

International Conference Enabling Microinsurance Markets

The Policy and Regulatory Approach in Ghana

by

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Key Challenges faced in the Microinsurance Sector

In September 2008, NIC commissioned a **feasibility study** to assess the state of Microinsurance in Ghana which highlighted challenges at all levels:

Micro level:

- Lack of insurance awareness among the population
- Narrow product range with credit-life insurance dominating
- Many products seem to be weakly designed and are not tailored to demand
- Delivery channels tend to be weak

Meso level:

- Limited data and research available
- No existence of microinsurance specific training

Macro level:

- No specific provisions for microinsurance in the legal and regulatory framework (not yet in line with IAIS International Core Principles)
- Limited capacities of NIC to perform supervisory functions

NIC's three-step approach to regulate Microinsurance

Step 1: NIC's regulatory approach in two phases

- **Phase 1** –NIC will first implement the **functional approach** (MI as a separate line of business) due to its lower complexity and easier implementation
- **Phase 2** – Institutional (licensed MI providers) or Combined approach

Step 2: Definition of Key elements for the regulation of MI

- Definition, related concepts and characteristics
- Risks covered, products and contract issues
- Delivery channels
- Consumer protection

Step 3: Development of the legal and regulatory structure

- Amendments to Insurance Act, Regulations, Codes and Guidelines

Revision Process of Ghana's legal and regulatory framework

- June 2009 – **Stakeholder dialogue workshop** on regulating MI in Ghana
- March 2010 - **Policy Framework** on designing a legal and regulatory environment for MI in Ghana finalised and to be discussed soon
- May 2010 - **Report** for NIC outlining an **appropriate legal and regulatory framework** by GTZ legal consultant
- Autumn 2010: Develop **drafts of the Insurance Law, Regulations, Code of Practice and Market Conduct Rules** which will be discussed with the industry before being submitted to Parliament

Potential challenges to the process include the level of capacity of policymakers, NIC and the industry. NIC addresses these challenges by engaging a GTZ-funded legal expert, working closely with all stakeholders involved and has hired an internal actuarial expert.

Since revising the legal and regulatory framework alone is not sufficient...

...NIC puts much emphasis on **educating the general public** on microinsurance with various media:

- Educational Materials (“ABC of Microinsurance”)
- Television Sitcoms
- Radio (in the planning stage)
- Public education events like the Financial Literacy Week

- Additional support to the industry include training courses for microinsurance providers and delivery channels



Key Messages

- Ghana is due to be among the few countries with a dedicated regulatory framework for MI which promises a higher level of consumer protection, more demand-oriented products and strengthened financial inclusion
- NIC is the key driver in the revision process and works closely with the industry and the Government (Bank of Ghana and Ministry of Finance and Economic Planning) to guarantee a successful revision process.
- It is important to strive for the establishment of an adequate legal and regulatory framework with the 'right' degree of flexibility (e.g. licensing requirements of MI agents)
- The revision process needs to go hand-in-hand with efforts to increase the level of insurance literacy among the population which is essential for market development and consumer protection.

**THANK
YOU**

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