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GHANA

'Spotlight on Ghana'

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'Celebrating professionalism in Africa' is a pioneering series of case studies, published by the Chartered Insurance Institute, to showcase professional practice and innovation in insurance

SPOTLIGHT ON GHANA



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SPOTLIGHT ON GHANA

The Ghanaian insurance profession has evolved from the era when British traders dealt in arms and manufactured goods with the then Gold Coast; now Ghana. Companies like the United African Company (UAC), Swiss African Trading Company and others established branch offices in the west African colonial territories. The Royal Exchange Assurance Corporation began the business of insurance in the Gold Coast in 1924 and operated through Barclays Bank as its agent. This was followed by the Northern Assurance Company of Britain in 1936, which operated through the branch office of UAC.

On attainment of independence in 1957, the Ghanaian governments have – with the support of the United Nations Conference on Trade and Development – sought to encourage the indigenisation of the insurance profession.

Currently, the market has a mixture of foreign-owned and local-owned companies operating in both the general insurance (non-life) and life insurance segments.

There are two common measures that are usually used to assess the increasing significance of insurance to the economic development of a country and the wellbeing of its people: insurance penetration (the ratio of premium to the gross domestic product) and insurance coverage (the proportion of the population with insurance cover).

These two measures paint a different picture of the relevance of insurance in Ghana. While the insurance penetration rate is 1.2% as at the end of 2018, insurance coverage was 30%. This apparent disparity is due to the fact that many Ghanaians are covered by microinsurance products, whose premiums are not significant enough to affect the insurance penetration rate.

STRUCTURE OF MARKET

At the apex of the market is the regulator, the National Insurance Commission, which regulates the licensing and operations of market players. It has lately initiated the process to introduce a new insurance law for promulgation as well as raising the minimum capital requirement for all new and existing companies.

At the end of 2018, there were more than 139 regulated entities made up of 24 life insurance companies, 29 non-life insurance companies, three reinsurance companies, 88 broking companies, and three insurance loss adjusters. There are numerous tied agents as well. This is a large number of players compared with the size of the market and indeed the entire economy.

The Ghana insurance industry's total assets grew from GHS5.4bn to GHS5.58bn – made up of GHS3.18bn in life sector, GHS2.16bn in the non-life sector and GHS240.1million in the reinsurance sector.¹

The industry employed about 12,500 people and also paid corporate taxes of about GHS50m to the government in 2018.

MARKET GROWTH

The Ghana insurance market has enjoyed steady growth in recent years, mainly driven by:

Improving economic conditions: According to the World Bank, the GDP per capita of Ghana has increased from \$1,312 in 2010 to \$1,707 in 2016. This points to an increasingly affluent middle class – and a greater number of households that understand (and can afford) insurance.

A growing population: Ghana enjoys a relatively



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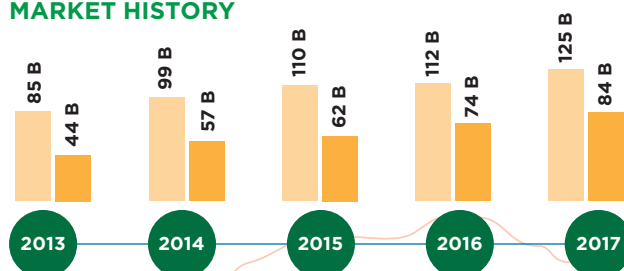
healthy population growth rate of 2.2%, and more than 50% of its people are aged under 25 years. This means that there are many tech-savvy individuals who can access insurance using non-traditional distribution channels.

Demand factors: In Ghana, all vehicles except government vehicles must be insured – and the usage of vehicles is increasing alongside population growth. The motor class of insurance is the leading contributor of insurance premiums in the general (non-life) segment, contributing 40% of the premiums for the sector. Another important issue is financial provision for the aged or pensioners. The breakdown in the external family system as well as the introduction of a ‘tiered pension scheme’ in Ghana offers an avenue for the insurance industry to offer annuities as a vehicle to cater for the financial wellbeing of retirees.

Urbanisation: There is a strong correlation between urbanisation and insurance. Urbanisation makes it easier for providers to reach a large part of the population. In addition, urban areas generally exhibit buoyant economic activity, which also stimulates the uptake of insurance. Urbanisation in Ghana has also been the catalyst for a growing number of medium-sized and small-scale enterprises.

Mobile phone penetration: Mobile phone penetration rate in Ghana is more than 100%. The growth experienced in microinsurance has been primarily driven by the use of mobile phones as a distribution channel, with a young, tech-savvy population comprising a fertile market for insurance products. The use of mobile phones and cyber technology also creates new risk factors, and there is a growing market for services such as cyber insurance.

MARKET HISTORY



CHALLENGES

However, challenges remain:

Public perception: While public perception is improving, the insurance sector is not viewed favourably by ordinary Ghanaians. Reasons that have been cited include delayed and inadequate claims payment, the inability of insurance agents to explain policy terms and conditions, and the excessive use of insurance jargon in documents such as policy statements.

Sustainable market: There are currently more than 50 direct insurers operating in Ghana. One of the consequences can be unrealistic and unsustainable pricing. This will need to be addressed to ensure the market is on a sustainable footing.

Customer orientation: Insurers need to work harder to understand their target market so that insurance products can be developed that meet needs. This requires more active research into customer needs that has been the case historically.

With a commitment to professionalise the Ghanaian market and implement practical solutions to challenges such as those identified, the insurance sector is well placed to play a vital role in the economic development of the country.

1. Ghanaian cedi = 0.18 US dollars

FURTHER READING



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