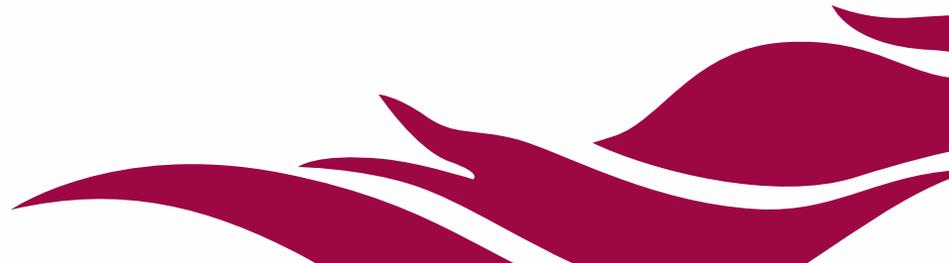


# Improving Supervision Of Financial Services in Ghana

Discussant

Mr. Joseph Amoah has done a brilliant job to the topic **‘Improving Supervision of Financial Services in Ghana’**.

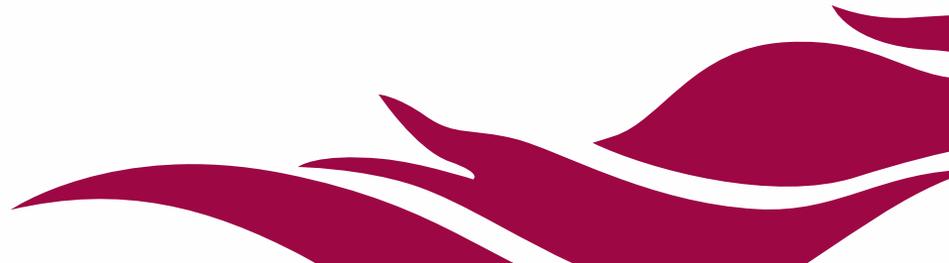
His paper is well researched and goes to the depths of the various regulatory framework adopted by supervisors of financial services especially banks. I am going to add a bit on the Insurance Industry in Ghana.



## SUPERVISION OF INSURANCE

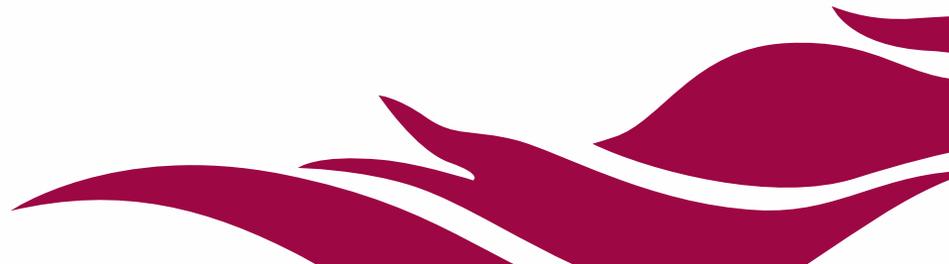
Insurance is taken out to provide cover against unpredicted losses. It is a contract of good faith based upon the promise to pay. Regulation ensures that this promise lives to its expectations. The effectiveness of any form of regulation depends on the general willingness of the society to obey the law and respect the sanctions which the regulatory bodies enforce. There are broadly two forms of regulation, statutory regulation and voluntary regulation:

**Statutory regulation:** This takes the form of statutes (i.e. laws) governing aspects of the transaction of insurance. For example governments have legislated to make compulsory certain forms of insurance, e.g. Third Party Motor Insurance.



## SUPERVISION OF INSURANCE (Cont'd)

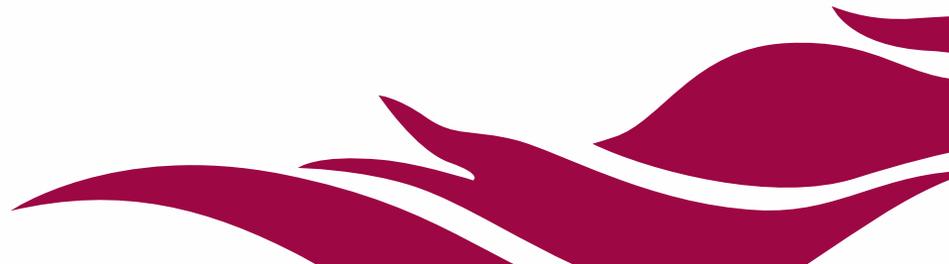
**Voluntary regulation/non-statutory regulation/self-regulation.** This differs in essence from statutory regulation in that it is a system of rule-making devised and operated by the insurance industry itself, through adherence by its members to the principles contained in codes of practice. In Ghana, the Ghana Insurers Association plays the pivotal role in ensuring voluntary regulation through code of practice and a data centre for information sharing.



## ***Who is responsible to monitor the legislative requirements?***

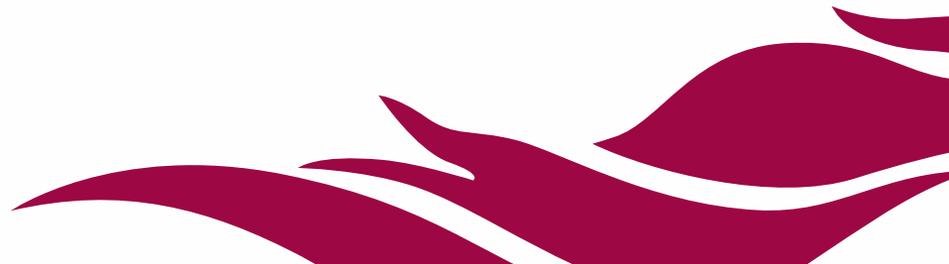
In Ghana, the regulatory body is the National Insurance Commission which is headed by the Commissioner of Insurance. The NIC is set up and governed by the National Insurance Act 2006 – Act 724

The Act governs all relevant operators in this sector, including insurers, reinsurers, agents and sub-agents, and brokers transacting business in Ghana.

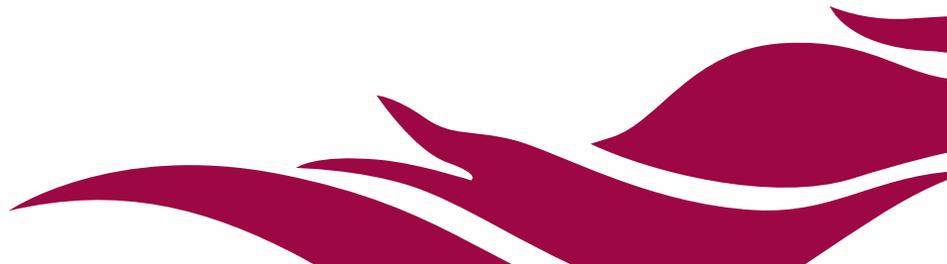


## The functions of the National Insurance Commission include:

- the regulation and supervision of the conduct of the insurance services industry in Ghana;
- help protect the interests of consumers and investors;
- encourage the highest possible standards of behaviour in the insurance industry
- encourage and support initiatives to improve standards of education and training in the insurance industry;
- carry out due diligence prior to issuing licenses to businesses involved in insurance;
- carry out regular and proper inspections of licensed insurance businesses;



- communicate and liaise with national, international and supranational Organisations in combating financial crime;
- communicate with and advise with national and international media in order to demonstrate Ghana's commitment to global best practice to enhance its international reputation;
- propose the improvement of existing legislation or the creation of new legislation.



## Risk Based Supervision

The National Insurance Commission has currently adopted the risk-based approach to supervision and has issued Governance and Risk Management Guidelines for observance by all insurers and reinsurers registered under the Act.

The effective date for the implementation was 1<sup>st</sup> January 2016.

Risk-based supervision in the insurance industry is much the same as in the banking sector, where the Regulator relies more on the governance structures of the companies and also by way of monitoring is more proactive in supporting initiatives or detecting problems before they occur.



Some of the Key requirements of the framework are:

Duties and Responsibilities of Board of Directors

Establishment and Maintenance of the Risk Management  
Control Functions

Establishment of Strategies, Policies, Procedures and Controls

Conflict of Interest and Outsourcing of Material Activities

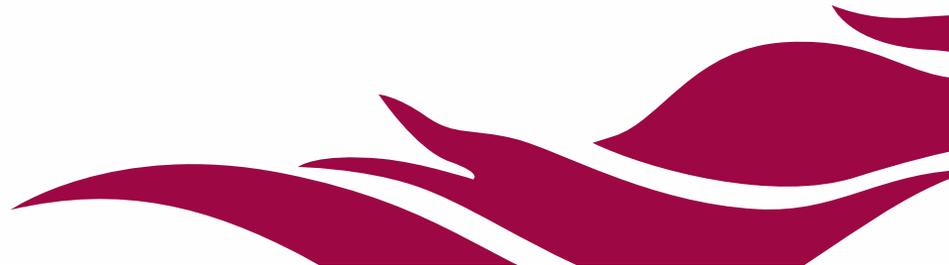


## Voluntary regulation

The current trend in insurance supervision/regulation is voluntary regulation. This when properly structured and strictly adhered to reduces the policing role of the statutory regulatory body (NIC). This is common in most parts of the developed world.

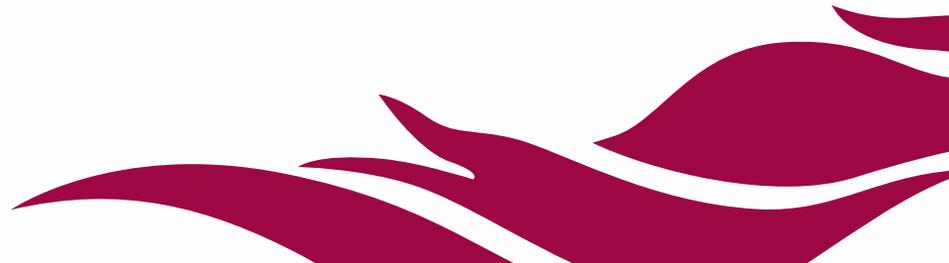
Voluntary regulation is exercised by the insurance industry itself through adherence by its members to the principles contained in various codes of practice. There are many developments in this area which are likely to change the way in which parts of the market is regulated.

In Ghana, the GIA has a code of practice which seeks to regulate the conduct and behaviour of members. Membership of the GIA is a requirement for insurance companies in Ghana.



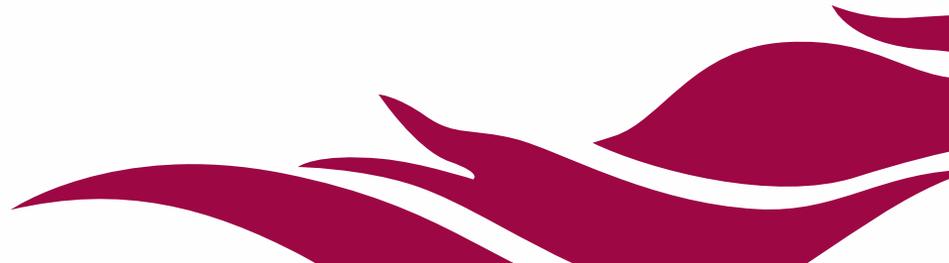
## **Some Developing Trends in the Insurance Industry**

1. Convergence of Banking and Insurance – Bancassurance
2. Emerging distribution and product delivery platforms – the Telcos have established themselves as partners in the banking space and are now also entering the insurance space in Ghana. Apart from reaching the existing traditional insurance market, smart phone capabilities with its attendant 4G and LT technologies will be used to reach the “informal” segment of the market.



However, the core relevance of Insurance still remains:

1. The pooling of resources for risk mitigation – whether for companies or individuals.
2. Capital Formation – The Insurance pool is a necessary corollary to capital formation in any serious economy.
3. Capital Allocation – Pooled capital is professionally managed and allocated based on sound investment and national economic policy agendas.
4. Provides protection and personal financial security to the citizenry at large.



# Thank YOU for YOUR Attention



ENTERPRISE GROUP

