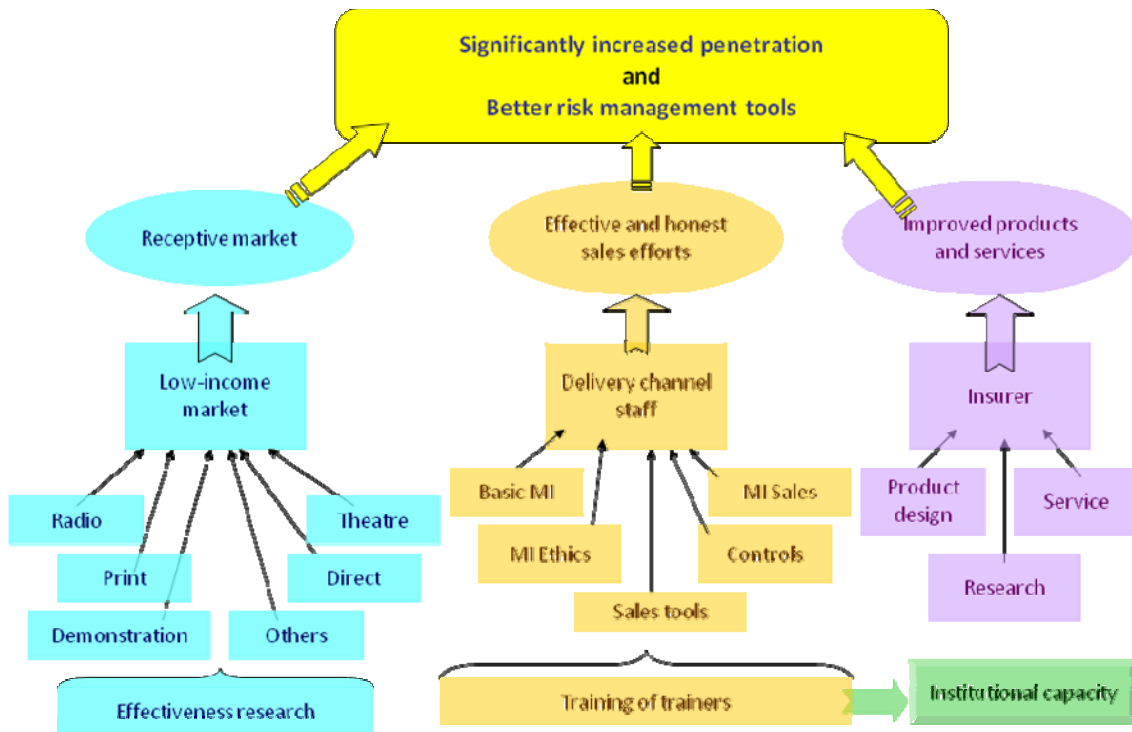


Diagram 3: Micro level points of entry for supporting microinsurance in Ghana

Diagram 3 (above) shows the proposed support strategy for the micro level that would lead to increased product offering, sales and insurance take-up. Reaching this goal requires all participants at the micro level to play a part.

(1) Consumers in the low-income market: To create a receptive market, public microinsurance awareness through print, radio, shows of public relations, advertising campaigns and visits to low-income areas. As the low-income market is the reason for microinsurance, they need to be aware of its existence and benefits and understand this financial service properly in order to make full use of it. With such knowledge, the market should be more receptive to listening to an agent about the products on offer. Such an effort cannot reasonably be expected from a single insurer since this type of market education must be agnostic as to insurer, product, and delivery channel. The market needs unbiased information so that the market participants might understand the value of insurance without feeling a victim of vested interests and false marketing claims from an insurer. (See also entry points (3.4) at the meso level as associations and institutes are the ones who should implement these activities.)

(2) Delivery channel staff: Agents need to be educated in a range of skills to sell effectively microinsurance products to the low-income population. Investing in training sales skills and ethics is particularly important for microinsurance as insurance does not sell itself in low-income cultures and often trust of both insurance and financial institutions is low. Such education needs good trainers. Therefore, a program of training of trainers should be introduced.

There are training institutions in Ghana that might be appropriate for developing the training program for microinsurance delivery channels. Investment in training trainers and developing training activities could be provided through these entities in such a way that their overall

capacity is improved. This could have the additional benefit of strengthening training at all levels of insurance.

Additionally, it will be important to develop and implement appropriate and sufficient controls to protect consumers from mis-selling and other potential fraud from microinsurance agents. Development of specific sales tools can help in two ways: 1. they can assist the agent in sales presentations, and 2. they can help to ensure a consistent message to the market.

(3) Insurers: In order to help the insurers develop efficient and effective products, quality research and assistance in product design is required and requires investment. Training of insurers at various levels (e.g. board, management, research department, marketing department, sales staff) is another corner stone of effective microinsurance provision.

Other activities such as process mapping and costing exercises might help insurers to understand better how to reduce administrative costs and thus provide quality products at a better to the low-income market. Efficiencies are key to microinsurance and helping insurers to identify potential efficiencies may aid not only their microinsurance business but also the rest of their activities.

Combining an informed market and well-designed insurance products with honest and skilled agents to sell them can create a good platform for the massification of microinsurance.

2.5 Recommendations for support at the micro level

The mission team recommends a number of activities to advance microinsurance development on the micro level in Ghana.²² Note that each action item carries a priority indicator from 1 to 3 with 1 being an immediate priority, 2 being something that should be done soon, and 3 being a good thing to do but acceptable to be postponed or skipped.

(1) Training

Trainings should be conducted with the objective of both training the direct cohort, as well as building capacity within the Ghana Insurance College (GIC, the most likely trainer for microinsurance). A training of trainers could be conducted with selected people from the GIC, and then the lead trainer could work with the trained trainers to deliver and alter the course as appropriate for different groups. This would provide the dual benefit of building capacity within the GIC and providing quality controlled training to a first and second batch of trainees. Specific trainings that should be conducted):

a. Delivery channels

- Teaching new groups of delivery channels the basics of microinsurance as was done with the October training. (1)
- Developing a training for the delivery channels to use with their front line staff. (1)
- Providing a shortened version of the training for management, and back-office staff (2)

b. Insurers

- Developing and offering training for insurers to understand better some of the key aspects of microinsurance success at a deeper level than the basic course. This would include process mapping, marketing for microinsurance, and product development. (2)

²² Note that these interventions will require meso level actors. These are discussed further in the next section.

- Working with insurers to develop tools that both facilitate microinsurance sales activities and help to control for mis-selling while adding an additional layer of education for potential policyholders. (2)

c. Training of Trainers (ToT) development and training

Working with a training institution, preferably the GIC to develop and train the above programs. (1)

(2) Market education

Success in microinsurance will require a significant effort in mass education of the market. If we want to influence two million people, we cannot try to educate them one at a time. We need to use larger market education techniques.

a. Financial education (2)

Financial education involves developing and implementing curricula that help low-income households understand insurance and recognize how it might benefit them. Such curricula can be used to train groups of potential policyholders using pre-existing training programs of MFIs and NGO, for example, which regularly train their clients. Additionally, the key messages from the financial education curricula can be used in the development of the social marketing campaign.

There is already an effective microinsurance financial education training program available from Microfinance Opportunities. SPEED Ghana has a financial education program which includes brochures, and activities such as a road show. Its experience and instruments could be also used for microinsurance.

b. Social marketing (2)

Most people will not be reached by training programs. A social marketing campaign will help to reach the masses that need to understand the message of microinsurance. Such a campaign would be designed to reach masses of people efficiently and may include a combination of interventions like:

- Television or radio soap operas with microinsurance integrated into the story line
- Radio shows about microinsurance with call in options (as in Uganda)
- Television programs about insurance products and their value (as in Romania)
- Road shows with theatre troops (as in Kenya)
- Mass production and distribution of easy informational materials (as with SPEED Ghana's financial literacy program)
- Public service announcements promoting microinsurance on the radio or television
- Videos that play a pro-microinsurance message at places where people wait (like TEBA Bank in South Africa)

There are many ways to implement such a social marketing campaign but it is critical that the methods and media used clearly reach the intended audience with a message that will change their attitudes. An effective social marketing campaign will do the following:

- Get the **attention** of the intended audience
- Provide a **reward** or benefit for the effort of listening / watching (learn something important for example)
- Clearly communicate the **action** expected of people
- Leave people never thinking of the issue in the same way again (linking to **memory**)

Such a program could be implemented as a public-private joint venture by a meso level actor such as a marketing firm or a technical assistance provider like the SPEED program in

Ghana, in cooperation with macro level bodies (see 3.5 and 4.6). The effort would have to be monitored and sustained for a significant period.

(3) Research

A research component is critical on several levels if there is to be successful and efficient microinsurance penetration.

a. Effectiveness of market education (2)

Market education in both forms can be expensive. Investing in testing the effectiveness of the methods used can significantly help in keeping costs down, while maximizing the impact. For example, there are many potential media available to disseminate the market education. The key will be effectively using the one or two that have the greatest penetration within our target market. Identifying the particular media is often not as easy as it might seem because those making the decisions on media methods are typically not using the same media as our market.

b. Demand (1)

Effective products that provide real value to the low-income market must be products that they see as valuable. This requires clearly understanding where the risk management needs including their preferences and payment possibilities and modes are for this market.

c. Satisfaction (1)

There are current products on the market and others that will enter. Just as it is important to understand the needs, it is important to understand the satisfaction of policyholders with microinsurance. Gaining such an understanding requires significantly more effort than that for savings or credit for example, due to the intangible nature of microinsurance. However, understanding satisfaction is a critical component to understanding the effectiveness and future potential of ones product.

(4) Product development (1)

Direct intervention with insurers and delivery channels in the development of appropriate products and processes (new and adjusted) based on the results of the various research components will be critical to microinsurance massification. This process includes several steps:

- Initial assessment
- Demand and supply research
- Prototype development, testing, and adjustment
- Pilot test preparation (protocol development, projections, training, documentation, marketing, systems), implementation, and adjustments
- Rollout
- Continuous assessment

Intervention would be beneficial at each of these stages at least for the first few products and institutions to help instill the process and its benefits within the market. A structured product development process including the above steps could be implemented by a coaching project for which a tender is launched and selected insurers can qualify based on their commitment and own contributions.

The results of such a coaching effort will also benefit sector-wide activities at the other levels (meso, micro).

2.6 Short- and long-term support

In the **short term**, activities to begin the training of delivery channels and insurers would prove beneficial. There are activities being implemented in microinsurance now in Ghana. It is important that these activities are conducted in a manner that proves helpful to the development of microinsurance. Training now can help to reduce the potential for mistakes that only further entrench the attitudes of the market.

Short-term support will provide the underpinnings of **long-term support activities**. The training, product development, and research work will all help build and provide better products. Then on the micro level it will be necessary to:

- Develop, test, and implement new and innovative marketing strategies so that sales are facilitated for agents.
- Implement appreciation building activities of market education
- After the trainings conduct an assessment of delivery channels capacity to identify areas for additional training or other interventions such as facilitation tools, incentive structures, or other methods to help continue to expand sales.

3. Meso Level: Support Infrastructure

The support infrastructure for microinsurance includes related associations, insurance adjusters, training organizations, research institutions, actuaries, information technology providers, reinsurers, and others. This level essentially includes all entities and people that are related to microinsurance, but are not directly linked to the market of low-income households. So far, the meso level in Ghana is very limited. The support agencies of the insurance industry are still relatively nascent, and are not significantly involved in microinsurance. However, a stable meso level platform plays an important role to nurture a skilled and efficient microinsurance supply side. It can also indirectly support sector development by including activities targeted at clients and sector promoters such as policymakers (lobbying) and donors (transparency, sector information).

3.1 The meso level landscape in Ghana

The meso level bodies in Ghana consist of a number of insurance-related associations (GIA, GIBA, GIAA), financial associations (CUA, GHAMFIN, ARB Apex Bank) which could act within the insurance meso level because of their potential with delivery channels, as well as an insurance training institution (GIC), and a national reinsurer (Ghana Re). The different meso level bodies and a basic description are summarized in Table 4, below:

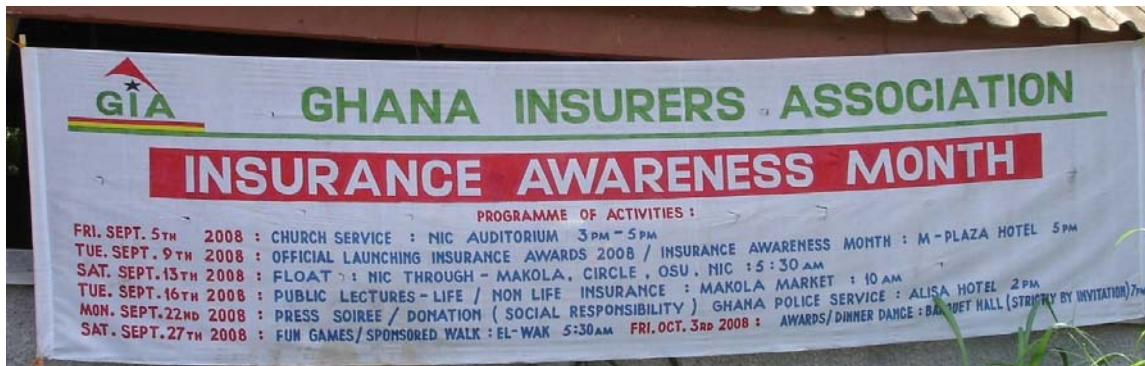
Table 4: Overview on support bodies

Body	Description
Ghana Insurance Association	Member-based association comprising 34 licensed life and non-life insurers. No involvement yet in microinsurance. ²³
Ghana Insurance Brokers Association	Member-based association comprising 37 licensed insurance brokers.
Ghana Reinsurance Company	Government owned reinsurer
ARB Apex Bank	Apex institute of rural banks offering clearing services, funding and standard curriculum training programs to rural banks as well as providing technical assistance and some level of oversight to these same institutions. [Note: Management indicates that they wish to have the government mandate that all rural banks become branches of the ARB APEX Bank. Such an effort may make the Apex Bank a less palatable partner for training rural banks.]
Association of Rural Banks	Although an association, it is run by the Apex Bank
Susu Collectors' Association	Association to support their current membership of 1,350 Susu collectors covering about 350,000 savers (out of a total estimated 5,300 Susu collectors with about 1.3 million savers) in Ghana and to promote their work. The Association has developed a link with Barclays Bank to provide exclusive Susu loans through the Association.
Credit Union Association (CUA)	Made up of 140 member credit unions, enveloping 500,000 clients.
GHAMFIN	Association of microfinance institutions. This Association is poorly funded and as such has been limited in its abilities.
Ghana Insurance College	Independent college, backed by associations and institutions (see box 2). No experience yet in microinsurance but openness to include such a
Ghana Insurance Agents Association	n.a.
Ghana Actuaries Association	n.a.

Insurance Associations

The GIA, GIBA, GAA and GIAA make up the core associations for insurance professionals in Ghana. They are developed and backed to provide services for their members. There are signs that some associations are welcoming microinsurance development but so far, are not actively involved in its development. Initiatives such as Insurance Awareness Month implemented by GIA do not yet formally incorporate microinsurance, yet as its head expressed, activities included the rural areas and markets.

²³ In a subsequent meeting between one of the consultants and the head of the Insurance Association in Berlin on 28th October, 2008, the Insurance Association head expressed great interest in being part of the future of microinsurance and confirmed the industry's interest in qualifying themselves in microinsurance issues and capturing this market



Reinsurers

Although there are three reinsurers active in Ghana (including Munich Re) there is only one resident licensed reinsurer, the Ghana Reinsurance Company. This government owned company currently writes 20% compulsory lines on all facultative reinsurance and 5% on all treaty reinsurance contracts in Ghana. The compulsory agreement ceases at the end of 2008 and will allow insurers a choice in reinsurance partners. There is no current microinsurance involvement by reinsurers who are focused more on larger corporate business and programs. Ghana Re still has to evolve to understand the efficiency and simplicity of microinsurance products before they can get actively involved.

Munich Re is an important driver of microinsurance in other developing countries, such as Colombia where they worked with SurAmericana Insurance to develop several products for the low-income market, and Indonesia where they are working with GTZ on a public-private partnership to introduce parametric flood insurance in Jakarta. Munich Re might be an important partner in the development of microinsurance in Ghana.

Microfinance Associations

- **Credit Union Association** is particularly extensive, comprising of 140 member-owned Credit Unions with a combined client base of around 500,000. The credit unions offer microinsurance as credit and savings life policies. CUA is working on developing a training facility, into which one day they want to incorporate microinsurance teaching for members. The CUA is considering forming an insurance company that would be owned by its members, but with minimum capital requirements of USD 1 million (see page 99 of the Insurance Act 724) the CUA would need to rely on investment from all of its members to reach this sum. For CUA selecting the form of a mutual insurance company would be a natural choice as CUs are member-governed organizations. A mutual has low capital requirements that would facilitate such a startup. ["Insurance Act 724, 2006, section 69, Part 1.c "a mutual company, [requires] an amount equal to the value of its liabilities plus fifteen percent of its assets."] However, this form merely exists on paper and there is neither detailed regulation nor a practitioner using this form.
- **GHAMFIN:** The microfinance network has limited involvement in microinsurance. The Financial Literacy Campaign jointly organized by GHAMFIN and SPEED does include a component on insurance, but this is the only microinsurance intervention of the association. The capacity of the association is limited and they have had consistent financial difficulties almost since their start. Because of financial constraints, they have not even been able to hold an annual general meeting "for years". They have worked with the government to develop a borrowers and lenders bill to define clearly rights and responsibilities. Additionally they have assisted in the development of the Ghana

Microfinance Policy (GHAMP). This document includes references to microinsurance (see Annex 6).

- **The Susu Collectors' Association** trains their members in financial matters. According to its management, it could help reassure customers who have inherited a lack of trust in insurance from previous bad experiences. The association and reportedly its members are very interested in offering microinsurance to their market. Association management has approached insurers in an attempt to attract them but as yet no insurer has followed up on the request. The Association is working with Barclay's Bank to offer loans through their members to low-income savers. Thus far, a total of GHS 1.8 million (USD 1.6 million) has been disbursed by Susu collectors through this program. A successful relationship such as this might be a positive indicator for a relationship with an insurer. Some training and other capacity building would be required to include them in any significant microinsurance program.
- The **Association of Rural Banks** works in conjunction with **Apex Bank**. It has agreed that Rural Banks are important delivery channels, however are ill equipped and require sensitization and training. The ARB Apex Bank does train the rural banks in microinsurance. Their training is reported to be weak and based on non-updated material. In 2007, the ARB Apex Bank sent some of its members and management to India to visit microinsurance programs. There was no evidence of impact from those activities.
- Rural banks have significant theoretical potential as delivery channels. However, this potential is not being realized. Rural Banks working with GLICO have failed to sell microinsurance and GLICO has been forced to install their own agents within the rural banks. The board chair at one GLICO partner Rural Bank scorned insurance. Effective utilization of Rural Banks will require stronger guidance from the ARB Apex Bank, and the ARB Apex Bank will need significant capacity building.
- The team was informed that the GTZ -DANIDA project SPEED has tried to work with the ARB Apex Bank for training and other capacity building activities. However, these attempts by SPEED have not resulted in responses from the ARB Apex Bank which appears to consider the SPEED project as a competitor. This may bode ill for microinsurance capacity building efforts with this organization.

Ghana Insurance College

The **Ghana Insurance College (GIC)** is an independent training institution, backed jointly by the NIC (38%), GIA (38%), GIBA (19%), and the Insurance Institute of Ghana (IIG) (5%). It runs a series of 3 days insurance introduction courses, every fortnight, attracting around 10 insurance professionals and students for each class. Charged at USD 300 per student, the course gives a basic understanding of the core classes of corporate insurance.

In addition, the GIC runs courses towards either the Associate of the Chartered Institute of Insurance (ACII) or Insurance Institute of Canada diploma. The 7-month courses and subsequent exams cost students USD 2,400. The GIC has recently found a way of working with a Maltese institute at a far reduced cost that gives many exemptions to the ACII qualifications. The college's main goal is good, thorough training for those working with insurance.

The college is tuition driven and receives no funding from the government budget or from the NIC. Several of the larger insurers still maintain their own training operations for their staff, but are said to utilize the GIC for some courses.

At present, NIC has been developing a three-week course for agents which will be made compulsory and offered through the GIC. When the course fee was announced, many older agents were angered and have subsequently taken the NIC to court in an effort to exempt themselves. The outcome remains unclear.

The College appears to be well run on business principles and seems to be a good potential partner for developing and implementing microinsurance trainings.

Actuaries

There were reports that actuaries were currently working on updating risk tables and collecting comprehensive insurance statistics in Ghana. These are expected to be finished in 2009. A special treatment of microinsurance clients however, is not considered.

Microinsurance training by insurers

It was found that some insurers operate internal training programs for their agents that run between 3 days and 4 weeks, depending on the frequency of the class and the depth of teaching. Training by some insurers is conducted for both staff that wish to become sales agents and as induction training for those people newly joining the company. The curricula are mostly tailored to the specific product(s) that the insurer offers (e.g. life, funeral expenses, and disability).

Marketing and sales skills are taught alongside insurance products and most organizations understand the importance of keeping both product knowledge and marketing well balanced in order to sell to what is often a skeptical and un-educated market. Part of the marketing and sales efforts of insurers includes the distribution of simple brochures and posters in public and at branches of rural banks and insurance companies.

Research and documentation

The level of research and documentation in the field of microinsurance remains low in Ghana. The table below shows a handful of organizations and their microinsurance research undertakings of the past and to date. The new research efforts of the German Institute for Global and Area Studies (GIGA), the University of Cologne, and the research and piloting by IPA will give more clarity moving forward as to the landscape, needs and take-up of microinsurance, particularly with respect to new products. Such findings will assist in the training of micro, meso and macro level bodies in 2009. Table 5 generally outlines the research players and their activities.

Table 5: Research projects

Organization	Project
CARE	Microinsurance project in 2002
GLICO	Anidaso product research 2006
GIGA	Household demand study 2008
IPA	Currently researching Agriculture index product. Pilot testing 2009
University of Cologne, Germany	Research through department of cooperative studies in cooperation with ISSER/University of Ghana, Legon (Institute for Statistical, Social and Economic Research) starting at end 2008

Technology and infrastructure

Both areas have not developed to a stage yet where insurers, banks and other intermediaries and low-income people are able to benefit from efficient, safe and confident insurance practice. Basic issues of technology and payment systems infrastructure are displayed in Table 6 below:

Table 6: Technology issues in microinsurance

Means of Technology	Possible Use	Relevance for Microinsurance
E-Zwich	Easy money transfer through smart card system.	This recently introduced electronic means can replace cash money transfers between low-income individuals and sales agents and insurers (among others). The system minimizes the risk that agents run away with cash, or that premium payments or claims money are defrauded.
Cell Phones	SMS (short message service) and telephone banking for easy fund transfer, would be an efficient means for premium collection and claims payment by insurers. Could be used to issue certificates of policy as well.	No evidence yet from field research that SMS is being used for payment of premiums or collection of claim payment. However, the means seems to be legal.
Internet	Many uses at all levels to cover a vast number of activities, but mainly to increase efficiency of the whole insurance process at all levels from customers to providers.	Internet infrastructure in Ghana does not contain the framework that would enable strong connections and therefore efficient insurance processing. Coupled with low confidence in information technology and barriers of confidence and funds, this opportunity is underdeveloped.
Personal Computers (PCs)	Individuals, trainers and associations should have PCs if they are to develop infrastructure and improve efficiency.	PCs are becoming more common place but the lack of hardware, software and training is clear with some institutions and individuals (Rural Banks) choosing to stick to paper means until such facilities are available.
MIS Systems	Specialized Management Information Systems (MIS) for microinsurance administration and sales	Specialized MIS systems for microinsurance have not been found though they are highly relevant in order to effectively administer a large number of small policies or group policies.

3.2 Findings identified at the meso level

The mission brought up three major findings related to the meso level that are significantly impacting the development of microinsurance in Ghana. These findings fall into four areas: training, technology and infrastructure, research, and consumer issues.

(1) Training (Insurers and Training Institutions): The primary issues found in terms of training of microinsurance are the following:

- There is a complete **lack of microinsurance specific training** for management and staff amongst the insurers, rural banks, associations, intermediaries and even training institutions. As a result, management and technical staff such as form the marketing department hardly understands the relevance and challenges of microinsurance, and field agents are often not trained to a significant level.
- There are **no formal microinsurance courses** available in Ghana through the GIC, NIC, associations or IIG. As formal courses should be the precursor to qualification or certification, the lack of such education will impact the immediate future for the

development of individuals that wish to pursue a career as salespersons or administrative staff in the microinsurance market.

- **Hands-on training** (coaching, as opposed to classroom training) which helps to develop innovative products and technologies is also not available in Ghana.

(2) Technology and infrastructure: Delivery channels via technology have not yet been developed to an extent where the process of selling microinsurance products and transferring premiums are efficient. Some Ghanaians have PCs but are so reliant on and used to working with paper and dealing in person that they have not had the confidence to switch. In addition, the majority of technology requires literacy, which remains an issue in Ghana, particularly amongst older generations whether it is reading, writing or the operation of the technological equipment. For the past years, the ARB Apex Bank, for example, has been working on computerizing all rural banks, but with 560 branches in Ghana, that is a substantial investment and the training requirement can only be done sequentially. However, computerization is a crucial element for effectively managing many small policies.

Technology may also be important for consumer protection issues. For example, the Ghana Health Service (a government body) runs an internet site with a form for “complaints and suggestions” but people without computer literacy may not be able to use this page, assuming that this mechanism is effective at all.

Infrastructure issues such as payment systems (E-zwich card and SMS banking) have been improved to some extent but these solutions are in their infancy and have not been widely disseminated yet.

(3) Research, data and actuarial support: Microinsurance research has been weak in Ghana and predominantly focused on a single product – Anidaso. New efforts are just beginning to provide important information on market attitudes and demand. This work and that planned can have an important impact on microinsurance development if it is designed to provide practical information to insurers, delivery channels, and trainers, and if the results are effectively utilized by those parties.

Statistical data (mortality and morbidity tables) is not available about Ghana's microinsurance clients. Such information may help to bring a greater level of confidence to insurers in terms of risk and could result in improved pricing in microinsurance as well as greater interest from insurers in providing better products to the market. Finally, the specialized microinsurance expertise of actuaries is also lacking at present.

(4) Public awareness and expertise: Microinsurance is not yet officially integrated into national campaigns such as the Insurance Awareness Month although there was an insurance component in the financial literacy week. These activities would provide good platforms to disseminate knowledge and raise awareness to educate the poor whilst also achieving some recognition for insurance and its importance for the low-income segment.

3.3 Conclusions at the meso level

The players at the meso level are important to help orient the macro level and stimulate the micro level. Meso level actors can also help these parties on other levels to communicate more effectively with each other.

- **Qualification of meso level actors** such as the Ghana Insurance College and the Ghana Insurers' Association is a field where donors and other support agencies can invest, as it will help trickle-down knowledge and awareness in the insurance industry. All meso level organizations spoke of a desire for more knowledge of microinsurance.

- **Delivery channels also require significant capacity building** which can be offered by or in conjunction with the existing microfinance networks and possibly with other financial apexes such as the ARB Apex Bank.
- **Significant investments in training are required** to make microinsurance delivery work both effectively and cost-efficiently. The Ghana Insurance College is open to designing a microinsurance curriculum with the assistance of consultants to develop, test, and market appropriate microinsurance courses.
- The area of **technology and infrastructure** requires significant investments in human resources and technical solutions, both hardware and software, in order to make the whole system more efficient.
- **Raising knowledge and awareness among meso level players** is very important as they play an active role in educating consumers and the public as well as supporting insurers and lobbying policymakers. Furthermore, this is the level of actor required to spur public goods such as awareness work, demand studies and data collection.
- **Market education** is clearly necessary to mitigate the negative attitudes of the market towards insurance, as well as develop a receptive market for microinsurance sales.

3.4 Points of entry at the meso level

The mission recommends developing the capacity of meso level bodies who can then develop the expertise and capacities of insurers and delivery channels as well as providing public goods to the sector in general.

Diagram 4 illustrates that in order to have confident, educated and well equipped microinsurance associations and training bodies in Ghana, technology and infrastructure, as well as training and information are the key components to develop.

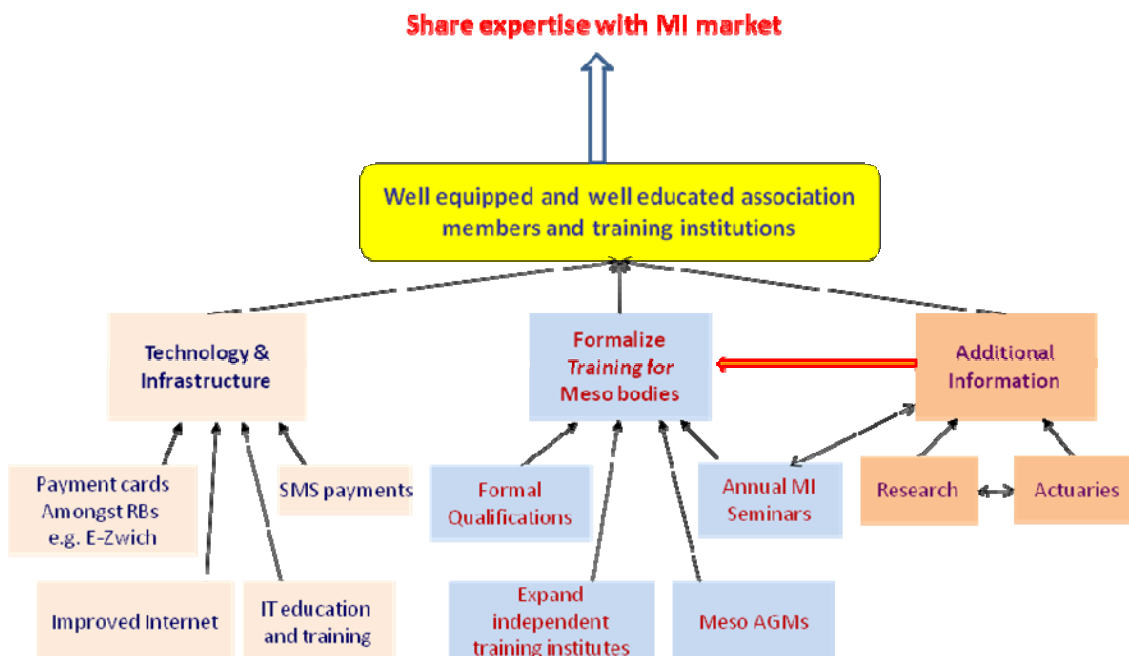


Diagram 4: Current and potential meso level points of entry in Microinsurance

(1) Solid technology solutions and IT infrastructure are needed but are far beyond the capacity of any one donor organization. Limited areas of intervention could include support of pilot tests of microinsurance applications for SMS and E-zwich with particular partners. For example, Star Microinsurance is implementing E-zwich as their premium payments mechanism. This implementation will require assistance with operational issues (for example, how do you get the client to make the periodic payments on a regular basis), as well as researching the effectiveness of such a payment mechanism.

With many potential delivery channels just beginning with computerization, another intervention might be to work with an insurer and delivery channel to develop a simple information transfer program that will help facilitate the communications between the two institutional parties in the microinsurance transaction. If done properly, this program should be transferable to other combinations of insurers and delivery channels.

(2) Training microinsurance stakeholders will be critical to the successful massification of microinsurance. Thus, **training meso bodies** to facilitate the information transfer will be a key to success. This can be done through integrating microinsurance in their teaching strategies (develop qualifications and improve microinsurance teaching in training institutes), through sharing of experiences and knowledge (holding association seminars and annual general meetings), by making public the information gained from ongoing research and actuarial data collection, and significantly, through direct courses.

(3) Data and information on demand, satisfaction, and effectiveness are critical to ensuring efficient microinsurance interventions. Because significant new data is about to be generated by GIGA, IPA, and University of Cologne basic demand and satisfaction research may not be required. In addition, other parties are also gathering actuarial data. Where research might be most effective is in assessing the effectiveness of different types of microinsurance interventions and of different types of market education.

Different models of microinsurance delivery are being implemented in Ghana – E-zwich, insurer agents in rural banks, MFIs as agents, Susu collectors as agents – it would help if there were some research to understand the benefits, problems, and costs related to each of these methodologies. This could help to make the interventions more effective, and help to understand the different costs related to each. Such information should lead to improved pricing.

(4) Market education will be a key to microinsurance success. Research will be critical to understand which methods and media are most effective. It is easy to waste significant funds on market education, and such research will serve to improve the value for money of any market education interventions.

Market education using appropriate financial education and social marketing strategies will be necessary. Market education facilitates sales of microinsurance, it helps potential clients to understand how it works and why it is important for them, and it generates interest from the market for products that satisfy their needs and requirements. Successful microinsurance massification will require working with the market to change current attitudes and perceptions of insurance.

3.5 Recommendations for support at the meso level

The mission team recommends a number of activities to advance microinsurance development in Ghana. If these are successful, a stable meso level platform would develop from where the activities of a skilled and educated microinsurance market could be overseen and nurtured.

(1) Technology and infrastructure (2)

- a. Technical assistance support for pilot tests of new payment systems
 - Help pilot testers properly structure their pilots
 - Assist in developing and implementing with pilot testers evaluation models to help identify and track effectiveness of these models
- b. With partners, developing a flexible software system that will assist in the information exchange between delivery channels and insurers.

(2) Training (1)

- a. Identify a training institution partner and work with them to develop and deliver microinsurance-training packages for front line agents, back office and management of delivery channels, relevant insurer staff to understand microinsurance and their roles within it.
- b. Provide a basic microinsurance training program for the NIC, parliamentarians and other relevant government officials to prepare them for MI legislation. This will likely require international level trainers.

(3) Data and information (2)

- a. Conduct a study assessing different delivery models in Ghana to help improve the effectiveness of outreach. The study should include an assessment of which models are most effective in which circumstances.
- b. Track current and planned research activities for potential opportunities to implement lessons learned from those efforts.

(4) Market education (1)

- a. Conduct a study to understand the most effective information channels for the low income market.
- b. Work with a social marketing / mass-marketing firm and microinsurance specialists to develop and implement a high impact market education campaign.
- c. Develop and implement tracking tools to assess, in detail, the effectiveness of the campaign and in particular identify the most effective channels.

3.6 Short- and long-term recommendations

Because the training will be so important to the development of an effective microinsurance market, and because training of delivery channels and insurers should begin as soon as possible, it is necessary to begin developing the training infrastructure very soon. This will include:

- Development of the curriculum for the various trainings. (1)
- Once the curricula are developed, there should be a training of trainers for the insurance training programs relevant staff. Those trained in these sessions would then be able to implement their training through supervised trainings of delivery channels and insurers (see section 2.6). (1)
- The market will also need to be “trained” so that those delivery channels trained to deliver microinsurance will have a more receptive market with which to try to sell insurance. Thus, in the short term there should be efforts to begin to identify appropriate market education providers and to begin developing the market education strategy. (1)

Longer-term interventions will follow directly from these short-term activities. Long-term interventions include:

- Expanding the curricula and training activities to include back office and management personnel to provide a comprehensive understanding of microinsurance and its implementation throughout the key institutions – insurers and delivery channels. This will have the effect of improving the status of microinsurance as a key product for the markets of each partner.
- Developing and enhancing market education partnerships with such organizations as the Insurers Association, the NIC, and other relevant parties. Effective market education will require the efforts of several parties, especially since market education should be a long-term activity.
- To improve pricing for microinsurance, work with those that are developing the actuarial tables (mortality and morbidity) to assist in (1) making sure the information covers the low-income market, and (2) help with the implementation of the these tools in the pricing of microinsurance products.

4. Macro Level Microinsurance in Ghana

4.1 Policy framework for microinsurance in Ghana

The **policy framework** includes financial sector policies, especially in terms of insurance and microinsurance; policies of related sectors; as well as regulation of insurance and its supervision, the latter two being important subsets of the policy framework (see 4.2).

Financial sector policies

The Ministry of Finance and Economic Planning (MOFEP) with its two divisions “Financial Sector” and “Microfinance” is in charge of policy issues related to microfinance, which implicitly gives it a role for microinsurance, as it is one among various financial products low-income households tend to choose. MOFEP has been involved in microfinance for the past decade, however, mainly dedicating its support to the savings and credit side of microfinance rather than on microinsurance. Table 7 provides an overview on the various types of microfinance services as they are generally found, and to some limited extent in Ghana.

Table 7: Microfinance Service Lines

Insurance	Credit	Savings	Payment Systems
Microinsurance (life, assets, Agricultural insurance Health insurance	Multi-purpose microloan Investment loan for MSEs ²⁴ Agricultural loan	Pass-book savings Fixed deposits Long-term savings	Smart cards Money transfers Remittances
Combined microfinance or microinsurance products such as credit and life insurance; savings and life insurance; loan and asset insurance, remittance-linked insurance			

In the past, Ghanaian microfinance policy has been centered very much on the credit and to some extent the savings and payment systems side. However, more recently, authorities

²⁴ Micro and Small Enterprises

have become open to looking at the full range of poverty-oriented microfinance services including insurance.

The same is true for the Bank of Ghana (BOG), a key authority in the financial sector. According to BoG’s research department, it has not played an active role or been directly in touch with microinsurance issues yet. However, indirectly, the role of BOG has been a promotional one as it has helped to create the e-zwich payment system (see Annex 5).

Ghana has a strategic framework, the Ghana Microfinance Policy (GHAMP, November 2006) which was developed by the MOFEP and the MFI association GHAMFIN in consultation with private and public stakeholders. GHAMP includes microinsurance to a very limited extent as shown in Annex 6. MOFEP plans to launch the strategy in 2009 as an MOFEP policy document.

In fact, microinsurance is not explicitly rooted in Ghana’s policy documents. Nevertheless, the National Insurance Commission aims at being the driver of microinsurance issues at policy level. The Insurance Act 724 (2006) gives NIC a specific development role to “undertake sustained and methodological public education on insurance” which is very important for the low-income segments of the population. In response to this role, NIC is presently preparing television programs to improve insurance literacy on fire, life, marine and motor insurance. It also plans to issue brochures and other materials. However, much more relevant is the proactive attitude towards microinsurance and the openness to make the pending insurance regulations facilitate microinsurance in the near future (see below).

Other policy areas

There are several policy areas outside of the direct financial sector that are related to microinsurance market development. Among those are

- **Trade and industry and consumer protection:** A new framework is currently being promoted by the Ministry of Trade and Industries (MOTI) with the aim to issue a consumer protection policy and law. This is planned to include issues which are related to the financial consumer, including microinsurance consumers such as the “product recall system” which may allow withdrawing from a contract within a given period; and the idea to establish “small courts for consumer complaints and arbitration in the regions”.
- **The National Identity System** which is being reformed at present. The new national database system and the biometric identifier - an automated fingerprint identification system - for national identification cards will be issued to all citizens of Ghana and foreign nationals permanently residing in Ghana.
- **Taxation policies** impose no fiscal burden on premiums. Such fiscal impositions in other countries hinder microinsurance provision when VAT or premium taxes are charged.
- **Policy coordination** issues include possible areas of inter-ministerial action related to microinsurance issues are presented in Table 8. The mission team did not explore those issues due to the limited time of a one-week mission.

Table 8: Inter-ministerial involvement in microinsurance

Ministry	Issue related to microinsurance
Agriculture	Agricultural insurance was not included in the mission’s tasks. However, agricultural insurance seems to become an issue on the government and donor’s agenda again in order to spur agricultural growth. Agriculture is a major part of Ghana’s economy, however, reportedly low productivity rates are a fact and have increased the interest in index-based agricultural insurance as one of the means to managing the risks related with farming.

Ministry	Issue related to microinsurance
Health	Health was also not considered in this study. As a side issue it was revealed that the current emphasis to include more people also from the informal sector in the National Health Insurance System, which covers now more than 40 % of the population and plans to expand further, has to some extent increased the awareness of low-income household on the mechanism of insurance.
Social Welfare	The mission has not identified any issues related in this field but future work may include this area. The ministry of Mobilization and Social Welfare enforces the law for social security of workers which includes compensations for funeral and work-related disability. In some other countries, microinsurance schemes are linked and this strategy is an important challenge helping to massify coverage. In other cases, distorting effects have been reported to emerge from such schemes.
Education	The ministry of education was not visited, but in line with some approaches of some other countries the public education system can include financial literacy and insurance awareness.
Accra Fire Authority	The Makola market fire during the mission made clear the potentially insurable risks that low-income market vendors face in trying to sell their wares. In order to make such market risks insurable, there must be significant and real safety codes set and enforced within the markets. This will take coordination between the city council, the fire authority, the market leaders, and insurers.

As the NIC is a major actor and dedicated key driver of microinsurance development in Ghana it would be the pertinent actor to coordinate microinsurance policy issues in Ghana. This would be in line with the NIC's specific development role even given that its main role is to develop the regulatory framework and supervise insurance described in the next section.

4.2 Regulatory and supervisory framework for insurance/microinsurance

Ghana's **regulatory framework** for insurance is based on the Insurance Act 724 of 2006. The act separates insurance into life- and non-life insurance and establishes the NIC as a body corporate "to ensure effective administration, supervision, regulation, monitoring and control of the business of insurance to protect insurance policyholders and the insurance industry." [Insurance Act 2.(1)].

The Insurance Act is comprehensive, including sections on the NIC; the licensing of insurers; the insurance business; capitalization, solvency and financial resources; and insurance intermediaries. Certain provisions have still to be worked out, such as those on arbitration, record keeping, code of practice and market conduct (Article 202, 203 and 204). For some details of insurance activities which are not regulated in the current version of the Act, and for which the regulation is pending, NIC uses the old insurance regulations (Insurance Regulations 1990).

Currently, NIC is working on these regulations, supported by an international expert team. A draft of the recommendations for these regulations is expected by end 2008.²⁵ According to NIC, these inputs will be revised by NIC; and shall then be submitted to the industry for consultations before going to parliament.

Microinsurance has not been embedded in the rules yet, however, in recognition of its relevance for making insurance sector more inclusive and improving the outreach of insurance, this is an expressed goal of the NIC. The fact that at present, the detailed

²⁵ AG Associates Ghana is the consulting firm implementing this consultancy, whereas the funding source is the World Bank.

regulations in many regards are being worked out allow the incorporation of microinsurance specific rules in many crucial aspects of insurance business.

At present, there is no dedicated microinsurance license in the insurance law or regulations, nor are the specific rules for agents delivering microinsurance.

Supervision of insurance is a classic task of the NIC. NIC has a supervision department. The supervisory capacity of NIC was not assessed under this assignment due to its nature and short duration. However, experiences from other countries and some discussions with industry participants suggest that NIC suffers from resource constraints like many of its peers in other countries.

Supervisory capacity becomes an important consideration in adjusting the Insurance Act since it will be necessary for the NIC to keep on to develop regulatory instruments and process, and enforce the details of the act and the other rules. Expanding potential providers of microinsurance could have a large impact on the NIC if this also significantly expands their supervisory responsibilities. Adjusting some provisions such as market conduct including product rules may have a quicker impact and be less burdensome to NIC.

Health insurance is regulated under the National Health Insurance Act (650) of 2003 and supervised by the Ministry of Health. However, if health insurance is provided as a rider to other insurance products, the NIC is the supervisory authority. There appear to be no other bodies involved in regulation of insurance or quasi-insurance services.

4.3 Issues identified at the macro level

(1) Policy level: The Ghana Microfinance Policy includes Microinsurance though to a very limited extent just giving it some credit. Signs of inter-ministerial coordination in microinsurance seem to be limited to some form of the coordination initiated by MOTI as far as the recent undertaking of consumer protection issues is concerned. Awareness and expertise, of microinsurance among authorities such as Bank of Ghana or MOFEP, and even NIC as the main actor, is limited.

Raising the awareness and knowledge of the public is also a policy task. To date, there has not been any effort to improve insurance literacy by the Government to complement the planned activities of NIC in terms of microinsurance.

In Ghana's markets, safety standards for buildings and households are poorly developed the same as in many developing countries. However, such standards play an important role in supporting insurance market development. Neither the respective authorities nor the insurers themselves have started to deal with these issues, or can do this alone. Better safety standards would have the dual objective of improving poor peoples' safety and making their assets more insurable. A joint initiative among e.g. the Accra Fire Authority and insurers could be a good start.

Diagram 5 shows the role the NIC could play in the coordination of microinsurance related policies with other ministries and governmental agencies. Lack of coordination in other countries has led to problematic implementation of microinsurance efforts because one entity inadvertently places a roadblock, such as tax policy, that prevents poor consumers to invest their money in a highly taxed financial product; or non-bank financial institutions policy that restricts such entities from acting as insurance agents. Coordination in the early days of microinsurance (as possible now in Ghana) is an important intervention that helps to create the enabling environment for good microinsurance to expand and massify.

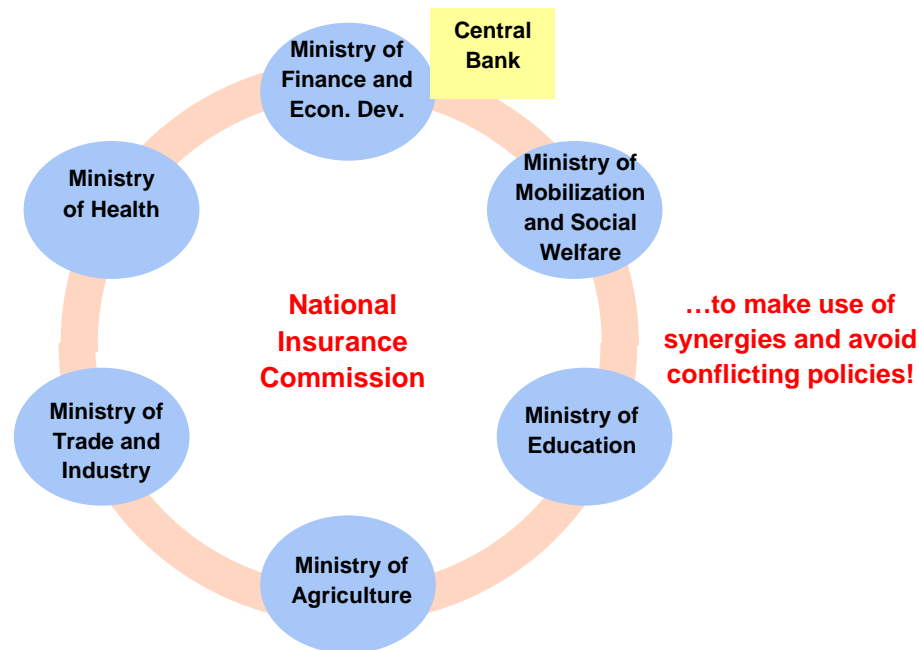


Diagram 5: Government authorities that play a role in microinsurance development

(2) Supervisor's role and attitude: There are signs that the insurance sector is growing and an increasing number of insurers are becoming interested in the low-income market. Yet, as the average household still has little experience with, or trust in, insurance, consumers are vulnerable in the light of these trends. As consumer protection is a classic task of the insurance supervisor, this situation raises issues for the NIC. NIC has a developmental mandate and a proactive attitude towards facilitating microinsurance in Ghana. However, NIC is not yet well equipped to implement this task.

NIC is a member of the IAIS and its microinsurance Joint Working Group which includes experts from the CGAP Working Group on Microinsurance. It invited the mission team to review the current insurance regulatory framework and further contribute to the development of microinsurance specific regulations. NIC has also asked the consultant team in charge of developing the recommendations for the regulations to include points on microinsurance.

(3) Insurance regulations:

The following provisions of the Insurance Act require a closer look:

- **Institutional rules:** Insurance regulations allow for two types of insurers: companies limited by shares, and mutual companies. There is a provision in the insurance law for mutual insurers.²⁶ However, there is no detailed regulation for mutual insurers for example on their licensing and operations allowed. In Section 21 (licensing) criteria are only defined for a limited liability company.

²⁶ Second schedule, Minimum Capital Requirements; maintenance of capital by an insurer 1. c)

- The NIC notes that there are no mutual insurance entities; though in some other countries this form has shown to have potential for microinsurance (see Box 1). However, it is important to note that what spurred the development of such a dedicated framework was
 - a. the availability of some good candidates (MFIs) interested in investing in such an organization and building it up,
 - b. a role model (Card MBA) which pioneered the model and was a show-case for others to follow;
 - c. a donor-supported consulting firm (RIMANSI Inc.) which now disseminates this model to other countries in the region, and finally
 - d. the political will and dedication at the Ministry of Finance and the Insurance Commission.

Box 1: Microinsurance Mutual Benefit Associations in Philippines

In late 2006, the Insurance Commission issued Insurance Memorandum Circular No. 9-2006 which provided a definition of microinsurance and the basic requirements for registering a special kind of Mutual Benefit Associations (MBA) permitted to provide only microinsurance services. Provisions include the following:

- There must be at least 5,000 members upon registration, to ensure adequate size of the risk pool;
- The Microinsurance Mutual Benefit Association (MI-MBA) can provide only microinsurance products as these are defined in the circular;
- Like regular MBAs, policies can only be issued to members (although MI-MBAs can include the entire family);
- The MI-MBA must set up an initial Guarantee Fund of Php 5 million (US\$ 117,647) and thereafter, the fund must be built to an ultimate level of at least 25 percent of a new commercial insurer's capital requirement (which changes from time to time; see section 3.2.1). The significant enabling feature is that the buildup may continue for as long as necessary and this can be accomplished by adding 5 percent of all gross contributions (premiums) as these are collected from members.

To ensure stability, viability, and the delivery of appropriate services to their members, microinsurance MBAs shall be evaluated and monitored on the basis of a set of performance standards to be established by the Insurance Commission covering the areas of solvency and stability, efficiency, governance, understanding of the product by the client, risk management, outreach, and such other areas deemed by the Insurance Commission to be critical to the continuing viability, growth, and development of microinsurance MBA's."

Source: Microinsurance Innovations Project (MIP) in the Philippines (GTZ 2008)

- **Capital requirements:** The minimum capital requirement of a company limited by shares is the Ghanaian New Cedi (GHS) equivalent of one million United States Dollars. For mutuals, the statutory requirement is lower, i.e. "a mutual company [requires] an amount equal to the value of its liabilities plus fifteen percent of its assets". This sounds reasonable; however, in life business this amount can easily become prohibitive.
- There is a recent debate on increasing capital requirements to a considerably higher amount, a trend which can also be noted in the banking sector and might be prohibitive for any investor wanting to establish a dedicated company for microinsurance as the pressure to generate return on investment for small-volume policies might be unbearable. In this case, considering the option to develop a lower tier with less capital requirements might become relevant.
- **Market conduct and product regulation:** Section 204 requires the NIC to issue market conduct rules, which are under preparation at present. Section 45 provides that NIC has to give written approval for any insurance product. Intermediary regulations are the same for any kind of insurance business be it larger business or small policies. Both provisions may limit microinsurance provision as detailed below.

- **Microinsurance:** There is no definition of microinsurance yet. Relevant functional rules with a potential for improving and massifying microinsurance are the product rules (Section 45), the future code of practice (Section 202) and market conduct regulation and intermediary regulations (Section 114 ff.).
- Additionally, the issue of specific microinsurance intermediaries needs to be addressed. The Star Microinsurance Services is acting as an agent arm of Star Life Assurance. They note that they await clarity in the Insurance Act so that they might convert to a microinsurance company if such accommodations are made in the Act. Investors for such a transformation have already been contacted. Micro Insurance Agencies is also in an awkward position. Registered through their Country Director as an agent of SIC, they are structured as an insurance brokerage firm. Their effectiveness on the market and their ability to improve products and pricing would significantly improve if they could introduce insurer competition into their activities. However, they are restricted by policies that require them to have a principal officer with, according to the Country Director, “more than eight years brokerage experience”. Microinsurance is new to Ghana and obtaining an experienced traditional broker will not improve the potential for the MIA to properly address its market.
- NIC has designed a comprehensive course for agents, which is to be made compulsory for any insurance agent. This training requirement could be prohibitive for microinsurance. Even the requirement for traditional agents is being contested in court as being onerous for current agents.
- Other possibly important areas for microinsurance are record keeping (Section 202, m), reinsurance arrangements (202, h) and solvency (202, r), which are also in the process of being worked out.

(4) Informal schemes: According to NIC, there are a large number of informal insurance schemes. Little information was found on the size and location of these schemes. Some of these may be significant in terms of size (volumes, number of policyholders, gross premiums received). NIC de facto practices regulatory forbearance with these entities which can be justified only when these schemes have effective member governance and are small in size.

Some MFIs, understanding that their in-house insurance schemes are illegal, have entered partnerships with formal insurers to avoid this situation. One example might be the Credit Unions’ voluntary scheme which they call “risk management” cover for their over 80,000 members. It might be prudent to work with these entities to develop their own insurance company, for example under the Mutual Company provisions of the Act.

4.4 Conclusions at the macro level

Favorable environment with remaining challenges: The economic and social environment in Ghana is favorable for microinsurance development. Sector authorities are starting to facilitate microinsurance either directly (NIC) or indirectly (BOG). There is political will among various sector authorities to promote microinsurance as they recognize that the majority of their population lives in the microinsurance segment and lacks effective risk protection.

The integration of microinsurance - in the new regulation – as a centerpiece of a facilitative policy can motivate the industry and help prevent weak practices. Taxes are no hindrance. Customer protection – an important element for down-wards market development of insurance - seems to be high on the policy agenda but implementation in microinsurance is not yet trickling down to the low-income households.

Development of knowledge related to microinsurance among the authorities is a major challenge. Furthermore, educating the public on microinsurance is a large task which requires a public-private approach.

The present **regulatory framework for insurance** lacks microinsurance specific rules, for example, in terms of market conduct and product issues. As NIC is serious about its insurance market development role, its decision to include microinsurance into the new regulations can be a huge step forward in doing away with barriers to microinsurance provision and facilitate an inclusive insurance sector. NIC has been seeking support for this venture for which it has no expertise at present.

In terms of regulatory lessons, it is worth to look at the actions of other countries which have adopted mainly two types of regulatory approaches (see also 4.6):

- **Functional regulation:** This regulatory approach includes the definition of a special product category including market conduct rules.
- **Institutional regulation:** The creation of a special license for microinsurers is another option. To date, the regulatory framework does not provide for a special category of a microinsurer.

4.5 Points of entry at the macro level

At the policy and regulatory level, we recommend a combined approach looking at the various actors and fields.

(1) Policymakers' capacities and coherence of policy approaches: Capacity Building and policy dialogue for authorities such as MOFEP, BOG and MOTI should be promoted. A thorough assessment of the policy environment including agriculture, social protection strategies and health could be the first activity to generate evidence for this dialogue.

Furthermore, policy dialogue seminars with authorities in other countries could be beneficial to Ghana. Possible subjects are:

- Microinsurance as a means for financial inclusion and poverty reduction
- Public versus private health insurance models and strategies for linking social protection and privately-driven microinsurance
- Index-based insurance for developing agricultural production

(2) Insurance literacy as a public (-private) task: Many actors from various policy spheres (such as finance, education and social protection) have an inherent interest in improving insurance literacy including for low-income households and businesses. Developing new public awareness campaigns should be joint undertakings. For example, microinsurance activities / materials / events might be integrated into existing efforts such as financial literacy week and insurance awareness month. Or, an industry charter for poverty-oriented financial services, including microinsurance could be developed such as in South Africa. However, the evaluation of such means in these model countries has to be an important part of the approach to avoid replicating the down-sides of these experiences.

(3) Promotion of a sector dialogue on microinsurance including public and private actors. This dialogue has proven to be effective in various countries. It has also been tested over the past years within Ghana's microfinance sector. The advantage of such a dialogue is that all parties participate in a joint learning and negotiation process. The contributions of all actors allow the NIC to understand the different points of view and make sure that a situation is avoided where regulations are issued that are neither understood nor implemented later.

(4) Support to NIC in terms of microinsurance policy and regulatory and supervisory issues to create a facilitative regulatory environment which eliminates barriers and facilitates microinsurance development through:

- Support during the consultation process on the new insurance regulation, i.e. facilitation of the dialogue with the industry and relevant stakeholders;
- Improved internal knowledge development, regulatory support and efficient and effective supervisory systems;
- NIC's capacity to lead the sector dialogue with public and private actors;
- Improved capacity to interact with insurance supervisors from other countries also involved in microinsurance, e.g. when it comes to recommendations for microinsurance at global level (see Annex 7).
- But mainly, clear regulations and an effective supervisory system that helps to massify microinsurance and develop value-for-money products.

4.6 Macro level support for microinsurance

In the short-term, the mission recommends supporting two main areas, i.e. 1) policy development including consumer protection and financial literacy work for microinsurance development and 2) NIC to develop its new regulatory framework. In the longer term, support to the NIC is recommended for continuously developing the internal know-how, adapting regulations, contributing to policy and industry dialogue and adjusting supervisory practices for microinsurance (3).

(1) Supporting the integration of microinsurance in Ghana's policy framework for the financial and microfinance sector can be done through the Microfinance Forum and other conferences and meetings.

Coordination with the Consumer Protection Framework and integration with microinsurance issues is also important. Financial literacy work could be integrated in the existing financial literacy work of SPEED Ghana. Other donors could be motivated to support this area with the MOFEP coordinating it.

(2) As a core issue for market development support should be provided to NIC in terms of qualifying it to find an effective way of including microinsurance in the new regulation. This implies support to NIC to clarify the various strategic options and their implications for its future regulatory approach. It includes capacity building for NIC on product and regulatory issues, and could include a workshop for parliamentarians to help them understand the proposed regulation as well as support to NIC in terms of the stakeholder consultations.

In specific terms, the mission proposes to develop and implement a two day detailed training directly related to the Insurance Act (2006) and specific issues that need to be addressed. This training would serve two objectives:

- Getting the Commission to understand the specific issues of microinsurance within the law
- Prepare the Commission for inevitable discussions with Parliament and others in support of the intended adjustments to the Act.

It may be necessary to develop and implement a one-half to one-day course for Parliament and other government officials if there are to be significant regulatory, supervisory, or policy adjustments.

NIC has two main strategic options to address microinsurance in its regulatory framework, which are presented in the following:

Regulatory Option A: Functional regulation, i.e. motivating **existing** insurers to adapt their structures, systems, products, staff qualifications and sales strategies to microinsurance. This regulatory approach includes a product definition, rules for channeling, reporting, administration, and claims and recourse handling.

Regulatory Option B: Institutional regulation, i.e. creating a dedicated microinsurance license - or new regulatory tier - to facilitate the establishment of new microinsurers. Such a framework can motivate informal insurers to formalize, and hence, operate and grow under the supervision of the NIC. It can further have the effect of motivating formal insurers to set up a specialized subsidiary under a separate license. This option would be based on the provision of a limited set of products with low prudential and market conduct risk characteristics, on the basis of which the regulatory requirements could be softened. Table 9 details the key issues for consideration of these options.

Table 9: Functional versus institutional regulation of microinsurance

Approach	A - Functional Regulation	B - Institutional Regulation
Type	Microinsurance as an activity line, also called activity-based approach	Microinsurance as an institutional type, also called institutional approach
Description	<p>All institutional types of microinsurers (those under the insurance law but also institutions under other laws) have to follow two set of rules:</p> <ul style="list-style-type: none"> • The same rules and regulations as far as certain aspects of microinsurance provision are concerned. • In terms their particular institutional type, they follow the rules defined for it. 	<p>A risk carrier can obtain a license as a “Microinsurer” which is separately regulated e.g. like the</p> <ul style="list-style-type: none"> • MBAs in the Philippines under the Insurance Law • health microinsurers in West Africa with a separate regulation and supervisory body • upcoming microinsurance license in South Africa <p>A specialized microinsurer can also be regulated as joint-stock company, e.g. requiring lower minimum capital than large conventional insurers. Examples under this model are only known from microfinance (in Ghana, the Savings and Loan Companies)</p>
Which rules and regulations can be specifically defined?	<p>Microinsurance defined as an activity line can have the following specific requirements that are valid regardless the institutional type:</p> <ul style="list-style-type: none"> • reporting • underwriting • transparency • resolution of disputes • agents or other delivery channels • claims handling <p>This list provides some examples and must be tailored to the situation in Ghana.</p>	<p>For a new institutional type of microinsurer, specific regulations can be developed, e.g. for</p> <ul style="list-style-type: none"> • governance • minimum capital • on and off-site supervision • investments • agents or other delivery channels
Advantages	All insurers deal with their microinsurance portfolios in the same way. Regulatory arbitrage is minimized.	A specialized type of microinsurer, e.g. with lower entry requirements and limited operations allowed can be created.

The NIC should receive continuous advice in terms of these options and the way to implement them until the new regulations are in place.

The following lessons can be derived from other countries:

Option A: Creating a set of provisions for all kinds of insurers and intermediaries is probably the easier approach. This regulatory approach is implemented in India, Mexico and Peru. Impact assessments have not been implemented yet in any of these countries, however, some insights are already known as to the success and challenges of these approaches.²⁷

Market conduct issues, the code of practice and a definition are among the most important issues to be provided for in Ghana.

Option B: The question whether a dedicated microinsurance license (as in Philippines and planned in South Africa) shall be created has to be thoroughly considered, including its implications for the regulatory and supervisory framework. The institutional form of a mutual as created by the Insurance Act possibly could be used to satisfy this option.

There are a number of important concerns that will influence this strategic decision, such as

- the question of whether there are a sufficient number of candidates interested in such a license;
- the issue of building sufficient supervisory capacity to supervise these possibly smaller players;
- alternative conducive regulations that help promote microinsurance business activities which are effective and less costly, without the need to create a total new institutional structure such as with special product and agent categories.

Both regulatory options could also be combined in Ghana, i.e. a new institutional type is created whilst a functional regulatory framework for microinsurance is developed which is valid for all types of insurers. However, it might be wise to start with functional regulation as it does not require too much additional resources at the side of the NIC whilst having an immediate impact on the industry.

(3) Long-term support to the NIC is recommended in the following areas:

NIC is the main actor to create an enabling policy framework for microinsurance market development and requires considerable support for this long-term task. It is therefore recommended to provide advisory support in microinsurance regulation, supervision and policy issues to develop, assess and adapt their rules and systems. Specifically, it is recommended to support NIC in the

- Development of know-how in NIC (management, staff) in terms of benefiting from and contribution to the international expert dialogue,
- Continuous assessment of regulations and their impact
- Integration with other financial sector regulations
- Adjustment of supervisory systems
- Consumer protection issues such as public information, synergies with general consumer protection policy framework, code of conduct for microinsurance, transparency
- Guidance of the policy dialogue and creation of synergies with other policy areas (e.g. health, agriculture, trade)

²⁷ The Peruvian regulation defines a cap of 3 PEN (approximately 1 USD) per month for “microinsurance”. Following the regulation, the industry has started offering a product with a monthly premium of 3 PEN. Approximately 30,000 policies have been sold since February 2007. According to some Peruvian experts, this amount seems to be too high for the low-income segment as “strata D population” has disposable income of only USD 0.50 per month; and the “strata C population” (with USD 7 disposable income per month) is also not willing to spend this money in insurance.

- Organization of a continuous industry dialogue

Annex 1 – List of Persons/Institutions Met

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Annex 2 – Insurers, Reinsurers, Brokers and Loss Adjusters registered with NIC

List of Licensed Non-Life Insurance Companies

1. CDH Insurance Company Limited
2. Donewell Insurance Company Limited
3. Enterprise Insurance Company Limited
4. Equity Insurance Company Limited
5. Ghana Union Assurance Company Limited
6. GLICO General Insurance Limited
7. Global Alliance Insurance Ghana Limited
8. Industrial and General Insurance Ghana Limited
9. Metropolitan Insurance Company Limited
10. Phoenix Insurance Company Limited
11. Prime Insurance Company Limited
12. Provident Insurance Company Limited
13. Quality Insurance Company Limited
14. SIC Insurance Company Limited
15. Star Assurance Company Limited
16. Unique Insurance Company Limited
17. Vanguard Assurance Company Limited

List of Licensed Life Insurance Companies

1. CDH Life Insurance Company Limited
2. Donewell Life Insurance Company Limited
3. Enterprise Life Assurance Company Limited
4. Ghana Life Insurance Company Limited
5. Ghana Union Assurance Life Company Limited
6. GLICO Life Insurance Company Limited
7. Metropolitan Life Insurance Ghana Limited
8. Network Life Assurance Company Limited
9. Phoenix Life Assurance Company Limited
10. Provident Life Insurance Company Limited
11. Quality Life Insurance Company Limited
12. SIC Life Insurance Company Limited
13. Star Life Assurance Company Limited
14. Unique Life Insurance Company Limited
15. Vanguard Life Assurance Company Limited

List of Licensed Reinsurance Companies

1. Ghana Reinsurance Company Limited
2. Mainstream Reinsurance Company Limited

List of Licensed Insurance Broking Companies

1. AG & Associates
2. Akoto Risk Management Limited
3. All Risks Consultancy Limited
4. Alpha Insurance Brokers Limited
5. Apex Insurance Brokers

6. Ark Insurance Brokers Ghana Limited
7. Asterix Insurance Services Limited
8. Ceris International Limited
9. CLAIM Limited
10. Crown Insurance Brokers Limited
11. Danniads Limited
12. Double D & M Insurance Brokers Limited
13. Dynamic Insurance Brokers Limited
14. Edward Mensah, Wood & Associates
15. First Anchor Risk Management Limited
16. Ghana International Insurance Brokers Limited
17. Global Impact Insurance Brokers Ghana Limited
18. Gras Savoye Ghana Limited
19. Horizon Insurance Brokers Limited
20. Insurance Centre of Excellence Limited
21. Insurance Consultancies International Limited
22. Inter-Africa Brokers Limited
23. International Consortium Brokers Limited
24. Jerock Insurance Brokers Limited
25. KEK Insurance Brokers Limited
26. Lordship Insurance Brokers & Consultancy Limited
27. Marine & General Brokers Company Limited
28. Maxpal Intermediaries Limited
29. Midas Insurance Brokers Limited
30. Progressive Insurance Services Limited
31. Prudent Consult Limited
32. Safety Insurance Brokers Limited
33. Trans-National Insurance Brokers Limited
34. Tri-Star Insurance Services Limited
35. Universal Insurance Consultants Limited

Licenses Reinsurance Brokers

1. KEK Reinsurance Brokers (Africa) Limited

Licensed Loss Adjusters

1. Manyo-Plange & Associates Limited

Annex 3 – Quotes from various individuals during the mission

“If I had a name badge and a company poster, I could sell 1,000 more policies than I do now” – Agent

“Our agents have a lot of resources to enable them to sell policies to our customers” – Insurer

“We have a moral responsibility to educate our clients” – Life Insurer

“I have worked in insurance for 20 years and know that poor people won’t ever buy it” – Rural Bank

“Technology is key to good service delivery” - Bank

“Our clients trust their own people, so we work as closely as possible with local villagers and leaders” – NGO

“Microinsurance has to be market led and follow the feedback of clients for refinement” – Bank

“We guarantee our customers 100% protection if the collector runs away with their money” – Rural bank

“Our promises are sacred” – Insurer

“There is knowledge of insurance but the perception is negative” – Association

“We want to one day cover every household in Ghana” – Insurer

“We don’t want to grow too quickly – we want to grow efficiently and not take unnecessary risks” – Bank

“If we explain the coverage to our clients, we’d be flooded with claims” – Rural Bank

“Do I need a license to offer Funeral Insurance?” – Rural Bank

“We don’t push our ideas on people, we listen to them and their requirements” - Insurer

“Industry self regulation works better to educate the supply side” – Insurer

“I am interested in developing Microinsurance products, but I need to see a business case” – Rural Bank

Annex 4 – Feedback from stakeholder’s workshop (29th Sept 2008)

Micro Level
Savings should be a critical component for the insurance product if we are to market it well
Rural banks need to supply improved services
Products should be flexible to fit the needs of the different customers
Products should be kept simple so they are easier to understand and therefore sell
Delivery channels need to be more effective
There is a large demand for education for everyone exposed to microinsurance
Insurers must understand the sensitization of low income people
Low income people must be educated about microinsurance and its benefits
The possibility of offering subsidized products by insurers for low income households
Developing trust between all parties (insurers, rural banks, customers) is implicit
Meso Level
Have GHAMFIN involved in microinsurance development by training MFIs who can in turn train insurers that they are in partnership with.
Utilize the strong network of Apex banks to deliver microinsurance products
Associations can be involved in the transfer of information from the demand side to insurers
MFI's could be more actively utilized as platforms for microinsurance distribution
The development of a strong network for microinsurance, including a forum
Create a new working group for microinsurance capacity building within the microfinance forum
Link the existing microfinance forum to microinsurance issues, inviting insurers to attend as well as microinsurance specialists
Would like to have Microinsurance introduced into the Central Bank Working Group as a subject of interest. Have insurers involved and create a network of information.
Working together to “demystify” insurance for both low-income people as well as banks and insurers.
The key is to work together as an association to develop microinsurance products at the cheapest possible cost to all involved
Macro Level
Additional skills were needed for Microinsurance agents. A sensible way to achieve these is the introduction of a recognized certificate.

Annex 5 – Biometric Payment Card System E-Zwisch

“The Bank of Ghana has asked all banks including rural banks in the country to integrate all existing switches into the national switch (EZWICH) by the end of the first half of this year.

The Central Bank’s directive also mandates all banks to issue EZWICH smartcards to each individual personal customer and deploy EZWICH compatible Point of Sale (POS) devices at all existing and future acquired merchant outlets.

In a statement issued by the Central Bank, it said banks, savings and loans companies without switches and Auto Teller Machines (ATMs) or POS devices should acquire them and ensure that new payment terminals (ATM, POS) bought were also integrated directly into the national switch or through an EZWICH compatible switch.

Again, the Central Bank also stated that existing ATMs and POS devices installed by banks should be upgraded to meet the EZWICH standards or be replaced with EZWICH compatible ATM or POS devices.

The Bank of Ghana has also noted that prior approval must be obtained from the Bank of Ghana for the deployment of new switches, ATMs, POS card or mobile phone payments products.

It announced that it has set up the Ghana Interbank Payments Settlement System (GHIPSS) to manage the payments and settlements system in the country.

The GHIPSS, according to the Central Bank, would have oversight responsibility for the national switch, biometric smart card, check clearing, code line check truncation, real time gross settlement system (RTGS) and the automated clearing hours.

The Bank of Ghana in collaboration with the Ghana Association of Bankers have introduced the National Switch (EZWICH), which would create a common platform for banks and savings and loans companies, and the Biometric Smartcard (EZWICH), which is a new secure way of paying for goods and services for all Ghanaians online or off-line.”

Source:

<http://www.e-zwisch.com/index1.php?linkid=290&adate=15%2F01%2F2008&archiveid=54&page=1>

Annex 6 – Microinsurance in the GHAMP

The GHAMP mentions insurance four times as follows:

1. Section 1.3: Microfinance encompasses the provision of financial services and the management of small amounts of money through a range of products and a system of intermediary functions that are targeted at low-income clients¹. It includes loans, savings, **insurance**, transfer services and other financial products and services.
2. Section 2: The key microfinance stakeholders comprise:
 - 2.1 Main Microfinance Practitioners
 - 2.1.1 Microfinance Institutions, including:
 - i. The Rural and Community Banks,
 - ii. Savings and Loans Companies
 - iii. Financial NGOs
 - iv. Primary Societies of CUA
 - v. Susu Collectors Association of GCSCA
 - vi. Development and commercial banks with microfinance programs and linkages
 - vii. **Micro-insurance** and micro-leasing services.
3. Section 4.5.3.2: *Other Financial Services*

Other institutions providing financial services such as **insurance**, leasing and money transfers shall be encouraged to develop methodologies for adapting their products to micro entrepreneurs and low-income households
4. Glossary: Microfinance - Microfinance consists primarily of providing financial services including, savings, micro-credit, **micro insurance**, micro leasing and transfers in relatively small transactions designed to be accessible to micro-enterprises and to low-income households. Microfinance may be complemented by non-financial services, especially training, to improve the ability of clients to utilize the facilities effectively.

Annex 7 – Draft Guidelines for the Regulation and Supervision of Microinsurance

The following draft guidelines are the result of a cross-country study in Colombia, Philippines, India, Uganda and South Africa carried out in 2007 and summarized in a synthesis paper.

The draft guidelines will be an important input for the work of the CGAP – IAIS Joint Working Group which is to support IAIS's efforts to develop guidelines and standards for the regulation and supervision of microinsurance until 2010.

- (1) Take active steps to develop a microinsurance market
- (2) Adopt a policy on microinsurance as part of the broader goal of financial inclusion
- (3) Define a microinsurance product category
- (4) Tailor regulation to the risk character of microinsurance
- (5) Allow microinsurance underwriting by multiple entities
- (6) Provide a path for formalization
- (7) Create a flexible regime for the distribution of microinsurance
- (8) Facilitate the active selling of microinsurance
- (9) Monitor market developments and respond
- (10) Utilize market capacity to support supervision in low-risk areas

Source: Making insurance markets work for the poor: microinsurance policy, regulation and supervision (Draft Synthesis Paper by CENFRI on behalf of Bill and Melinda Gates Foundation, IRDA, GTZ/BMZ/ Finmark Trust), 2007