

Insurance in the Land of Gold

Current Ghanaian market

There are six primary insurance regions in Africa. Ghana forms part of the Anglophone West African region, with 1.4% of the continent's GWP coming from the country.

The country has two main classifications of insurance, which are Government or state insurance and private insurance. Few Ghanaians have insurance at present; however, the market is growing.

The insurance industry in Ghana is regulated by the National Insurance Commission (NIC) while the Ghana Insurers Association (GIA) is the trade association for all companies licensed and registered to transact insurance and reinsurance business in Ghana.



Over the years, the industry has experienced growth and rapid increase of private companies and brokers. According to the NIC 2019 Annual Report, it is estimated that the industry currently employs over 12,000 people comprising of agents, brokers, insurers and reinsurers.

Insurance penetration as at December 31, 2019 stood at approximately 1% which excluded health insurance and pensions. Including these would increase the penetration to about 3%.

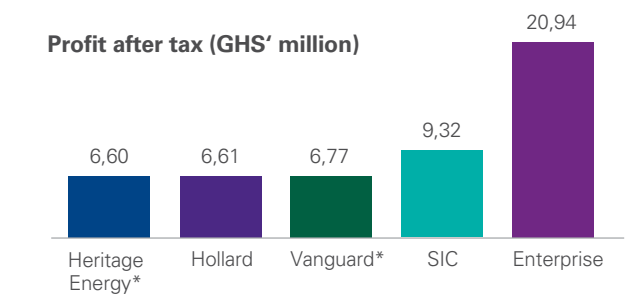
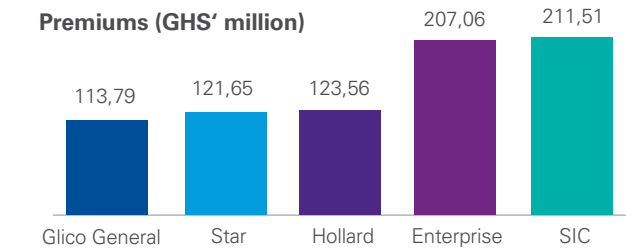
Market growth

The insurance market in Ghana has seen steady growth and change over the last number of years, with a GHS 515 million increase in premiums between the 2019 and 2020 financial years.

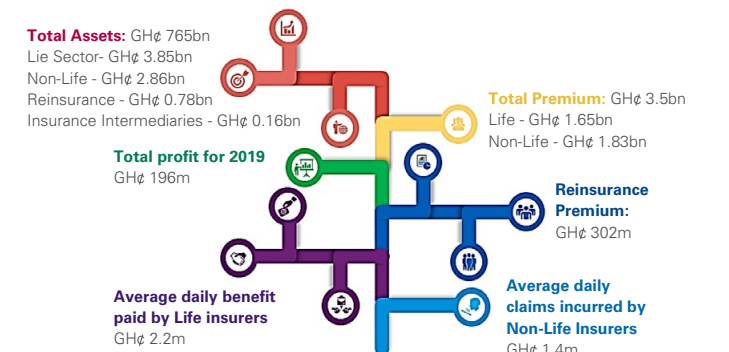
The growth in the life insurance sector, has narrowed the gap between gross premiums in the life and non-life industries. This indicates a significant improvement in the awareness of the benefits of purchasing life insurance products in the market.

The industry experienced a marginal decrease of 3.4% in total profit after tax from GHS 203 million earned in 2018 to GHS 196 million in 2019. Total gross premiums for insurance was GHS 3.5 billion in 2019; growth of approximately 21% from GHS 2.9 billion in 2018 while total reinsurance premium amounted to GHS 302 million.

Sources: NIC report, 2019 (*2019 Audited Accounts unavailable at the time of publishing) KPMG analysis



Key metrics within the Ghanaian insurance market



Robert Dzato

Senior Manager
– Ghana
Tel: +233 302 770454
Email: rdzato@kpmg.com



Sinqobile Hlatshwayo

Manager
Insurance
Tel: +27 67 171 1050
Email: sinqobile.hlatshwayo@kpmg.co.za

According to the latest published NIC report (2019 Annual report), five non-life insurers contributed more than 50% of the sector's total assets in 2019. Similarly, five life insurers contributed more than 70% of the sector's total assets.

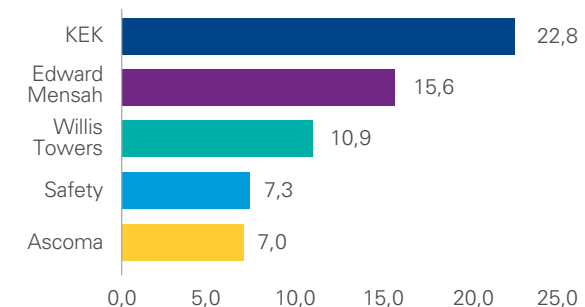
The non-life sector accounted for 52.3% or GHS 1.83 billion, of the total industry premiums. The two largest insurers in Ghana, SIC Insurance Limited and Enterprise Insurance Company, contributed the highest volumes of business with premium contributions of GHS 212 million and GHS 207 million respectively. The top five non-life insurers contributed about GHS 1.53 billion to the industry's total assets, equivalent to 53%; with the top ten contributing GHS 2.05 billion representing 72% of the total assets.

The life sector contributed GHS 135 million; approximately 69% of the total industry profit of GHS 196 million. The life sector's share of the industry's total premium was GHS 1.65 billion (47.4%). Enterprise Life led the chart in terms of premium volume with a total of GHS 437 million in 2019, closely followed by SIC Life with GHS 355 million. Contributions from the top 10 life insurance market leaders in terms of premiums amounted to GHS 1.53 billion representing 93% of the sector's total premium. The top life insurers accounted for about GHS 2.90 billion to the industry's total assets, equivalent to 75%; with the top ten contributing GHS 3.52 billion representing 92% of the total assets for that sector.

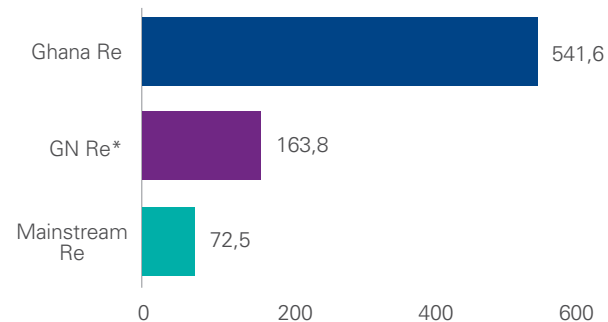
Ghana Re continues to be the market leader in reinsurance with total assets of GHS 541.6 million representing 70% of the total reinsurance assets. Insurance brokers contributed GHS 138 million representing 86% of the total assets of insurance intermediaries of GHS 160.7 million

whilst reinsurance brokers contributed GHS21.4m representing 13% of the market share.

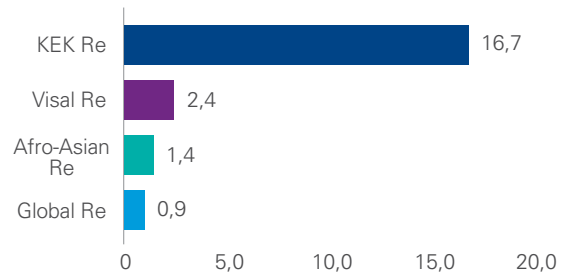
Total Assets - Top 5 Insurance Brokers (GHS' million)



Total Assets - Reinsurers (GHS' million)



Total Assets - Reinsurance Brokers (GHS' million)



Change and Innovation

“The pace of change and challenges facing the Ghanaian insurance players means the future is now more uncertain than ever. Customer experience transformation and insights from data and analytics will be a key differentiator for winners” - Frederick Dennis – Head of Financial Services Audit, KPMG in Ghana.

Industry and products

The number of participants in the industry has increased steadily over the last number of years; the market saw a total of 20 industry entries/registrations in 2019. These comprise of ten new insurance intermediaries; nine insurance brokers and one reinsurance broker, in contrast with only five new insurers in 2018.

Thirty-nine new products and product enhancements were approved by the National Insurance Commission in 2019 compared to thirty-five in 2018; thirty relating to the life insurance sector and the remaining nine to the non-life sector. One of the nine new non-life sector products offers cyber-risk cover.

The regulator implemented the Motor Insurance Database (MID) on 1 January 2020, which is providing a centralised system from which security agencies and the general public, including passengers of vehicles, can check the validity of vehicle insurance instantaneously using mobile phones.

Challenges impeding insurance

The public's mistrust of the industry is a key challenge. The recent banking crisis in Ghana has also contributed to this to a certain extent. Bad claims experience encountered by policyholders and a lack of clarity and understanding of insurance policy documents contributes to the negative perceptions.

One of the main challenges in the Ghanaian insurance industry is premium undercutting. Insurance companies may offer clients unrealistically low premiums in order to gain a competitive advantage. This denies well-meaning companies of quality premium charges. Premium undercutting results in the inability of insurance companies to pay claims promptly and an increase in clients' dissatisfaction and a loss of confidence in the industry. This translates into slow growth for the industry.

The slow development of product distribution channels has hindered the growth of the industry. There has been a low adoption of technology and online channels to allow customers to purchase cover without meeting an agent in person.

Most Insurance companies in the country are still small by international standards. Large risks tend to be reinsured outside of Ghana. Reinsurance premium transfers overseas have surged almost 400% from 2016 to 2019. As a result, the weak financial capacity and reinsurance premium flight hinders the growth of the industry in the country.

Opportunities for growth

The future on the insurance industry in Ghana will continue to be shaped by several megatrends; regulatory

developments, technology, digitization and customer experience; and data and analytics.

Regulations Developments

In February 2021, a new Insurance Bill was passed, which includes the introduction of three additional compulsory covers: group life for employees, public liability, and professional indemnity. This is expected to increase the total premiums for the sector in the coming year.

In 2019, the minimum capital requirement (MCR) increased effective June 2021. This has been extended to January 2022 to accommodate for the impact of the COVID-19 pandemic.

To promote access to the industry to the informal sector and low-income earners, the regulator has introduced micro-insurance licences which come with reduced regulatory requirements.

Technology, digitization and customer experience

Insurtech is gradually gaining ground as insurers are digitizing processes and looking to automate core operational areas e.g. know-your-client (KYC) compliance and underwriting. Insurers are exploring partnerships to deploy mobile insurance products to deepen mass market penetration. Digitisation is top of mind for insurers with mobile solutions offering viable channels. Given the very low average age in Ghana, an increase in social and digital channels is expected. To differentiate on customer experience, insurers need to understand this younger generation by leveraging data and analytics capabilities.

