



Mitigating the Risk of Mobile Insurance in Ghana

Inclusive Insurance (Microinsurance) Program
for Supervisors in the SSA Region

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Mobile Insurance Landscape in Ghana

- 2.7 million mobile insurance policyholders as at June 2015, 60% of all MI policyholders
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- Three types of players:
 - Three MNOs
 - Insurance Companies
 - Technical service providers
- 6 products currently on the Market

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Roles of the players



- Role of MNO's
 - “Face” of the m-insurance policy for customers (products are MNO branded)
 - Marketing of the product
- Role of Insurer
 - Carries the risk. Also does pricing and reserving (often influenced by TSPs);
 - Very little involvement in marketing, sales, customer contact, discussions with MNOs;
- Role of TSP
 - Owns the operational work. Does marketing, customer registration, complaints, claims administration etc.

Key Risks



Client Value Risk	Products may not deliver value to the clients or are not appreciated by the clients or not suitable for clients needs.
Distribution Channel Risk	MNOs may discontinue the product or make sudden changes to an existing product due to either a change in strategy or because they do not see a strong business case.
Marketing and Sales Risk	Product may be mis-sold leading to false policyholder expectation
Legal Risk	There may be lack of legal accountability including unclear or complex dispute settling mechanisms

Key Risks (2)



Systems Risk	Systems such as MNO's systems, databases, ICT Platforms may break down or be unable to service products effectively leading to loss of client value
3 rd Party Default Risk	The risk of a 3 rd party, such as a technical service provider being inefficient, not having the needed capacity or exiting the market.
Insurers' Prudential Risk	The risk that the product may not be commercially sustainable or viable due to due to under-pricing, anti-selection, fraud etc

Risk Mitigation Measures



- Product approval measures
- Product performance monitoring
- Mobile insurance market conduct regulations
- Regulatory cooperation

Mobile insurance regulations



- Definition
- Approval requirements
- Branding
- Service Level Agreement
- Contingency Arrangements
- Mobile Insurance product requirements
- Disclosure requirements

Definition



“Mobile insurance” or “m-insurance” is any **arrangement** between a licensed insurer and a mobile network operator whereby the mobile distribution channel is used to deliver the insurance contract.

The MNO can act as an;

- a. Agent
- b. Master policy Holder
- c. Platform only provider

This arrangement could be multi-party including persons aside the insurer or MNO, offering technical services to either or both the insurer of MNO as an agent or outsourced TSP

Approval



- An insurer may apply to the Commission for approval to distribute an insurance contract through an arrangement that constitutes mobile insurance.
- An application must be accompanied by the following;
 - a) a statement describing each mobile insurance contract to be distributed
 - b) a copy of the proposed mobile insurance contract or contracts to be distributed
 - c) a statement setting out the nature of, and describing, the mobile insurance arrangement and SLA.
 - d) a copy of the MNO's license issued by the National Communications Authority
 - e) the Policy Summary
 - f) a written record of how the mobile insurance contract, and the arrangement, complies with the requirements.
 - g) a copy of the market and operational contingency plans
 - h) Proposed reinsurance arrangements
 - i) Business plan
 - j) Actuarial Memorandum

Branding



- A mobile insurance contract may be marketed as;
 - a) insurer branded product
 - b) a MNO branded product.
 - c) an agent branded product; or
 - d) a co-branded product
- If a mobile insurance contract is distributed as a branded product, the Policy Summary and all written documentation provided to the insured person must;
 - a) state that the contract is underwritten by a licensed insurer; and
 - b) specify the licensed insurer concerned.

Service Level Agreement



- A licensed insurer must not enter into an agreement with a party to a mobile insurance arrangement unless the agreement includes, or is accompanied by, a comprehensive **service level agreement** that includes a mechanism for resolving disputes between the parties; and

- A service level agreement must:
 - a) provide for the appropriate confidentiality of client information;
 - b) include provisions concerning the handling and transmission of data;
 - c) enable the insurer to access and receive all information collected or held by the outsourcing service provider that is relevant to the design, development, pricing and sale of the insurance contract concerned.
 - d) specify the roles and responsibilities of each party in relation to the implementation of the market and operational contingency plans.

Contingency Arrangements



- A licensed insurer that distributes mobile insurance arrangement must establish and maintain;
 - a) a market contingency plan
 - b) an operational contingency plan

- The market contingency plan must provide for;
 - a) the discontinuance of the arrangement;
 - b) the withdrawal or exit of a party from the arrangement;
 - c) the withdrawal from the market of a mobile insurance contract distributed through the arrangement;
 - d) a significant change in any mobile insurance contract distributed through the arrangement.

Mobile insurance product criteria



- A licensed insurer must, when designing and developing a mobile insurance contract, must ensure that the product;
 - a) is likely to provide value to the insured persons for whom it is designed;
 - b) the product is sustainable, particularly if the product is a loyalty product; and
 - c) the terms of the contract are fair to insured persons

- The insurance company must make an assessment of a mobile insurance product against the above criteria and submit a written record of the assessment as part of the product application.

Disclosure requirements – Policy summary



- An insurer must prepare and provide to each policyholder a Policy Summary with respect to each mobile insurance product. The policy summary shall contain the following;
 - a) the name of the insurer and the address of its principal office in Ghana;
 - b) the type of insurance contract;
 - c) a description of the risks insured by the contract and any significant or unusual exclusions or limitations;
 - d) the duration of the contract;
 - e) the principal benefits provided under the contract;
 - f) contact details for notifying a claim under the contract;
 - g) any obligations on a prospective insured person to disclose material facts before purchasing the contract;
 - h) the right to complain and the method of lodging a complaint;
 - i) a statement that the Policy Summary does not contain the full terms of the insurance contract, which are to be found in the policy document.

Activity: Sika Life and GhanaTel



- Identify the main issues here? Why is urgent attention needed?
- What factors led to the situation?
- What steps need to be taken to resolve the issues and prevent future recurrence?
- What major lessons/conclusion can we draw from the case?

Toronto Centre Resource Centre



Key References can be found here. The TCRC is an online curated library compiling publications relevant to supervisors and regulators drawn from over 50 sources worldwide.

The screenshot shows the Toronto Centre website at <https://www.torontocentre.org>. The navigation menu includes Home, About, Programs, News, Resources, Jobs, Contact, Administration, and Register Now!. The Resources menu item is circled in red with a red arrow pointing to it. The main content area features a banner for "GLOBAL LEADERSHIP IN FINANCIAL SUPERVISION" and a testimonial from Alag Srinivasan, former Deputy Governor of the Reserve Bank of India. Below the banner, there is a section titled "G20 Leaders Welcome 'Green Finance' in Summit Communique" with a link to view the PDF, and another section titled "Toronto Centre panel discussion 'Climate Change and Financial Stability'" with a link to view the video.



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