ASSESSING THE MANAGEMENT OF LIFE INSURANCE FUNDS:

A CASE OF SIC LIFE COMPANY LIMITED.

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BSc. Admin. (Accounting Option)

A THESIS PRESENTED TO THE INSTITUTE OF DISTANCE LEARNING,

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY (KNUST)

IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF

COMMONWEALTH EXECUTIVE MASTERS IN BUSINESS ADMINISTRATION.

JUNE 2011

DECLARATION

I the under signed do hereby declare that this thesis has been prepared by me in partial fulfillment of the requirements for the award of a degree in Commonwealth Executive Masters in Business Administration.

I wish to state that apart from references made to the works of other people for which I have dully acknowledged, this piece has never been presented in any University or Institution of learning and therefore is an original work done by me under a close supervision of my supervising lecturer.

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DEDICATION

This work is dedicated to my wife, Hajia Rahmat Moubarak for her love and support throughout the two year Commonwealth Executive Masters in Business Administration program at KNUST. It is also dedicated to all my children and their grandmother and to all my siblings for their encouragement, support and advice.

ACKNOWLEDGEMENT

Scholarship is a co-operative enterprise, and I have made use of the help of several people in preparation of this work. I owe first a debt of gratitude to the Almighty Allah who by His Grace has seen me through this CEMBA program successfully.

I wish to register my deep appreciation to my supervisor, Mr. Oteng Abayie of KNUST School of Business for his careful reading through the manuscript, and the healthy criticisms I received from him. Sir, you have really transformed my way of thinking. I am very grateful.

My overriding debt continues to be to my lovely wife, Rahmat, who provided me with the time, support, and inspiration needed to prepare this work. I also gratefully acknowledge the invaluable research and contributions by staff and management of SIC Life Company Limited. I owe a considerable debt of gratitude to my mum, and also to Alhaj Mahdi, Alhaj Ibrahim, Abukari (Mr.) Bashira (Mrs.’) and to all who make it happen and make it all worthwhile. To them all I say thank you and may Allah richly bless you.

ABSTRACT

Insurance is one of the key sectors in the economic development of Ghana. The insurance market is made up of sellers of the insurance products that are, the insurance companies who provide covers for various risks and the intermediaries namely insurance agents and brokers. Life assurance contracts are usually for much longer periods. Life funds are therefore accumulated to long-term liabilities. The Ghanaian insurance industry has about twenty-two (22) companies underwriting life assurance. Life premium rose from GH¢ 10,679,000.00 in 2000 to GH¢ 82,044,000.00 in 2005. This constituted more than 100% growth rate. This study therefore is exploratory study designed to determine how life funds are properly managed. The population of the study comprises both staff and customers of SIC Life Unit. A sample size of fifty (50) was selected made up of 20 staff and 30 customers. Purposive and stratified sampling technique was used. Both primary and secondary data were collected. Questionnaire coupled with personal interviews were the main research instrument. The data was analyzed by the use of simple Microsoft Excel and SPSS. Descriptive statistics was used to summarize the information. The study came out that life insurance funds in Ghana are placed both in short and long-term investments. It was recommended that all the stakeholders, including management of insurance companies, policy makers and policy holders should collaborate and come out with conducive business climate to ensure effective investment of life funds for greater returns to investors.

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CHAPTER ONE

INTRODUCTION

1.0 Background of the Study

An insurance market is made up of sellers of the insurance that is the insurance companies which provide covers for various types of risks – life, motor, accident, fire and marine and purchasers of insurance such as trading companies, merchants, individuals etc and intermediaries between the sellers and purchaser, namely insurance agents and brokers. The sellers are known as insurers (or assurers in the case of life policies) while the purchasers are called insured or assured. Life assurance market is used to denote the means available for the placing of life assurance and annuities (including group life and pensions) and the various insurers who are prepared to accept risk. Thornber, (2001). Life assurance contracts are usually for much longer periods, in most cases five or more years. Life funds are therefore accumulated to long-term liabilities.

The early insurance companies in Ghana were all British companies and were subject to the United Kingdom Board of Trade regulations. The reason for this must be obvious, as Ghana was still a British Colony until 1957. The British Insurance firms were represented by their chief agents in Ghana at that time. Some of these chief agents at the time were Paterson Simon & Co (West Africa) Limited which represented the Alliance Insurance Company Limited, the United Africa company of Ghana Limited that represented the Northern Assurance company Limited and Allen & Elliot (Ghana) Limited, which also represented National Employers Mutual General Insurance Associated Limited. During this period of insurance market in Ghana, very few Africans were trained to handle the technical aspect of insurance.

Expatriate staffs were made to occupy positions, which entailed the handling of technical insurance matters, while the African staff only dealt with routine day to day aspect of insurance work. With the formation of the State Insurance Corporation in 1962, saw insurance activities spreading to all the regional capitals of the country. The late 1980's saw a further expansion of the insurance market of Ghana to many of the district capitals and beyond. This was the result of the increased in the number of insurance companies. The insurance industry in Ghana was also characterized by unregistered fraudsters and insolvent shadowy organizations that could hardly pay their staff let alone to pay legitimate claims on them. The image of the industry however, changed positively when the National Insurance Commission (NIC) was established in 1989 under the National Insurance Law (PNDC Law 227) and later, the introduction of the new insurance law Act 724 of 2006.

The coming into force of the insurance law has brought about tremendous improvement in the monitoring and control of the insurance companies ensuring that they comply with the provisions of the insurance law. With the confidence in the Ghanaian economy, due to its relative stability and growth, the life assurance industry has also seen some growth as both local and overseas investors are eagerly investing in the sector. The establishment of new companies revives the other players in the industry and the availability of professional actuarial services. Life insurance companies are offering to the general public new and dynamic innovative life products to meet the needs of modern life. The Ghanaian industry has 22 companies underwriting life assurance. Life premium rose from GH¢10,679,000.00 in 2004 to about GH¢82,044,000.00 in 2009. This constituted about 20% growth in real terms in the period. This project looks at how the life premiums are effectively managed.

1.1 Problem Statement

Portfolio composition of life insurance companies should mainly be long term in nature. It is evident that investment management, portfolio composition and changes overtime is not only important to the survival of any life assurance scheme but also to the attainment of the corporate mission and vision. The principle of matching of assets and liabilities is practiced better in the life insurance industry than the general insurance sector. The average maturity or duration of the life policies is long, so the assets into which premiums are invested should also be of long maturity. This provides a hedge against reinvestment risk.

Investment theory states that a greater proportion of the life portfolio is invested in long term mortgages and loans. In developed countries such as Canada, 70% of the assets of the life insurance industry are put in long term mortgage loans and corporate bonds. Also in the United States of America, in 1988, 61% of the assets of life insurance companies were invested in mortgages and corporate bonds. The remaining 30% and 39% respectively are invested on short-term instruments to provide liquidity to the life insurance companies to pay their maturity claims and other administrative overheads (Life Insurance Fact Book, 2008).

Though, the life insurance industry in Ghana has been in existence for a long time, it appears that past research efforts to study the extent to which life insurance companies assets are matched with their liabilities have been very scanty. The new insurance law, Act 724 of 2006 as well as section 26 of the insurance law (PNDC Law 227) indicates that: the reserves, which constitutes the funds of the insurers, shall be invested as follows, so far as life is concerned: 50% in government securities and 50% in securities approved by National Insurance Commission. The law seems to be silent about the maturity or duration of the securities to be invested in, so as to draw a line between short-term and long term investment in the portfolio. The research problem under investigation is to find the extent to which life assurance funds in Ghana are invested more on long investments than short-term investment as required by the national insurance commission. The ineffective investment management of life insurance funds has affected expectations of the investing public and the growth of the life assurance sector.

1.2 Research Objectives

The main objective of this study is to examine how effectively life assurance funds (the investing public funds) are invested and into what ventures.

Specifically the study seeks:

1. To identify the trends and pattern of life insurance funds generated by SIC Life Company Limited from 2004 - 2009.
2. To determine the factors that determine the areas of investments of SIC Life Funds
3. To ascertain whether life insurance funds in SIC-Life are invested more on short-term investment instruments than on long-term investments instruments or vice versa.

1.3 Research Questions

Research questions answered by this study included:

1. What are the trends of life insurance funds generated by SIC-Life for the period 2004 – 2009?
2. What factors determine the areas of investment of SIC-Life funds?
3. What forms of investments are life insurance funds of SIC-Life company put into the most, (long and short term investments instruments)?
4. What appropriate strategies can be put in place to ensure effective management of life insurance funds?

1.4 Significant of the Study

The life insurance industry plays a very important role in the economic development of Ghana in terms of savings mobilization, long-term investment and contribution to the gross domestic product (GDP) of the country. Life policy holders do expect the optimum returns on their investment. A higher assumed rate of interest would result in a lower premium chargeable for a fixed sum assured. Therefore to maintain competitive and attractive premium rates, the life funds should be invested prudently to maximize investment income.

The study therefore brought to light some strategies and good practices to promote effective management of life assurance funds. The study provides management of insurance firms with a framework for investing life assurance funds for the benefit of all stakeholders. It will also provide an opportunity for policy makers and for that matter the government to harness the most benefits from life assurance funds for the overall development of the economy. The researcher is of the fervent view that findings of the study will provide a guide for life assurance managers and staff of the life assurance department of insurance companies.

Lastly, the study seeks to add to knowledge and the available literature on life assurance in Ghana as well as serving as a pivot for further research work in the area of the study.

1.5 Scope of the Study

The study looks at investment portfolios into which life assurance funds are put into in Ghana and for that matter the management of life assurance funds in general. The specific case of State Insurance Company (SIC) has been chosen to find out the level and types investments into which life assurance funds are put as well as specific problems that are bedeviling the life assurance industry in Ghana. For this purpose a review of the SIC was done in line with the specific objective set above.

1.6 Limitations of Study

The main limitations of the study are time and resources constraints. Due to time frame to complete the study as well as financial difficulties, the study was limited to Accra and Kumasi Area offices, where the investment of life premium are made but not the entire aspect of the company's operation.

The whole setup of SIC as well as several other insurance companies would have been studied to help make the study more representative. However, as stated earlier, SIC was used as a case study which means that issues discussed in the case study company might represent the situation in insurance companies. More so, the used of SIC as a case study area has been necessitated as a result of financial constraints and limited material resources constraints.

1.7 Organization of Study

The study will be structured into five chapters as follows:

Chapter One covers the introduction of the study, which discusses the background of the study, problem statement, research objectives, and significance of the study, limitations, organization of study and definition of key terms.

In chapter two, relevant literature was reviewed and the overview of the company was looked at. Related studies will be selected from various books and journals. Detailed description of the methodology employed was done in chapter three. This research questions included the population sample, research instrument, primary and secondary data, method of analyzing the data. Chapter four was devoted to the presentation, analysis of data and discussion

based on the information and responses received from respondents. Chapter five concludes the study with its findings, conclusions and recommendations for policy implementations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews the extant literature on the concept of life insurance and investment management of Life assurance funds. The chapter therefore provides a broad discussion and review of life insurance theories and the empirical evidence by prior researchers. Furthermore an overview of the Ghanaian insurance industry was reviewed basically with regards to the regulatory instruments and regulation governing the operations of insurance business in Ghana and the case study company in particular.

2.1 General Review of Existing Literature on Investment Management of Life Insurance Funds.

Insurance is one of the most successful service industries that many strong economies of the world used to achieve their spectacular development and greatness. By affording protection to life and property it brings security of person and property with accompanying peace of mind which promotes and encourages adventure and entrepreneurship (Jack 2003). One of its major economic functions is to promote the mobilization of funds thus, offering a basis for financial intermediation to commerce, trade and industry. As an industry, it is a source of employment to many. Its loss prevention function also contributes to risk improvement. Above all, it contributes substantial taxes to government coffers, creating more goods, more jobs, improving earning, providing educational and health facilities.

Life insurance or life assurance is a contract between the policy owner and the insurer, where the insurer agrees to pay a designated beneficiary a sum of money upon the occurrence of the insured individual's or individuals' death or other event, such as terminal illness or critical illness. In return, the policy owner agrees to pay a stipulated amount at regular intervals or in lump sums. http://en.wikipedia.org assessed on 17/3/2010. As with most insurance policies, life insurance is a contract between the insurer and the policy owner whereby a benefit is paid to the designated beneficiaries if an insured event occurs which is covered by the policy.

The value for the policyholder is derived, not from an actual claim event, rather it is the value derived from the 'peace of mind' experienced by the policyholder, due to the negating of adverse financial consequences caused by the death of the Life Assured.

Life Insurance according to Greene and Trieschmann (2005) is a method by which a group of people may co-operate to ease the loss resulting from premature death of members of the group. The insuring Organization collects contributions from each member, invests these contributions, guarantees both their safety and a minimum interest return, and distributes benefits to the estates of the members who die or become disabled. They further emphasize that, viewed from an individual standpoint; "life insurance is a method of creating an estate. It is a method of seeing to it that plans for accumulating property or providing income for the benefit of others, chiefly the family, are realized regardless of whether the bread winner dies prematurely or lives to a ripe old age".

2.2 Types of Life Insurance

There are many types of life insurance products available to meet the differing needs of many individuals and families. Thus is to say life insurance policies are of many variations but these are classified into three basic types as stated by George (2003). According to the author, George, the three types are: Term insurance, Whole life insurance and Endowment insurance.

There are numerous factors to evaluate before purchasing life insurance coverage. Some of the many things you should consider include your age, marital status, number and ages of your children, medical history, earning capability, debt ratio, and anticipated financial needs.

2.2.1 Term Insurance

Term Life insurance provides a specific amount of life insurance coverage for a designated time period. Presently, the available policy lengths for Term Life insurance are one year, five years, ten years and fifteen years. Term Life Insurance covers the mortality risk for a stated length of time. It is the simplest type of life insurance. (George 2003). If the insured person dies within the time frame in which the policy is in effect, the insurance company pays out the face value of the policy. If the insured person lives longer than the term of the policy, the policy expires and would pay nothing. Term Life insurance does not build any type of equity is often one of the least expensive types of insurance and is available in several forms. Term Life insurance is typically purchased as a means of temporary protection or when an individual can't afford the cost of other forms of Life insurance. Some people prefer to invest their own money elsewhere and feel they can obtain higher yields without having to use a Life insurance plan. Term insurance has several characteristics. It provides protection for a temporary period such as one, five, ten or twenty years or until insured reached a certain age such as 65 years or 70 years. George stresses that the policies can be renewed for additional periods without evidence of insurability. The premium is increased at each renewal.

A wide variety of term insurance products are sold today. Zietz (2003) identifies five different types of term life insurance policies. These are:

- Single-year term policies which promise to pay if the insured dies within the one-year policy term.
- Five year term policies, which also pay if death occurs within five years of the

policy purchase

- Longer term policies may last for ten, fifteen and twenty years.
- Term to a specified age (such as 60 or 65) policies. These policies pay if death occurs before the designated age Multi-year term policies. This may have benefits that decreases increase or remain at the same level.

A Decreasing Term Policy as explained by Zietz (2003) provides the beneficiary with less proceeds each year the policy is in force. That is, if death occurs in the policy year, the beneficiary receives the full-face amount, if death occurs in a succeeding year, the proceeds will be less etc.

With the Increasing Term Policy, the proceeds increase each year. If death occurs in the first year, the insurer pays the face amount of the policy. The Level-Term Policy however pays the same amount of benefits if death occurs while the policy is in force.

George (2003) in discussing types of term insurance products or policies varies a bit from Zietz's categorization of products. George also identifies five types of term insurance policies namely:

- Yearly Renewable Term
- Five, Ten, Fifteen, or Twenty Year Term
- Term to age 65
- Decreasing Term
- Increasing Term and finally
- Re-Entry Term

The first three types of the term insurance policies are the same as those discussed by Zietz. However, George considers re-entry term as another type of term insurance, which was left out by Zietz. In the opinion of George (2003), the re-entry term policy (also called revertible term), the renewal premiums are based on select mortality rates (lower rates) if the insured can periodically demonstrate acceptable evidence of insurability. To remain on the law rate schedule, the insured must periodically show that he or she is in good health and is still insurable. Evidence of insurability generally is required at intervals of one to five years, depending on the company, amount of insurance and type of policy.

Both Zietz (2003) and George (2003) point out the drawbacks or limitations of the term insurance policy. In the view of George, term insurance is good for younger ages, but it is not suitable for life time protection. For some individuals, the need for substantial amounts of life insurance will continue beyond age 65 or 70 and therefore term insurance is not appropriate at the older ages. Single term insurance premiums increase with time and eventually reach prohibitive levels. Because of the premium increase, some insured's would drop their term insurance policies. Thus, after years of premium payments, they may die uninsured.

Frederick (1999) in discussing the limitations of term insurance enumerates three important limitations. The first limitation he identifies is that, term policies expire at the end of their terms, but the need for a protection may continue. The need for continuing protection is especially pressing for policy holders who have developed poor health he emphasizes. The second limitation he stresses is the increasing cost of term insurance. The cost of renewing term insurance is on the ascendancy he notes.

The absence of cash value is the third major limitation Frederick emphasized on. According to him other types of life insurance combine savings with protection, furnishing cash values for emergencies and for retirement income.

It is sometimes argued that many of those who buy cash value insurance do so because they fail to consider the alternative of separating their insurance and saving programs or because they are talked into buying the more expensive policies by agents who thereby earn higher commissions.

2.2.2 Whole Life Insurance

Whole Life Insurance is a permanent insurance that provides lifetime protection. The policies promise to pay the beneficiary whenever death occurs, "Till death do us part" is the insurance promise. Two types of whole life insurance have been identified by George (2003) namely Ordinary Life and Limited-Payment Life Insurance.

Ordinary Life Insurance (also called straight life and continuous premium whole life) provides lifetime protection to age 100 and the death claims are a certainty. If the insured is still at age 100, the face amount is paid to the policy owner. In addition, premium levels do not increase with age. Under whole life policy, the policy owner is overcharged for the insurance protection during the early years and undercharged during the later years.

George further asserts that ordinary life insurance also has an investment or savings element called cash surrender values. The cash values are done due to the over payment of the insurance premiums during the early years. As a result, the policy owner builds cash equity in the policy. The policy may be surrendered for its cash values or the cash may be borrowed under a loan provision. The cash values are relatively small during the early years, but increase over time until they become significant.

Limited life policy is the second form of whole life insurance. The insurance is permanent, and the insured has life time protection. The premiums are level but they are paid only for a certain period. The most common limited payment policies are for 10, 20, 25, or 30 years. A policy paid up at age 60 or 70 is another form of limited-payment insurance. Zietz (2003) classifies whole life insurance policies based on the method of premium payment.

Based on this criterion, three types of whole life insurance have been identified by him namely:

- Single premium
- Continuous premium and
- Limited payment

With the single premium whole life policies, in exchange for one premium, the insurer promises to pay the claim whenever death occurs. This one premium is relatively large and because it is large, consumers needing much life insurance generally cannot use the single premium method he observes.

The continuous whole life insurance policies require insured to pay the same premium as long as they live until they reach age 100. These policies are also called level-premium whole life and straight premium whole life. The premium takes into account, mathematically, both compound interest and the probability of the insured's death. An insured's death means the insurer must make a claim payment. It also means an insured will no longer make premium payment to the insurer.

The third type of whole life insurance policy that is, limited payment whole life falls somewhere between Single-premium and continuous premium policies (Zietz 2003). In each case, the protection continues until the insured dies. With limited-payment policies, premiums are paid only for a limited number of years, such as ten or twenty years, or until a specific age is reached, such as 60 or 65. The size of each premium payment is a function of the times it will be paid. The fewer the number of payments, the larger each payment. Thus for a man age 35, ten-years life policy will be larger than the payment required for whole life policies chosen by consumers wanting long-term death protection but do not want to continue paying life insurance premiums, especially during retirement. These policies are also useful to people wanting to combine more savings with their life insurance purchase.

The "secret" of the limited-payment whole life policy is that, the insurer is willing to accept a smaller number of large payments, and as a result, greater compound interest earned to the continuous premium plan.

2.3 Innovations in Whole Life Insurance

Traditional cash value policies have been criticized in recent years because the rates of return on the savings component are relatively low and not disclosed to policyholders. As a result, many policyholders have replaced their older cash value policies with life insurance products that offer higher returns. In addition, because of relatively high interest rates paid by financial institutions in recent years, life insurers have experienced keen competition from money Market mutual funds, commercial banks, savings and loans institutions, stock brokerage firms, and other financial institutions. To be more competitive and to overcome the criticism against traditional cash value policies, insurers have developed a wide variety of innovative whole life products that combine insurance protection with an investment element. Some important innovations in whole life insurance include the following (George 2003).

I. Variable life insurance
II. Universal life insurance
III. Variable universal life insurance
IV. Current assumption whole life insurance
V. Adjustable life insuranc

(i) Variable Life Insurance

Variable Life Insurance can be defined as a policy in which the death benefit and cash surrender values vary according to the investment experience of a separate account maintained by the insurer (George 2003)

Although there are different policy designs, variable life policies have certain common features. First, a variable life policy is a permanent whole life contract with a fixed premium. The premium is level and is guaranteed not to increase. Second, the entire reserve is held in a separate account and is invested in equities or other investments. The policy owner generally has the option of investing the cash values in variety of investments, such as common stock fund, bond fund, money market fund, or other funds, if the investment experience is poor, the amount of insurance could be reduced below the original face amount. Thus the minimum death benefit will be at least equal to the original face amount, but it can be considerably higher depending on the investment experience of the amount.

Finally, cash surrender values are no minimum guaranteed cash values. The actual cash values depend on the investment experience. Thus, although the risk of excessive mortality and expenses is borne by the insurer, the investment risk is retained entirely by the insurer; the investment risk is retained by the policyholder.

(ii) Universal Life Insurance

Universal Life Insurance is another variation of whole life insurance that is rapidly growing in importance in the developed countries like U.S.A. In 2006 alone, new purchase of universal life insurance amounted to about $270 billion, a sharp from $92 billion in 1983. Hakanssan (2009)

The basic characteristics of universal life insurance can be defined as a flexible premium; nonparticipating policy that provides life time protection under a control that separates the protection and savings components. The policy owner determines the amount and frequency of premium payment, which can be monthly, quarterly, semi annually, annually or single payment. The premium is less explicit expenses charges credited to a cash value account. The monthly interest is credited based on current rent rates that may be charged over time.

In addition, many universal life policies also have a monthly deduction for administrative expenses. Universal life insurance has certain characteristics that distinguish it from traditional cash value contracts. They include the following:

(a) Unbundling of Component

A distinct characteristic of universal life insurance is the separation or unbundling of three components:

- Protection Component
- Saving Component and
- Expenses Component

The annual disclosure statement shows the premium paid the death benefit, and cash surrender value. The statement also shows the mortality charge for the cost of insurance, expense charge for sales and administrative expenses.

(b) Two forms of Universal Life Insurance

Another characteristic is that universal life insurance is available in two forms. One pays a level death benefit during the early policy years. As the cash value increase overtime, the amount of pure insurance declines, the death benefit increases during later years of the policy.

If the death does not occur the policy would effectively become an endowment contract. Under option B, it provides for an increase death benefit. The death is equal to a specified amount of insurance plus accumulated cash value. Thus, as the cash value increases over time, the death benefit increases. Option B is more expensive since the insurer must pay higher death benefit.

(c) Considerable Flexibility

Universal life insurance also has several desirable features that provide flexibility. They include the following:

- Premiums can be increased or decreased and the frequency of premium payment can be varied
- Premium payment can be any amount as long as there is sufficient cash value to lower mortality cost and expenses
- The death benefit can be increased or decreased. (Evidence of insurability is normally required to increase the amount of insurance)
- The policy form can be changed from a level death benefit equal to a specified face amount plus the policy cash value (with evidence of insurability)
- The policy owner can add to the cash value at any time, subject to maximum guideline limits that govern the relationship of the cash value to the death benefit.
- Policy loans are also permitted at competitive interest rates
- If the policy permits, additional premium can be added to the policy

(d) Cash Withdrawals Permitted

Part or all of the cash value can also be withdrawn. Interest is not paid on amounts withdrawn, but the death benefit is reduced by the amount of the withdrawal. Most companies also charge a surrender fee for each cash withdrawal.

Policy loans according to George (2003) are also permitted a fixed annual rate of 8 percent or a variable interest rate is typically charged on the amount borrowed. In additions, the cash value borrowed is usually credited with only the lower guaranteed rate of interest or is credited with a rate that is below the current rate paid on non borrowed funds.

(i) Variable Universal Life

Variable Universal Life Insurance (also called universal life II and Flexibility Premium Variable Life Insurance) is the innovative product in the evolution of interest sensitive products. This is a variable universal life policy discussed earlier but with two major exceptions:

- The policy owner has a variety of investment options for the investments of cash values
- There is no minimum guaranteed rate of interest

A variable universal life policy allows the owner to invest the cash values in a wide variety of investments. For example, the insurer may have an aggressive stock fund, bond fund, balanced fund, global fund, real estate fund, and money fund.

Depending on the policy owner's investment goal, objectives and tolerance for risk, the fund can be invested accordingly. The money can also be moved from one fund to another as investment objectives or market conditions charge. In addition, a variable universal life policy has no minimum guaranteed rate of interest and the principal is not guaranteed. If investment risk fall entirely on the policy owner. For this reason, some financial planners and consumer experts recommend caution in the purchase of a variable universal life policy.

(ii) Current Assumptions about Whole Life Insurance

The fourth innovation in whole life insurance is the current assumption whole life insurance (also called interest-sensitive whole life). It is a non-participating whole life policy in which the cash values are based on the insurer's current mortality, investment and expense experience. In addition, an accumulation account is credited with a current interest rate that changes overtime. Although Current Assumptions Whole Life products vary among insurers, there are some common features. They are summarized below:

- An accumulation account is used to reflect the value of the account
- The accumulation account is credited with the premiums paid less expenses and mortality charges plus interest based on current rates
- A surrender charge is deducted from the accumulation account. A surrender charge that declines overtime. Such as 10 to 20 years is deducted from the accumulation account to determine the net cash surrender value.
- A guaranteed interest rate and current interest rate used to determine cash values. The minimum cash values based on the guaranteed interest rate. However, the accumulation account is credited with a higher interest rate and is not guaranteed for the life of the policy but changes overtime. Current interest rates generally range from 7(1/2) to 9 percent in the developed countries.
- A fixed death benefit and maximum premium level at the time of issue are stated in the policy

In addition to the proceeding characteristics, the current assumptions whole life products generally can be classified into two categories.

- Low premium products and
- High premium products

With the low premium version, the initial premium is substantially lower than the premium paid for regular, non-participating whole life policies. The low premium is initially guaranteed only for certain periods such as two years. However, after the initial guaranteed period expires determination provision allows the insurer to recalculate the premium based on the same or different actuarial assumptions with respect to mortality interest, and expenses (hence, the name "current assumption whole life"). However, if the new premium is higher than the initial premium, the policy owner generally has the option of paying the higher premium and maintaining the same death benefit. Alternatively, the policy owner can continue to pay the lower premium, but the benefit is reduced. If the new premium is lower than the previous premium, the policy owner generally has the option of paying the lower premium with the same death benefit. Alternatively, the owner can continue to pay the previous premium with the same death benefit and have the difference in premium added to the accumulation account. However, the policy remains paid up only if the current interest and mortality experience remain unchanged or are more favorable than the initial assumed interest rate if the accumulation account falls below the minimum cash surrender value, additional premium are required or the standard non-forfeiture option applies. In addition, under the high premium version, any favorable mortality and investment experience results in a more rapid increase in the accumulation account and allows the premiums to vanish sooner. The opposite occurs if the mortality or investment experiences are unfavorable, the accumulation account will increase at a lower rate, and the premiums vanish only after a longer time period.

(iii) Adjustable Life Insurance

The last but not the least innovation in whole life insurance according to George (2003) is the Adjustable Life Insurance. According to him, some innovations could be adjusted to life insurance policies that can be changed as family needs and circumstances change overtime. For example, substantial adjustment in a personal life insurers program are often required in the even of marriage, birth or adoption of child, lay off from work, responsibility to aged parents, purchase of a home or business or retirement.

(iv) Endowment Policy

Endowment contracts are primarily savings contracts with an element of pure protection incorporated into the policy, so that is the uninsured dies before the savings plan is completed, the insurer completes it. Endowment policy is further divided into two namely; the Limited-Term Endowment Contract and Retirement Income Policy. With the limited term endowment contracts, it extends for a given period of years, usually 5, 10, 20, or 30 years. A very common period is 20 years. Endowments are commonly used as savings for some specific purpose such as education, retirement or travel. Similar to the endowment is the Retirement Income Policy. Retirement income policy is similar to endowment, except that, the former is arranged so that its cash values amount to a sum sufficient to provide specific amount of income a month at retirement age usually 65 years. Endowment policies are purchased for varying periods, such as a 10 years endowment, 20 and 30 years endowments and endowments at age 65; Greene and Trieschman (2005).

2.4 Asset, Liability and Investment

An understanding of the liabilities of insurance companies is necessary to develop an appropriate approach to the management of assets. In addition to the higher amount of reserve, they not that the Life Insurance companies have a much higher ratio of reserves to equity. The lower capital levels for life insurance companies result from both management decision and regulatory requirement. They are based on the recognition of the fact that life insurance obligations are easier to predict than the obligations of most other insurance companies. According to Fred and Neil, the accumulation of funds for certain death benefits means that the dollar value of liabilities per face value of insurance is higher for life insurance than other insurance. Therefore, a higher ratio of liabilities to equity does not necessarily mean a higher ratio insurance face value to equity. The size of the equity base on important implication for assets management. With a limited equity base, the life insurance companies can endure less asset value shrinkage than can non-life companies.

Regarding assets, Fred and Neil (2004) also have the opinion that, the primary assets of insurance companies are investment portfolios in the form of government and corporate securities. Investment portfolio according to them is held for two reasons. Because the insurance companies collect premiums with insurance coverage provided for some time after collection, they have these funds to invest until they are paid out as benefit. On the liability side, this shows up as reserves. The second category of funds are held as protection against losses due to factors such as excessive benefit expense or shrinkage in the value of assets on the liability side of the balance sheets, these funds are represented by surplus and equity accounts. The investment policy is determined by two purposes the portfolio serves.

Fred and Neil (2004) went further to argue that, the liquidity needs from the investment portfolio are minimal. In their opinion, most insurance companies are continually expanding in size, with premiums received during any month being more than sufficient to meet all cash out flows for the month. Actual sale securities would be necessary only if premium revenue declined. The company will add to its portfolio and reserve accounts from month unless its volume of business declines or disintermediation occurs. Even though, the liquidity needs from the investment portfolio are minimal, Fred and Neil (2004) caution that, this is not to say that day-to-day cash management is not an important function in an insurance company. A large insurance company will have cash flows of several million dollars a day. A company may be able to improve profit by half a million dollars. Therefore the companies follow cash flow over the weeks and months closely to keep and monitor cash flow as closely as possible.

On investment George (2003) writes that, the investment function is an extremely important function in the overall operations of insurance companies. According to him, since premiums are paid in advance, they can be invested until needed to pay claims and expenses. In 1988, U.S.A. life insurers held assets of about $12 trillion. According to him, the functions available for investments are derived primarily from premium income, investment earnings and maturing investments that must be reinvested. He identifies that; life insurance investments have an important economic and social impact on the nation. First, life insurance contracts are long term in nature, and liabilities of life insurers extend over long periods of time, such as 50 or 60 years. Most life insurance investments are therefore long term in nature. The primary investment objective is safety of principal. In 2006, 61 percent of the assets were invested in mortgages and corporate bonds, which are long-term investment. Only 9 percent of the assets were invested in stocks, which are subject to wide fluctuations in value. Government securities, real estate, policy loans, and miscellaneous assets accounted for the remaining 30 percent. Secondly, investment income is extremely important in reducing the cost of insurance to policy owners since premium, can be invested so as to earn interest. The interest earned investment is reflected in the payment of dividends to policyholders, and this goes to reduce the cost of the life insurance. Thirdly, life insurance premiums are an important source of capital funds to the economy. He stated that, these funds are invested in shopping centers, estate development, office buildings, hospitals, new plants and other economic investments.

In Ghana, the Social Security and National Insurance Trust (SSNIT) which manages pension funds in Ghana has a clear and well-defined investment policy, which provides guidelines for the investment of its pension funds in various sectors of the Ghanaian economy. The investment policy of the Trust takes into consideration the under-mentioned major requirements of investing social security funds.

- Safety - investment should be in low risk ventures
- High yield - the returns on investment should be appreciable
- Liquidity - ensuring that a certain level of investments is maintained in cash or near cash assets to enable the Trust meet its obligations when they are due
- Maintenance of Assets Value - ensuring that the value of the investment are not eroded by an inflationary economic environment
- Harmony with Public Interest - ensuring that some of the investments are geared towards the achievement of national economic development programs as well as providing physical benefits to the public.
- Diversification - ensuring that the portfolio mix is adjusted in the life of changing environment circumstances

Donkor (2007) an actuarial analyst, writing on investments of the State Insurance Corporation (S.I.C.) observes that as much as fifty percent (50%) of Life Insurance funds was by law, invested in Government bonds. Donkor argues that although government bonds earned investment around five and half percent (5.5%) on average, which was below earnings, on bank deposits, nevertheless Government bonds would continue to absorb more of the Corporation's investible funds.

S.I.C. was the only organization to spend as much as five hundred Ghana cedis (GH¢500.00) and over on housing at that time. According to him although the State Insurance Corporation (S.I.C.) was state owned, it had the freedom to function along the lines to be expected in any sound financial institution in a free Market. This together with a sound pioneering management, the article went on, accounted largely for the corporation's success story.

2.5 Risk and Returns

On the issue of risk and returns, Kopoke and Randal (2008) focused on the implications of risk of the increasing role of life insurance companies in offering investment products, and the vulnerability of both Life and Property - liability companies to rising interest rates, declining property values, and disappointing corporate profits. According to them, a number of Life Companies recently have been funding a significant portion of such assets with relatively short term liabilities, mostly guaranteed investment contracts (GICs), thus raising both interests sensitively and liquidity concerns. They went further to say that property liability companies are also vulnerable to increases in interest rates, since their claims are relatively short term and irregular. Higher interest rates lower the value of their assets, which may have to be sold to meet claims.

In general, risk concentration developed over several years, during which time the institutions appeared to be in sound condition. A turning point occurred, adversely affecting the areas of risk concentration, and it soon became apparent that the institutions were severely often fatally damaged. With respect to both banks and insurance companies Kopoke and Randall emphasize that, supervisory action should have been directed at the risk concentration before the triggering economic event (disruption of the junk bond Market, crash of real estate values or the like). While analysis by Kopoke and Randall did not equate the degree of the insurer's problems with those of banks; it does suggest that supervisory restraints on excessive risk taking are equally appropriate in both industries.

In his comments, Boffman (2007) reviews the transformation of the larger life insurance companies over the past 20 years in the multi-line financial companies. He finds that the majority of companies have adapted well to the more competitive environment. The large companies are generally safer because of geographic and product diversification. Failure has generally involved small companies. The few large life failures involve levels of risk taking well above that across the industry is low because of diversification and relatively high asset quality.

2.6 Factors that determine the demand for Life Insurance

Hussels, Ward, Zurbruegg (2005) have shown that the level of insurance demand within an economy can be influenced by a number of variables which can be categorized into economic, legal, political and, social. Among the important economic factors found to significantly affect demand for life insurance are incomes, inflation, price of insurance and social welfare provisions. The legal factors have been identified as good investors' protection, better creditors' rights, more vigorous law enforcement and better accounting information. Political environment refers to the degree of stability of a country's socio-political environment, measured by average number of revolution and coup per year. Another political factor identified is income inequality. Social factors relate to variables such as culture, religion, dependency ratios, life expectancy and education.

The demand of life insurance usually decreases during volatile economic times. Black and Skipper, (2000). In contributing to the determining factors for the demand of life insurance, Beck and Webb (2003), suggested that if the effective return within a policy compares favourably with the returns of other savings instruments, life insurance will look more attractive to prospective savers, against its other features such as the protection it provides.

2.7 Fund management

Fund management in more generic terms may refer to all forms of institutional investment as well as investment management for private investors. The term asset management is often used to refer to the investment management of collective investments

Investment management is the professional management of various forms of securities such as shares and bonds as well as assets like real estates in order to meet specified investment goals for the benefit of the investors. Investors in this respect may be institutions (insurance companies, pension funds, corporations, charities, educational establishments etc.) or private investors, both directly via investment contracts and more commonly through collective investment schemes (e.g. mutual funds or exchange-traded funds). www.wikipedia.org assessed on 23/2/2011

Investment managers who specialize in *advisory* or *discretionary* management on behalf of (normally wealthy) private investors may often refer to their services as wealth management or portfolio management often within the context of so-called "private banking".

The provision of 'investment and fund management services' includes elements of financial statement analysis, asset selection, stock selection, plan implementation and ongoing monitoring of investments. Investment management is a large and important global industry in its own right responsible for caretaking of huge sums of money.

In this respect therefore, the business of fund management has several facets, which include the employment of professional fund managers, research into individual assets or asset classes, security dealing, settlement, marketing, internal auditing, and the preparation of reports for clients. In fund management practices, beside the people who bring in the money (marketers) and the people who direct investment (the fund managers), there are compliance staff who ensures that participants accord with legislative and regulatory constraints, internal auditors of various kinds (to examine internal systems and controls), financial controllers (to account for the institutions' own money and costs), computer experts, and "back office" employees (to track and record transactions and fund valuations for up to thousands of clients per institution).

2.7.1 Key problems and constraints of fund management.

Key problems that often hinders the effective management of funds and for that matter life insurance funds include:

- revenue is directly linked to market valuations, so a major fall in asset prices can cause a precipitous decline in revenues relative to costs;
- above-average fund performance is difficult to sustain, and clients may not be patient during times of poor performance;
- successful fund managers are expensive and may be headhunted by competitors;

- above-average fund performance appears to be dependent on the unique skills of the fund manager; however, clients are loath (unwilling) to stake their investments on the ability of a few individuals- they would rather see firm-wide success, attributable to a single philosophy and internal discipline;

2.8 Funds (Investment) managers and portfolio structures

At the heart of the fund (investment) management industry are the managers who invest and divest client investments. A certified company investment advisor should conduct an assessment of each client's individual needs and risk profile. The advisor then recommends appropriate investments.

2.8.1 Asset allocation

The different asset class definitions are widely debated, but four common divisions namely, stocks, bonds, real-estate and commodities are readily identified. The exercise of allocating funds among these assets (and among individual securities within each asset class) is what investment management firms are paid for. Asset classes exhibit different market dynamics, and different interaction effects; thus, the allocation of money among asset classes will have a significant effect on the performance of the fund. Some research suggests that allocation among asset classes has more predictive power than the choice of individual holdings in determining portfolio return. Arguably, the skill of a successful fund or investment manager resides in constructing the asset allocation, and separately the individual holdings, so as to outperform certain bench marks (like the peer group of competing funds, bond and stock indices).

2.8.2 Long-term returns

It is important to look at the evidence on the long-term returns to different assets, and to holding period returns (the returns that accrue on average over different lengths of investment). For example, over very long holding periods of say ten or more years in most countries, equities have generated higher returns than bonds, and bonds have generated higher returns than cash holdings. According to financial theory, this is because equities are riskier (more volatile) than bonds which are themselves more risky than cash.

2.8.3 Diversification

Against the background of the asset allocation, fund managers consider the degree of diversification that makes sense for a given client (given its risk preferences) and construct a list of planned holdings accordingly. The list will indicate what percentage of the fund should be invested in each particular stock or bond.

2.8.4 Investment styles

There are a range of different styles of fund management that the institution can implement. For example, growth, value, growth at a reasonable price (GARP), market neutral, small capitalisation, indexed, etc. Each of these approaches has its distinctive features, adherents and, in any particular financial environment, distinctive risk characteristics. For example, there is evidence that growth styles (buying rapidly growing earnings) are especially effective when the company's ability to generate such growth are scarce; conversely, when such growth is plentiful, then there is evidence that value styles tend to outperform the indices particularly successfully.

2.8.5 Performance measurement

Fund performance is often thought to be the acid test of fund management, and in the institutional context, accurate measurement is a necessity. For this reason, institutions measure the performance of each fund (and usually for internal purposes components of each fund) under their management, and performance is also measured by external firms that specialize in performance measurement.

Generally speaking, it is probably appropriate for an investment firm to persuade its clients to assess performance over longer periods (e.g., 3 to 5 years) to smooth out very short term fluctuations in performance and the influence of the business cycle. This can be difficult however and, industry wide, there is a serious preoccupation with short-term numbers and the effect on the relationship with clients (and resultant business risks for the institutions).

An enduring problem is whether to measure before-tax or after-tax performance. After-tax measurement represents the benefit to the investor, but investors' tax positions may vary. Before-tax measurement can be misleading, especially in regimens that tax realised capital gains (and not unrealised). It is thus possible that successful active managers (measured before tax) may produce miserable after-tax results. One possible solution is to report the after-tax position of some standard taxpayer.

2.9 Factors that influence the investment portfolios into which life funds are put

There are four main factors, which would most likely influence a decision regarding investment; they include the current rate of interest, future expectations, the level of income, government policies and the accelerator theory.

2.9.1 Interest Rates

Interest rates are variable rates which are manipulated through government policies whenever the economy is not stable. Interest rates have an influence on investment as you can see from the two following figures. Most decisions to invest involve borrowing money, so we can assume that there is an association between the cost of borrowing and the level of investment. Investments usually involve large sums of money. In order to acquire this money firms must take out loans. Interest rates can be defined as the cost of borrowing or the reward for saving. If interest rates are high this will make borrowing more expensive making saving more encouraging. In contrast if interest rates are low this makes borrowing a more attractive offer. Firms are more likely to consider an investment at a low rate of interest. This shows us what kind of impact interest rates has on investment.

2.9.2 Future Expectation

Another factor that has a significant effect on investment, are a firms future expectations. If investment yielded an 11% increase and the current rate of interest was 10% investment would take place. However the future is unpredictable, because investment decisions take time to accomplish, there is usually a great deal of uncertainty. What businesses expect to happen in the future is very important. If a business' management is feeling pessimistic about the future, low interest rates will not encourage investment. On the other hand high interest rates will not deter them from making an investment if they are feeling confident and optimistic about the future. This idea in a way contradicts our previous idea; this shows us that there are possibly a lot more than four or five that influence investment

2.9.3 Income

A high level of income is another factor which stimulates investment; high levels of income tend to make businesses feel more optimistic about the future. Furthermore high levels of income could mean high profits. Therefore businesses have more funds with which to invest. Many economists believe that high levels of income occur as a result of high levels of investment. This follows a circular flow pattern. Whichever way you see it income has a clear association with investment

2.9.4 The Accelerator Theory

The accelerator principle states that a change in the rate of income or output will vary the level of investment. This is similar to the idea; changes in consumption relate to the level of investment. If the demand for a product is increasing in order for firms to be able to meet the demand increased investment is necessary. The table below gives an example supporting this theory.

Firms however need to ask themselves if the increased demand will last or will it be short lived. Firms who feel that the increased demand will be short lived then they would choose to not invest.

2.9.5 Government Policy

The government has a big effect on investment in two different ways. Thus, indirectly through government policies and directly by being the largest investor in the economy. Investment decisions made by firms are influenced by government taxation, which may give either positive or negative incentives (usually negative in order to reduce externalities). Fiscal and monetary policies are the government's tools that deal with tax and interest rates, they both have a

Significant effect in determining investment the government and public corporations hold over 14% of all fixed capital in the country. The governments investments are not always profit orientated, they may be guided by other motives (benefiting society), including the construction of schools, hospitals, roads and old people's homes. Many economists believe that the government aims to stabilise the levels of total investment within the economy. When private investment is low government or public investment will be high and vice versa. Many argue that from time to time they crowd out private investment, which lowers the overall level of private investment.

2.10 Overview of Life insurance in Ghana

A strong life insurance industry is a necessary condition for long-term funds mobilisation. A well-managed, dynamic and profitable life insurance sector adds to the vibrancy of the economy. Over the years, Ghana's insurance sector has taken incremental steps to a posture that strengthens this sector to support the ultimate goal of transforming its economy into middle-income status. Amoah (2008). (www.ghanabusinessnews.com) assessed on 15th April, 2010. The results are obvious compared to 10 years ago, since when life insurance companies have gained an imposing presence on the Ghanaian landscape. With the introduction of the new insurance law Act 724 of 2006, it was stipulated that all life insurance companies separate their operations from non-life. Since the introduction of this new law barely three years ago, Ghana's life insurance market has witnessed tremendous growth in terms of number of companies, sophistication and reach.

Prior to the separation of life business from non-life, there were only 15 insurance companies – five of which were specialist life underwriters. Amongst the five specialist companies are

GLICO LIFE, Ghana Life, Enterprise Life Assurance Company (ELAC). They were also the top premium income earners. By passing Act 724 of the new Insurance Law 2006, the National Insurance Commission separated composite insurance companies into separate life and non-life entities. No single insurance company can practice both life and non-life business and must set up separate entities if they wish to issue both types of insurance.

As of September 2008, the total number of registered insurers stands at 34 (17 non-life and 16 life insurers) with 2 registered reinsurers (including the state-owned Ghana Reinsurance Co. Ltd.). Annex 3 of this study contains a complete list of registered licensed life and non-life insurers, brokers, loss adjusters and reinsurers. Ghana's insurance penetration currently stands around 1.90%. This is very low compared with Cote d'Ivoire's figure of 5%, Namibia's 8 % and 16 % for South Africa. http://www.mogerdghana.com/174922/1 assessed on 15th April 2010. More importantly, since the separation four years ago, the number of underwriting companies in life insurance has increased by 11% from 15 to 17. The companies presently operating include SIC Life; ELAC; Star Life; Vanguard Life; Metropolitan Life Ghana; GLICO Life; Quality Life and Provident Life. Others include Donewell Life, Phoenix Life, Unique Life; Ghana Union Life; Ghana Life; CDH Life; Express Life; IGI Life and Capital Express Life. Apart from Metropolitan Life, ELAC, IGI Life, Capital Express and Ghana Life, the remaining 12 companies are wholly indigenous and owned by local investors. In Ghana, Life Assurance business gross premium income increased by 34.0% from GH¢91,245 in 2008 to GH¢122,275 in 2009, while management expense increased by 41.9% from GH¢35,014 to GH¢49, 691. Net premium also grew, by 33.3%, from GH¢89,801 to GH¢119,708, while claims incurred increased by 38.3%. (www.ghanabusinessnews.com) assessed on 15th April, 2010

2.11 Regulatory and Supervisory Framework of Life Insurance in Ghana

Ghana's **regulatory framework** for insurance is based on the Insurance Act 724 of 2006. The act separates insurance into life- and non-life insurance and establishes the NIC as a body corporate "to ensure effective administration, supervision, regulation, monitoring and control of the business of insurance to protect insurance policyholders and the insurance industry." [Insurance Act 2. (1)].

The Insurance Act is comprehensive, including sections on the NIC; the licensing of insurers; the insurance business; capitalization, solvency and financial resources; and insurance intermediaries. Certain provisions have still to be worked out, such as those on arbitration, record keeping, code of practice and market conduct (Article 202, 203 and 204). For some details of insurance activities which are not regulated in the current version of the Act, and for which the regulation is pending, NIC uses the old insurance regulations (Insurance Regulations 1990 and the Old Insurance Law PNDC Law 227 of 1989).

Currently, NIC is working on these regulations, supported by an international expert team, AG Associates Ghana and funded by the World Bank. A draft of the recommendations for these regulations was laid produced to the NIC by the end of 2008. According to NIC, these inputs will be revised by NIC; and shall then be submitted to the industry for consultations before going to parliament. Micro insurance has not been embedded in the rules yet, however, in recognition of its relevance for making insurance sector more inclusive and improving the outreach of insurance, this is an expressed goal of the NIC. The fact that at present, the detailed regulations in many regards are being worked out allow the incorporation of micro insurance specific rules in many crucial aspects of insurance business. At present, there is no dedicated micro insurance license in the insurance law or regulations, nor are the specific rules for agents delivering micro insurance. However aspect of the existing law which can be interpreted to cover micro insurance issues ear adopted to govern such businesses of which Life insurance is a major part.

2.11.1 Supervision of Insurance

Supervision of insurance is a classic task of the NIC. NIC has a supervision department. The supervisory capacity of NIC was not assessed under in this study due to its nature and short duration. However, experiences from other countries and some discussions with industry participants suggest that NIC suffers from resource constraints like many of its peers in other countries.

Supervisory capacity becomes an important consideration in adjusting the Insurance Act since it will be necessary for the NIC to keep on to develop regulatory instruments and process, and enforce the details of the act and the other rules. For instance expanding potential providers of micro insurance could have a large impact on the NIC as this also significantly expands their supervisory responsibilities. Adjusting some provisions such as market conduct including product rules may have a quicker impact and be less burdensome to NIC. Health insurance is regulated under the National Health Insurance Act 650 of 2003 and supervised by the Ministry of Health. However, if health insurance is provided as a rider to other insurance products, the NIC is the supervisory authority. There appear to be no other bodies involved in regulation of insurance or quasi-insurance services.

2.11.2 The Role and Attitude of NIC:

There are signs that the insurance sector is growing and an increasing number of insurers are becoming interested in the low-income market. Yet, as the average household still has little experience with, or trust in, insurance, consumers are vulnerable in the light of these trends.

As consumer protection is a classic task of the insurance supervisor, this situation raises issues for the NIC. NIC has a developmental mandate and a proactive attitude towards facilitating life insurance in Ghana. However, NIC is not yet well equipped to implement this task. NIC is a member of the IAIS and its micro insurance Joint Working Group which includes experts from the CGAP Working Group on Micro insurance and life insurance. It invited the mission team reviewing the insurance regulation of Ghana to review the current insurance regulatory framework and further contribute to the development of life insurance specific regulations. NIC has also asked the consultant team in charge of developing the recommendations for the regulations to include points on life insurance and micro insurance.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter discusses the methodology employed to achieve the objectives of the study. This research is a non-experimental exploratory study designed to determine what factors influence the demand for Life Insurance policies and the investment of funds. It is also to recommend strategies for effective and efficient management of life insurance funds, using S.I.C – Kumasi and Accra Offices as the case study.

3.1 Population and Sampling

The population of the study comprises both the staff and customers of SICLife Company Ltd, who constitute a complete group of people with common characteristics as a relevant population for the management of Life Insurance funds. They numbered about 500 individuals.

3.2 Sample Frame

A sample size of fifty (50) was selected for interviews. This was made up of twenty (20) staff members and thirty (30) customers. The staff was taking from SICLife Company Ltd, made up of five (5) each from the Investment, Marketing, Underwriting departments and the Agency force. Thirty (30) customers were also sampled across all the various policyholders of life policies. Due to the varied nature of the sample population, purposive, and simple random sampling techniques were used to select the sample from both staff and customers. The customers were randomly selected at the insurance hall as they came in to do business.

SICLife Company Ltd, as a Strategic Business Unit (SBU) is the largest premium earner in the Life Assurance industry. The subsidiary controls about 30% of the Life Assurance Market. State Insurance Company Life earned ¢51.30 billion gross premium income in 2004 accounting period and rated number one in the industry (National Insurance Commission Annual Report 2004).

Table 3.1 Sample Selection

	Population	**Sample Size Selected**
Staff	150	20
Customers	350	30
Total	**500**	**50**

3.3 Data Collection

Data were collected from two main sources for this study with the view to produce objective and valid conclusions. These were data collected from primary and secondary sources. As stated by (Yin, 2003), no single data source has complete advantage over all other sources. Hence most researchers agree that qualitative research should try to use as many different sources as possible.

3.3.1 Primary Data

Questionnaires and interview guide were the main research instruments used to gather the primary data for the study. Structured questionnaires were used to gather unbiased opinion of respondents and the interview guide to clarify unclear issues to respondents. Specimen of the questionnaires and the interview guide are attached as annexes 1 and 2. Both open and closed ended questions, based on the objectives of the research were used. The open ended-questions were meant to gather the opinions and views of the investment managers on certain investment issues such as factors influencing their decisions on certain categories of investments, which were not revealed by the financial statement. The closed ended questions were used to get specific responses from the State Insurance Company officials and policyholders contacted.

3.3.2 Secondary Information

A number of Secondary data from the annual reports and monthly statements of SIC-Life Company Ltd were used to obtain additional information on the subject to buttress responses gathered from the questionnaires. The secondary data consisted of investment figures, investment policies and other investment related issues used to answer research questions 1 and 3. In addition, materials on investment policies and reports, dividend payments from SIC-Life Company Ltd were covered under the study. Moreover, national insurance laws, journals and periodicals from National Insurance Commission were collected and reviewed.

3.3.3 Field Work

The research questionnaires were administered personally by the researcher, so were interviews with the key respondents and personalities of SIC conducted personally by the researcher with the assurance to the institution of the study that the confidentiality of information provided for the study would be maintained. The primary data from the questionnaire were used to answer research questions 2 and 4.

3.3.4 Pre-Testing

To ascertain reliability and validity of the instrument, a pilot test was conducted using the data collection instruments described above on one of the branch offices of SIC Life

Company which was not considered in the actual data collection exercise. After the pilot testing, it was realised that there were no ambiguities in the construction of the questionnaires there were some few problems with the instruments designed or questions asked. The affected questions were modified to make them straight forward and more meaningful.

3.4 Data Analysis Procedure

According to Emory and Cooper (2003) raw data obtained from a research is useless, unless it is transformed for the purpose of decision-making. Data analysis usually involves reducing the raw data into a manageable size, developing summaries and applying statistical inferences. Consequently, the following steps were taken to analyze the data for the study: The data collected was analysed using Statistical Package for Social Scientist (SPSS) computer software programme. The result was presented using statistical tools such as frequencies, tables, histograms and pie charts. Both descriptive and inferential statistics were used to analyse the data using SPSS and Microsoft Excel programs as analytical packages. Specifically, pie charts, bar charts, frequency tables, were used to show proportions and line graph used to show trends. Tables were also used to describe the data. Furthermore, financial analyses were done to address the operational efficiency of the SIC-Life funds.

3.5 Limitations of the Field Work

The field work (for that matter the data collection) was met with certain constraints which impeded the efforts of the researcher. These were time and financial constraints. The nature of the field work required frequent travel to the Accra office of SIC Life Company which resulted in huge traveling expenses borne by the researcher. On some of these visits the researcher could not meet the designated officer for the necessary meetings and interviews, even though arrangements might have been made in advance with them. They were most often taken away by their busy work schedules, meetings and other errands outside their offices. The researcher however managed to overcome this by resorting to telephone conversations. Notwithstanding these problems, the data collection was generally successful. The limitation factors on the study are quite inimical to affect the study report in any way. Other researchers can adopt the method used in this study with similar objectives to produce similar results.

3.6 Ethical Considerations

Introductory letter from the Institute of Distance Learning (IDL), Kwame Nkrumah University of Science and Technology was officially sent to introduce the researcher to the various authorities concerned at the study area. The researcher also formally sought the consent of all respondents and observed all the necessary protocol. The researcher was aware of the fact that modern companies or organisations are operates in a competitive environment. As a result of this, the researcher therefore ensured that information received from respondents was treated with a high level of care and confidentiality. The identities of key informants were not disclosed in the report since the research is to evaluate what pertains in the organization and not to use personal opinions of individuals.

3.7 Overview of SIC Life Company

In compliance with the new Insurance Law which made it obligatory for composite Insurance Companies to decouple their Life from General Insurance Business, it has become necessary for the Government of Ghana to establish a separate company for the Life Division of the State Insurance Company of Ghana Limited (SIC). As the operations of the new Life Company, SIC Life, would be exclusive and separated from the General Insurance Business of the composite SIC, it is important that a new strategic/business plan is developed to meet the demands of the new Life Insurance Company.

This document has been developed to help the new Life Company (namely SIC Life Company) to maintain its leadership position in the dynamic and competitive business environment in which it finds itself. The objectives are summarized as follows:

- To establish the vision and mission of the new SIC Life Company shared by all employees;
- To project a growth rate for the key areas of the company for the next five years;
- To assess the business environment in which the company is operating;
- To develop plans and strategies to give the company a competitive edge over the other Life Insurance companies.

3.7.1 Company Background

The SIC Life Company originally existed as the Life Division of the reputable multi-line insurer – the State Insurance Company of Ghana Limited (SIC). SIC has been in operation since 1962 when it was registered as a Public Corporation. In 1995 however, it was converted into a public limited liability company as part of the Government of Ghana's initiative to divest part of its shareholding in all State Corporations. Currently, SIC is the largest and most reputable insurance company in Ghana controlling the largest share of the insurance Market for both Life and Non-Life Insurance business Lines.

By legislation, SIC is required to completely separate all financial and managerial functions between Life Insurance Company and a Non-Life Insurance Company. From this segregation has emerged this proposed Life Insurance Company with a unique sense of managerial direction, registered as **SIC Life Company Limited (i.e. SIC Life)**

3.7.2 Ownership and Capitalization

SIC Life is wholly owned by the Government of Ghana, as the Government currently wholly owns SIC. Government's ownership is however, expected to drop within the plan period as a result of Government's intention to off load part or all of her interest in the company to investors and the general public. In the interim, however, the Government bears 100% shares of the Company and therefore remains the sole shareholder. It is proposed that the minimum capitalization of the company shall be GH¢10 billion.

3.7.3 Company Location, Offices and Facilities

Currently, the Head office of the SIC Life is located in the Island Property building, 33-34 Kwame Nkrumah Avenue, Accra. The offices of the principal person (i.e. General Manager, Chief Finance Officer and other Heads of Technical Department) are at this location. The Head Office of the Life Company is strategically located making it easily accessible to the majority of its clients or insuring public. In addition to the Head Office, SIC Life Company has at least one office in each of the ten regions of the country.

3.7.4 Corporate Vision

The vision of Management of the Life Company, SIC Life, is to become and remain the leading, most dependable and the most customer focused Life Insurance Company in the country.

3.7.5 Corporate Mission

The Management of SIC Life is committed to offering value priced, innovative life insurance and other financial products that provide total financial security to clients by employing a well-trained, motivated and efficient workforce to ensure optimal returns to the shareholders.

The attainment of both the corporate vision and mission of management rests on a number of functional issues that need to be addressed by top management.

Management therefore will have to operate by a set of guiding principles, which include the following:

a) We will be customer-focused at all times; providing competitive and reliable insurance products/services for our mutual gain.

b) We will achieve operational excellence in all we do;

c) We will continually work to balance the interest of all our stakeholders;

d) We will generate continuous growth in our business (i.e Growth in premium income, in profit and in Market share);

e) We will develop a Marketing system that is committed to continuous research into Market opportunities that produce the best product-price advantage to our stakeholders.

f) We will manage the physical and financial assets of the company in a cost-effective manner to ensure their immediate and long-term financial viability. Investing in illiquid ventures would be discouraged;

g) We will maintain knowledgeable, friendly staff and agents who can empathize with policyholders' needs and circumstances, especially when it comes to handling claims;

h) We will introduce and Market Life Insurance Products that meet or exceed the expectations of our clients. The products will be flexible, affordable, available and understandable;

i) We will ensure that error-free Insurance Policies, Annual Statement of Account and endorsements are delivered to our policyholders on time;

j) We will employ advanced technology for competitive advantage;

k) We will maintain productive staff (with the necessary experience and skills) who are well motivated and rewarded for their commitment, effort and achieved results.

l) We will be ethically – conscious in the insurance Market in the conduct of our operations in a manner to maintain our status as Market leaders;

m) We will be a good corporate citizen.

These guiding principles will direct our actions and decisions at all times as we operate our business.

3.7.6 Corporate Goals

The main goal of SIC Life is to become and remain a profitable company that is able to offer superior life insurance products and services at optimal costs. In addition the company will continue to be customer friendly, focused, a good social partner and corporate citizen. Management will be committed to improving the financial strength of the Company to ensure its steady growth whilst providing shareholders attractive returns on their investments.

3.7.7 Corporate Values

Our business philosophy and values include the following: -

- Strict adherence to the highest ethical and professional standards;

- Total quality management approach to organizational development;
- Quality services to our cherished customers;
- An enthusiastic team continuously applying themselves to improving the products and services of the company, and
- Constantly rewarding our shareholders adequately.

The Directors have been carefully chosen to ensure that they play their expected roles effectively in terms of formulating appropriate policies that are consistent with the corporate vision, mission and goals of the company.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF DATA

4.0 Introductions

This chapter is devoted to the presentation, analysis and discussion of data collected for the study. It also shows the findings of the study; provide to answers to the research questions in line with the objectives of the research. Analysis of the main issues of the study which include, analysis investment portfolios mix, analysis of investment patterns of life insurance funds by SIC Life Company, ranking of portfolio investments to determine which portfolio received the greatest proportion of Life Insurance fund for the period under review. A cursory look is also made at the operational activities of the firm under study and some demographic analyses were also made on the respondents who participated in the study.

4.1 Analysis of Total Life Insurance Funds of SIC Life Company for 2004 – 2009

In trying to ascertain the total funds generated by SIC Life Company in respect of life insurance the investment portfolio of the company was analysed to identify the various constituents that made up the bulk amount of life insurance fund in the company.

This analysis showed that, three main sources of funds contributed to the total life insurance funds of the SIC Life Insurance Company for the review period. These were gross premium received from life policy holders, investment income and other incomes. Table 4.1 following shows details of the analysis.

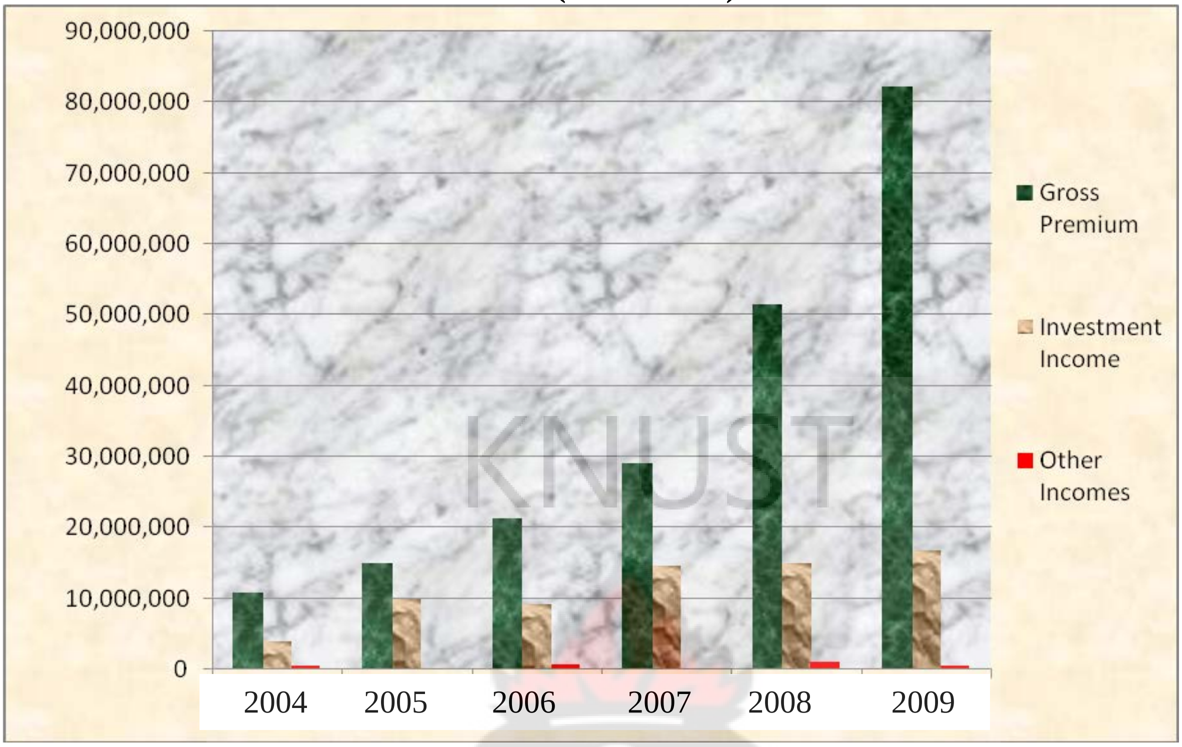
Table 4.1: Analysis Total Life Insurance Funds of SIC-Life Co. (2004 – 2009)

Fund Component	2004	2005	2006	2007	2008	2009
Gross Premium	10,679,000	14,870,000	21,051,000	28,845,000	51,310,000	82,044,000
Investment Income	3,854,000	9,891,000	9,147,000	14,610,000	14,961,000	16,697,000
Other Incomes	372,000	75,000	565,000	125,000	933,000	519,000
TOTAL	**14,905,000**	**24,836,000**	**30,763,000**	**43,580,000**	**67,204,000**	**99,260,000**

Source: Researchers compilation from Annual Operations Report of SIC-Life Co. 2004-2009

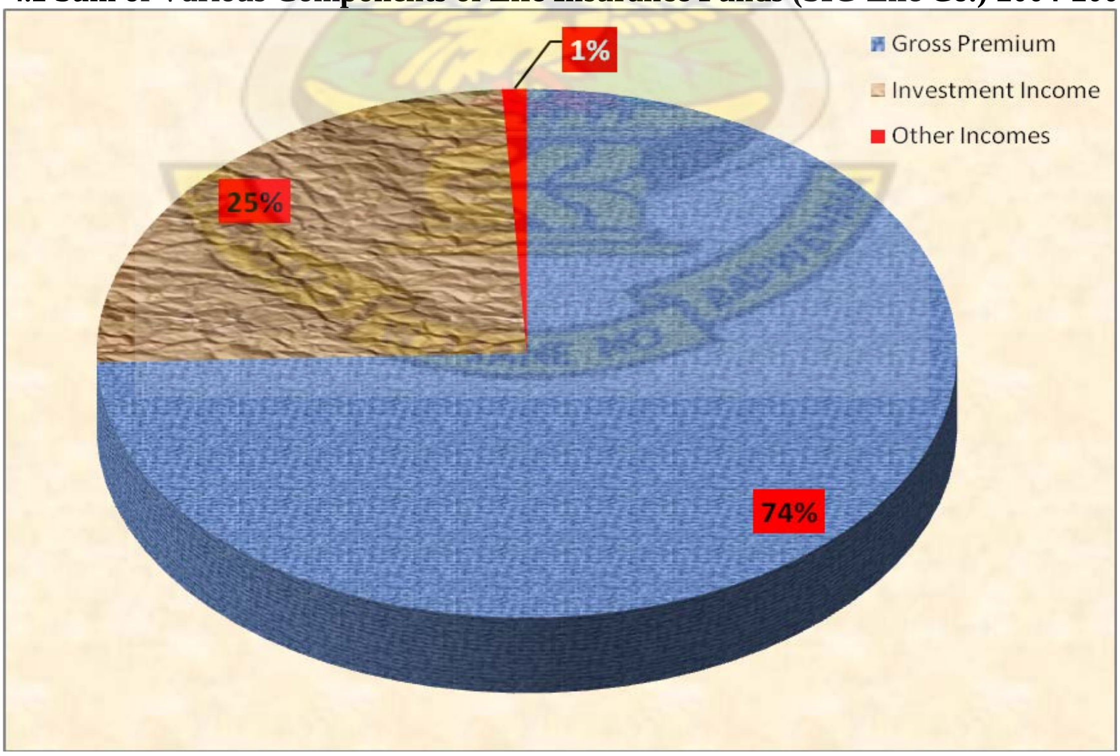
Table 4.1 shows that for the 6-years period under review gross premium had been the highest contributor to the total fund of life insurance in SIC-Life Company. For instance within the period its lowest contribution to the total fund was GH¢10,679,000 in 2004 and its highest contribution was in 2009 which amounted to GH¢82,044,000. This goes to indicate that with life insurance other sources of funds (revenue) to the total fund (income) is insignificant in magnitude even though they form an integral part of the total funds. The contribution of investments to the total life insurance fund was at its highest of GH¢ 6,697,000 in 2009 and lowest in 2004 at GH¢3,854,000. Other income made its highest contribution in 2008 at GH¢983,000 and lowest at GH¢75,000 in 2005.

Fig. 4.1 Bar chart comparing the yearly amount of the various components of SIC-Life funds (2004 – 2009)



Source: Researchers compilation from Annual Operations Report of SIC-Life Co. 2004-2009

Fig. 4.2 Sum of Various Components of Life Insurance Funds (SIC-Life Co.) 2004-2009



Source: Researchers compilation from Annual Operations Report of SIC-Life Co. 2004-2009

4.2 Trend analysis of Life Insurance funds of SIC Life Company for 2004 – 2009

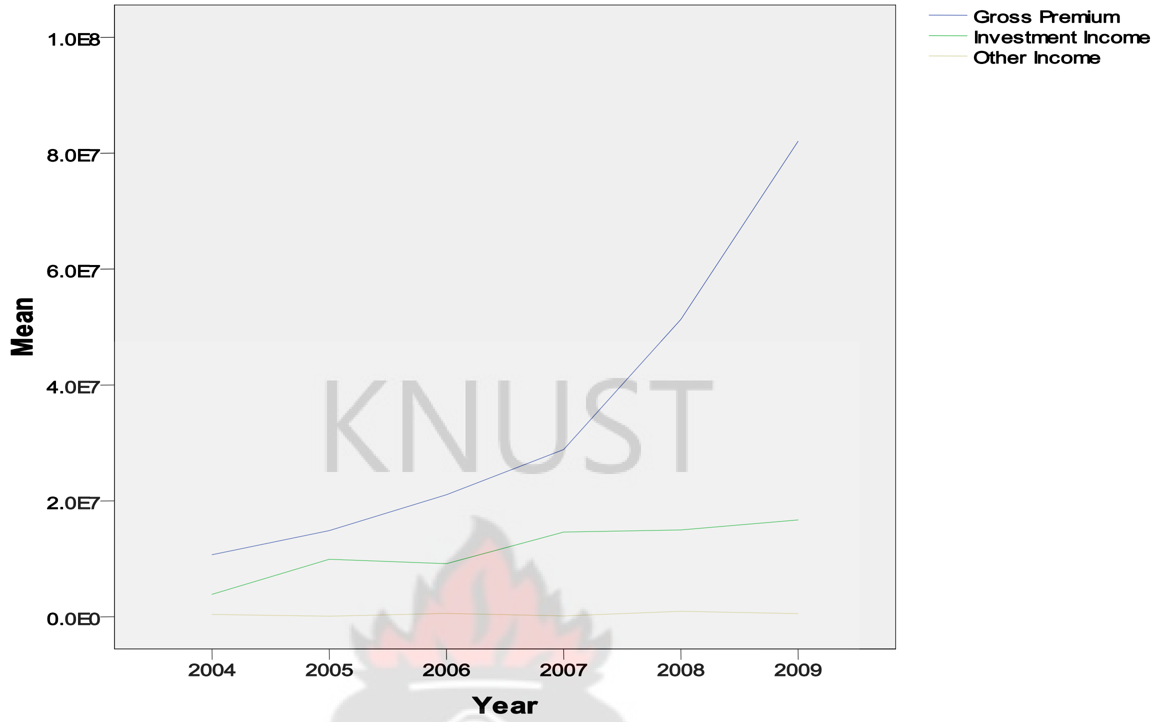
In establishing the pattern of Life Insurance funds in SIC Life Company, trend analysis was performed on the company's investment portfolio for the period under study. Details of the analysis are as shown in table 4.2 on next page:

Table 4.2: Trend Analysis of Life Insurance Funds in SIC Life Company 2004 - 2009

Year	Life Insurance Funds (Total Amount)	Funds Components					
		Gross Premium	% of Total Life Funds	Investment Income	% of Total Life Funds	Other Income	% of Total Life Funds
2004	14,905,000	10,679,000	71.67%	3,854,000	25.86%	372,000	2.49%
2005	24,836,000	14,870,000	59.73%	9,891,000	39.83%	75,000	0.30%
2006	30,763,000	21,051,000	68.43%	9,147,000	29.73%	565,000	1.84%
2007	43,580,000	28,845,000	66.19%	14,610,000	33.53%	125,000	0.29%
2008	67,204,000	51,310,000	76.35%	14,961,000	22.26%	933,000	1.39%
2009	99,260,000	82,044,000	82.66%	16,697,000	16.82%	519,000	0.52%

Source: Author's compilation from technical reports of SIC Life (2004 – 2009)

Figure 4.3: Trends Analysis of Life Insurance Funds of SIC Life Company (2004 – 2009)

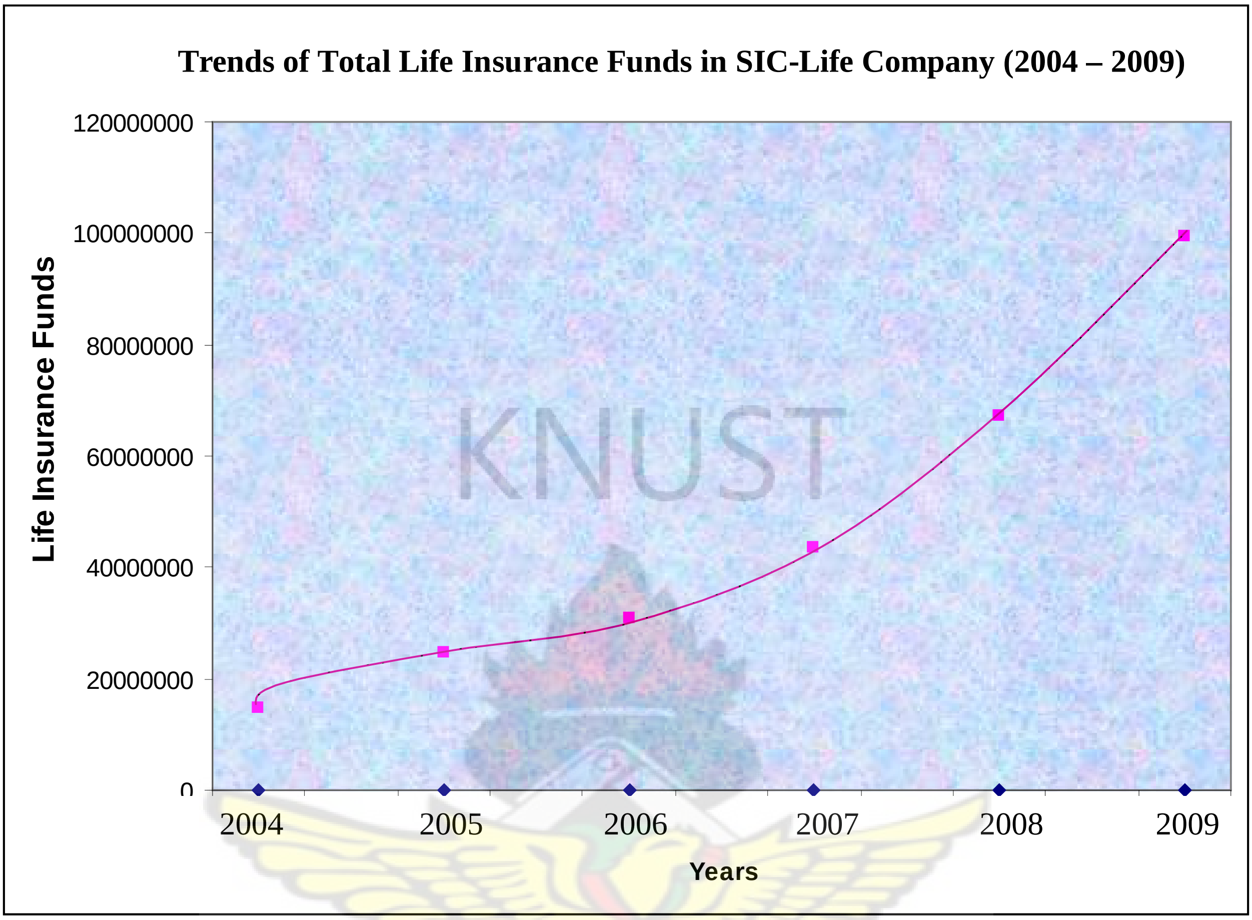


Source: Author's compilation from technical reports of SIC Life (2004 – 2009)

Table 4.2 and its corresponding figure 4.3 clearly show the trend of life insurance funds in the company for the period of 2004 to 2009. There was an increasing trend of the total funds that the company generated over the 6-years period of 2004-2009. Starting from 2004 to 2006 there was a steady increase of about GH¢7,929,000 on the average per year.

However, the increases short up between 2007and 2009 at an average rate of about 47.8.5% per year. In absolute terms total life insurance funds increased from GH¢14,905,000 in 2004 to GH¢24,836,000 in 2005, an increase of GH¢9,931,000. It again went up by GH¢5,927,000 in 2006 to reach the amount of GH¢30,763,000.

Figure 4.4 Trend of total funds for Life Insurance in SIC-Life Company (2004 – 2009)



Source: Author's compilation from technical reports of SIC Life (2004 – 2009)

4.3 Analysis of Investment Instruments on which SIC-Life Funds are spent

The individual investment instruments in the investment portfolio of SIC-Life were analysed to identify the various investment instruments as well as the amounts that were spent on each of them for the period between 2004 and 2009.

The investment instruments identified were grouped into two broad categories, long-term investments and short-term investments. A total of GH¢3,697,000 was spent on long-term investments in 2004 whereas GH¢15,593,000 was sunk into short-term investments in the same period. Again in 2005 amount sunk into short –term investment hit the highest of

GH¢33,723,000 whiles at the period only GH¢21,477,000 was invested in long-term investment instruments. Detail of these is shown in Table 4.3 and 4.4 below:

Table 4.3 Investment Instruments in the Investment Portfolio of SIC-Life Insurance Funds for the period 2004 -2009

Investment Instrument	2004 GH¢	2005 GH¢	2006 GH¢	2007 GH¢	2008 GH¢	2009 GH¢
Long-Term Investments:						
Mortgage Loans	86,000	86,000	86,000	---	1,075,000	1,136,000
Loans Against Life Policies	2,275,000	1,846,000	2,783,000	4,415,000	7,652,000	12,792,000
Equity Shares (Mechant Bank Ltd)	1,221,000	19,384,000	34,859,000	56,697,000	229,780,000	235,454,000
HFC House Bond Trust (Accra Markets)	161,000	161,000	2,972,000	2,160,000	15,005,000	14,122,000
Government Securities	---	---	---	---	400,000	---
Total	3,743,000	21,477,000	40,700,000	63,272,000	253,912,000	263,504,000
Short-Term Investments:						
Commercial Loans	318,000	442,000	37,000	---	---	---
Government Bills	1,301,000	2,402,000	13,386,000	28,313,000	48,641,000	---
HFC Unit Trust	1,524,000	1,938,000	---	---	---	---
Bank Time Deposits	12,359,000	28,832,000	28,086,000	33,349,000	66,187,000	---
Money Bank Policy Loans	109,000	109,000	109,000	---	---	---
TOTAL	15,611,000	33,723,000	41,618,000	61,662,000	114,828,000	---

Source: Researchers' Survey data compiled from Technical Report on SIC-Life Operations (2004 – 2009)

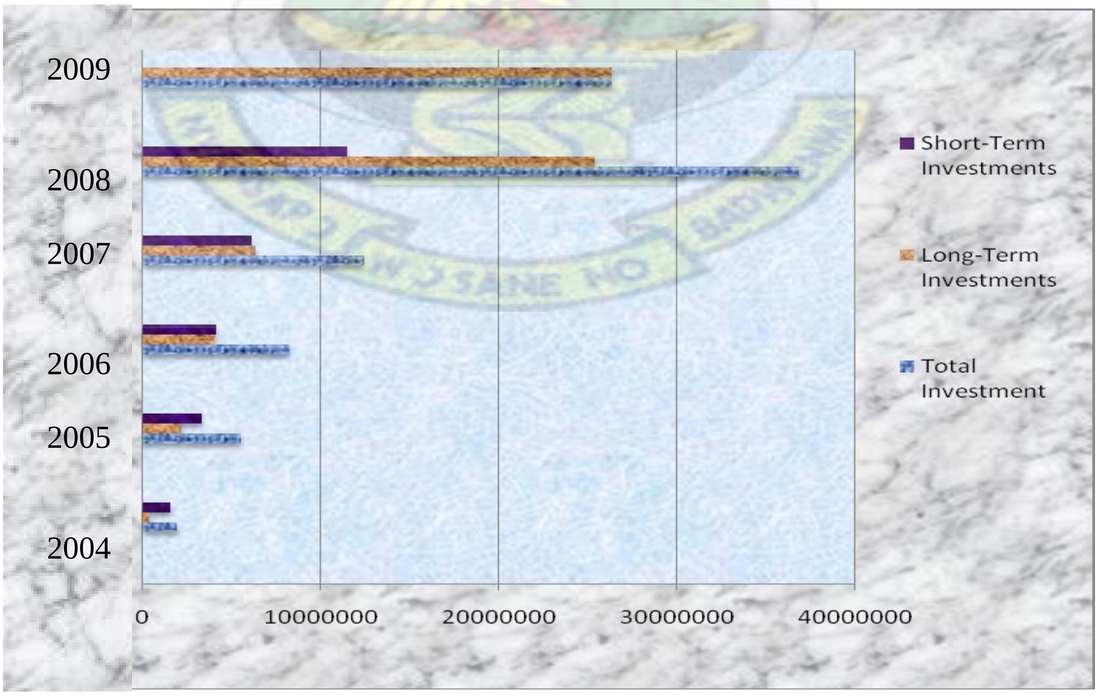
Table 4.4 Summary of Investment Portfolio Instruments of SIC-Life Insurance for the period 2004 -2009

Year	Total Investment	Long-Term Investments	% of Total Investment	Short-Term Investments	% of Total Investment
2004	19,354,000	3,743,000	19.44%	15,611,000	80.66%
2005	55,200,000	21,477,000	38.90%	33,723,000	61.09%
2006	82,318,000	40,700,000	49.44%	41,618,000	50.56%
2007	124,934,000	63,272,000	50.64%	61,662,000	49.36%
2008	368,740,000	253,912,000	68.86%	114,828,000	31.14%
2009	263,504,000	263,504,000	100%	---	0%
Total	**914,050,000**	**646,608,000**	**70.74%**	**267,442,000**	**29.26%**

Source: Researchers' Survey data compiled from Technical Report on SIC-Life Operations (2004 – 2009)

This is also presented graphically as follows:

Figure 4.5: Summary of Investment Portfolio Instruments of SIC Life Co. for 2004 - 2009



Source: Researchers' Survey data compiled from Technical Report on SIC-Life Operations (2004 – 2009)

From table 4.4 and its corresponding figure 4.5 above, it is established that between 2004 and 2006 a greater proportion of total life insurance funds of the SIC Life was invested in short-term investment instruments. Thus in 2004, the cumulative amount placed in short-term investments was GH¢15,611,000, in 2005 the figure rose to GH¢33,723,000 and in 2006 it went up to GH¢41,618,000as against the cumulative amounts of GH¢3,743,000, GH¢21,477,000 and GH¢40,700,000 placed in long-term investments for the three years of 2004, 2005 and 2006 respectively. In percentage terms, 80.66% of the total life funds were placed in short-term investments in 2004, 61.09% in 2005 and 50.56% in 2006 as against 19.44% in 2004, 38.90% in 2005 and 49.36% in 2006 representation of long-term investments.

Beginning from 2007 the trend however change as more of the total funds was placed in long-term investments than in short-term investments. In 2007 for instance, GH¢63,272,000 representing 50.64% of the total funds was invested in long term investments. The investments figure increased in 2008 and 2009 in favour of long-term investments with the figures standing at GH¢253,912,000 and GH¢263,504,000 representing 68.86% and 100% for the respective years.

Interviews conducted with management representatives indicated that this favourable trend of investments in long-term investment instruments was due to the recognition and observance of the provisions of the insurance law as prescribed by the National Insurance Commission.

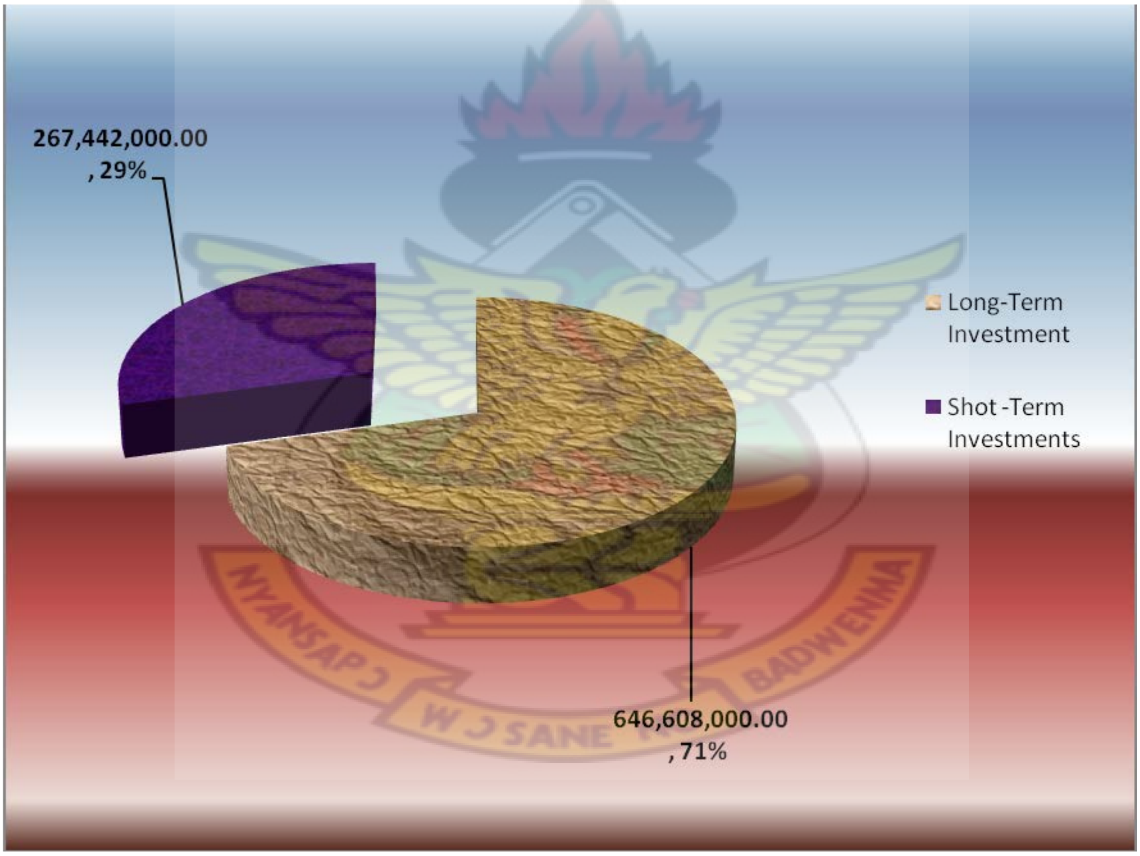
In totality, GH¢646,608,000 representing 70.74% of the total life funds for the 6-years period went into long-term investment while GH¢267,442,000 representing 29.26 was placed in short-term investments. This is further illustrated in the summarised table and pie chart as follow:

Table: 4.5 Distribution of SIC-Life Funds for Long and Short-term Investments (2004-2009)

	Total Life Funds GH¢	Long-Term Investment GH¢	Short-term Investment GH¢
Total Amount	914,050,000	646,608,000	267,442,000
Percentage	100%	70.74%	29.26%

Source: Author's compilations from SIC-Life Operations Technical Reports (2004-2009)

Figure: 4.6 Distribution of Total Life Funds of SIC-Life Company (2004 – 2009)



Source: Compilations from SIC-Life Operations Technical Reports (2004-2009)

4.4 Analysis of Budgeted/Actual Life Funds in SIC-Life (2004 – 2009)

For the 6-years period under review, the actual funds realized by SIC-Life Insurance Company were always in excess of the budgeted figures. Significantly the company was ahead of its targets set for the three major income sources of income to it as depicted below in Table 4.6

Table 4.6 Analysis of Budgeted Incomes against Actual for 2004 - 2009

Income Source	Budgeted GH¢	Actual GH¢	Variance	Comment
Premium Income	83,122,882	208,799,000	60.19%	Favourable
Investment Income	60,279,856	69,160,000	12.84%	Favourable
Other Incomes	2,492,689	2,589,000	3.72%	Favourable
Total	175,895,427	280,548,000	37.30%	Favourable

Source: Authors' Extractions from SIC-Life Technical Reports on Operations (2004 – 2009)

From table 4.6, a total amount of GH¢280,548,000 was realized as against a project amount of GH¢175,895,427. Thus the total amount realized was in excess of the budgeted income by GH¢104,562,573 representing a positive variance of 37.30%.

4.5 Analysis of Operational Efficiency of SIC-Life (Claims wise and the management of management expenses) for the period 2004-2009

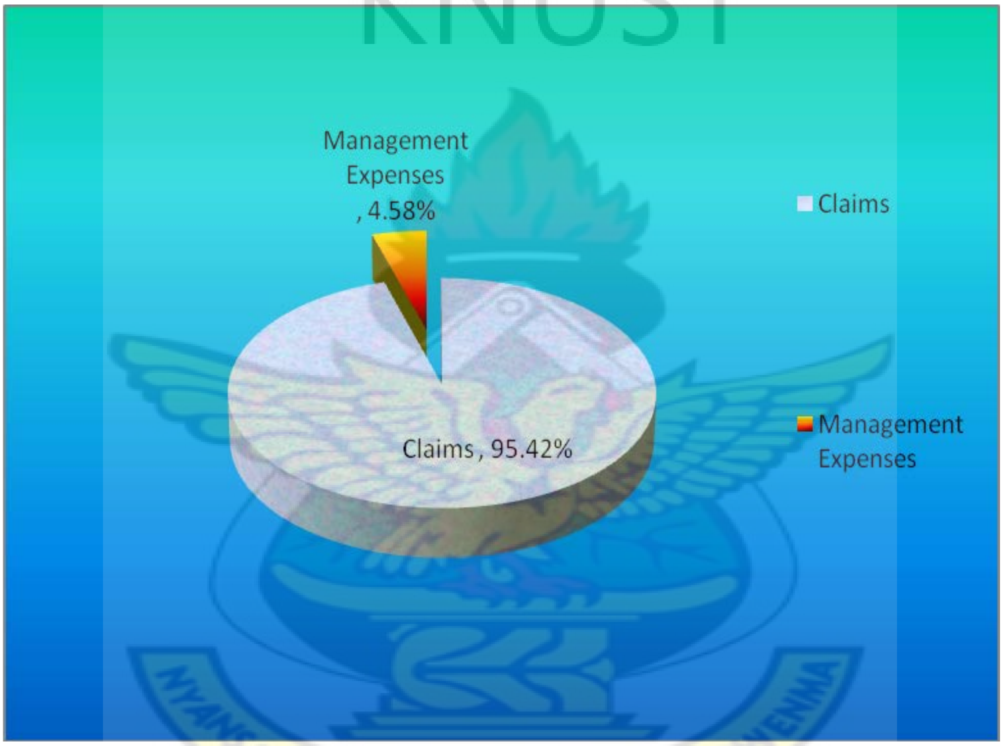
In order to determine the operational efficiency of the company a review of its operational efficiency conducted in respect of claims and how it managed her management expenses for the period under study. Table 4.7 and the corresponding pie chart following provides a summary in this regard.

Table 4.7 **Operational Efficiency of SIC-Life (2004 - 2009)**

Total Income (2004-2009)	Claims	Claims Ratio	Management Expenses	Management Expenses Ratio
GH¢	GH¢	%	GH¢	%
280,548,000	267,698,902	81.32	12,849,098	4.58

Source: Authors' Extractions from SIC-Life Technical Reports on Operations (2004-2009)

Figure 4.7 Operational Efficiency of SIC Life Company (2004 – 2009)



Source: Authors' Extractions from SIC-Life Technical Reports on Operations (2004-2009)

The company paid GH¢267,698,902.00 in respect of claims, reflecting a claim ratio of 95.42%. It was also noted that the management of SIC-Life insurance managed its management expenses effectively by keeping it very low at 4.58% on the average for the 6-years under review.

4.6 Market Share of SIC-Life Company

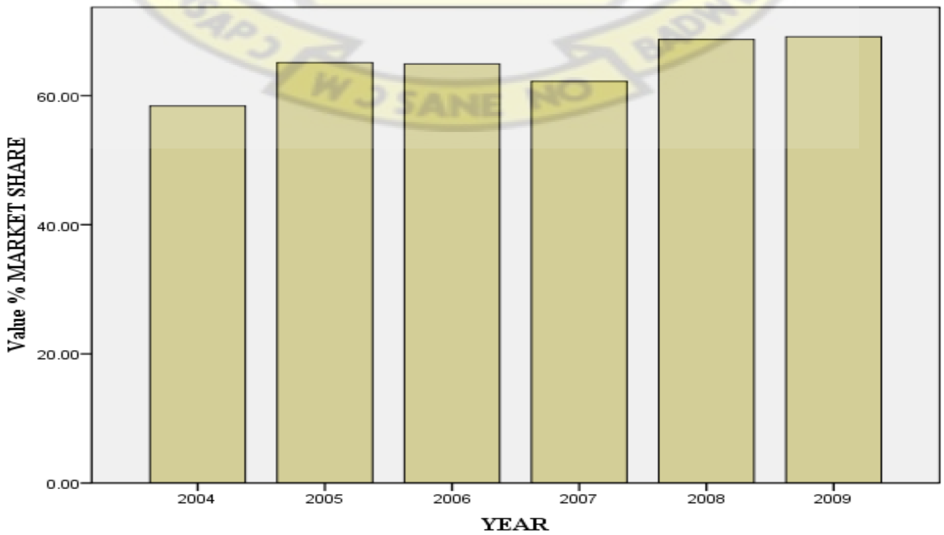
The Market share of a company is strong variable that determines the standing of the company as far as the industry in which it operates is concerned. As stated by Kim and Browne (2003), market share held by mutual companies is greater and reciprocal to risk retention of such groups or companies. Therefore in assessing the stand of SIC-Life in the life insurance industry in Ghana its Market share for the study period was reviewed as shown in Table 4.8 and figure 4.8 following:

Table 4.8 Analysis of SIC-Life Company's Market Share (2004 - 2009)

Year	Market Share
2004	58.40%
2005	65.10%
2006	64.90%
2007	62.20%
2008	68.70%
2009	69.10%

Source: Annual Financial Reports of SIC-Life Company (2004 – 2009)

Figure 4.8: Analysis of SIC Life Company's Market Share (2004-2009)



Source: Annual Financial Reports of SIC-Life Company (2004 – 2009)

The Market share of the company fluctuated year by year, falling in some years and rising in others. However for the period covered for the study, SIC-Life ranked first in Market share in terms of premium income and assets base. The company experienced a decline in its Market share between 2006 and 2007 due to strong and excessive competition from competitors through innovation, aggressive Marketing and introduction of new products on the Market. However with changes in its management style and intensive product innovations it resume to its higher Market share in the Ghanaian life insurance Market.

4.7 Analysis of Life Policies taken by Customers

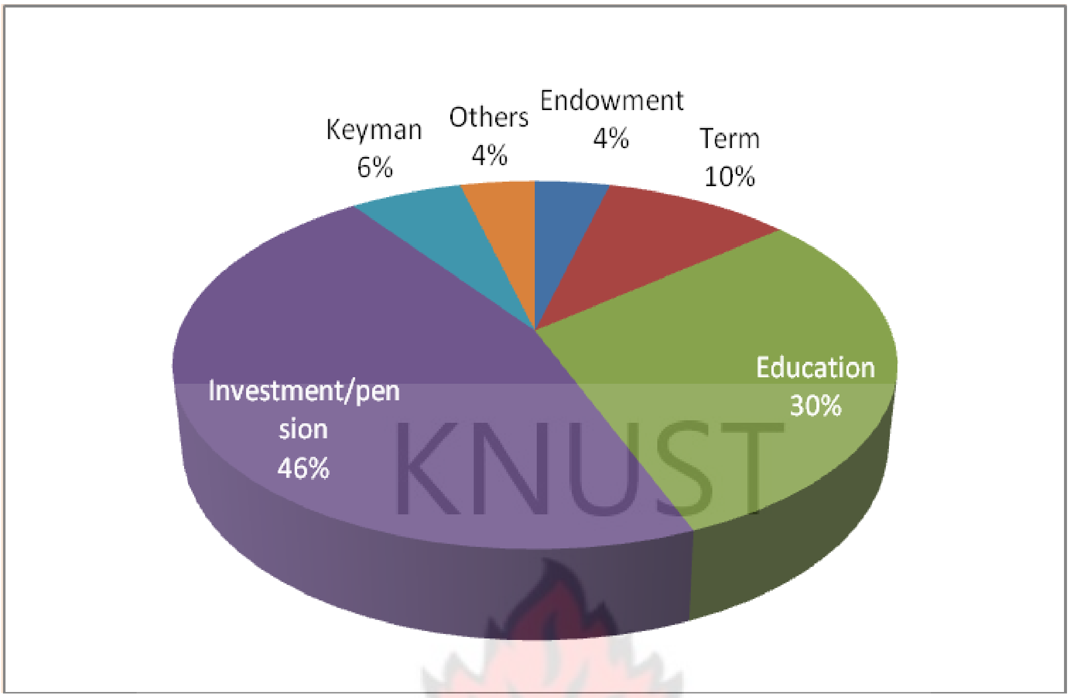
In identifying customer patronage and responses to various types of life policies, a demographic analysis was conducted on respondents as indicated in the following table.

Table 4.9 Participants Responses to types of Life Policies

Policy	Frequency	Percentage
Endowment	2	4
Term	5	10
Education	15	30
Investment/pension	23	46
Keyman	3	6
Others	2	4
Total	**50**	**100**

Source: Researchers' survey data 2010

Figure 4.9: Participants Responses to Types of Life Policies



Source: Researchers' survey data 2010

This analysis showed that about 46%, (23) of the respondents interviewed have taken up investment in policy mostly family security and ultimate life plans. This was followed by 30% (15 respondents) who had taken up education policies whilst those who have term life and keyman policies constitute 10%, (5 respondents) and 6%, (3 respondents respectively).

4.8 Challenges in the Investment of Life Funds

Interviews conducted with top managers of SIC Life Company during the field survey of this study revealed that the main challenges facing life insurance managers with regards to investing life funds include: falling interest rates, surrendering of life policies by clients, low income of clients, investment returns and few investment instruments in the industry. Others worth mentioning are the lack of adequate education for the general insurable public and adverse government policy.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a catalogue summarising the findings and observations made in the study and also thus provide conclusions and recommendations in relation to the research objectives.

5.1 Summary of Findings

Insurance firms generally play a major role in the economic development of every country. Basically, they intermediate between the surplus and deficit units of an economy among other functions by taking funds from those who have them but do not have any immediate need for them and channel these funds to those in need of them.

One critical decision Life insurance firm's face is the choice of investing life insurance funds. Among others, this choice is necessary for the profit determination and the viability of firms. What this means is that insurance firms that are able to make their decisions (financing decisions) prudently would have a competitive advantage in the industry and thus make superior profits, or else break-even. Nonetheless, it is essential to recognize that this decision can only be wisely taken if and only if the insurance firms know how their investment decisions and policies influence their profitability and viability.

This study examined the investment management of life insurance funds, basically the volume or quantum of such funds invested in long-term investments as well as the proportion placed in short-term investments. It also looked at the relationship between the two forms of investments and how they each impact on the profitability and performance of SIC-Life

Company which was the study area for this study over the period 2004-2009. The study covered SIC-Life head office in Accra and the northern sector area office in Kumasi. It employed various statistical analysis and the major findings of the study are summarized below:

5.1.1 Premium Income is the Highest Contributor to Life Insurance Funds in SIC-Life.

Following from the research analysis of this study, it came to light that premium income over the period of the study contributed more than half (50%) of the total life funds each year. For instance it contributed 71.67% in 2004, 68.43% in 2006 and 82.66% in 2009. The high premium income was as a result of large patronage for the company's innovative products. This finding confirms earlier empirical works of Fred and Neil (2004) and George (2003) as discussed in the literature review.

5.1.2 More of Life Funds are put in Short-term Investment than in Long-term Investments

Contrary to provisions of the insurance law of Ghana (PNDC Law 227) and prescriptions of the insurance commission as discussed in the literature review of this study, more of life insurance funds of Ghanaian insurance companies are put in short-term investments rather than in long-term investment. Thus from 2004 to 2006 investment in short-term investment by SIC-Life stood at 80.66%, 61.09% and 50.56% respectively as against 19.44%, 38.90% and 49.36% in long term investment in the same period.

This situation is also contrary to what pertains in developed countries like USA, Canada, and UK. Reasons accounting for this situation as indicated by fund managers, investments analysts and other interested parties were that: short term investments give higher returns than long term investments and are less risky, falling inflationary rate and higher depreciation of the local currency made long term investments unattractive, and worthless. Again, short term investments make insurers more liquid and solvent.

According to investment managers, fund managers, stockbrokers and investment analyst spoken to during the field work of this study by the researcher, the technical solvency formula used by the insurance commission to measure the technical solvency of insurance firms and rank them accordingly also accounted for this development. The Ghana Stock Market is very much illiquid. It takes a long period of time for an investor to dispose off all his shares. The insurance companies have therefore realized that if even they are able to predict the Market and monitor stock prices effectively, they will not be able to easily dispose off their shares when they are in liquidity crisis or when the risk level associated with particular stock is rising.

Notable, this trend has changed in SIC-Life since 2007 when new management style and the company began to adhere and observance of provisions of the insurance law.

5.1.3 SIC-Life enjoys a Greater Dominance in the Life Insurance Industry in Ghana

The study has shown that SIC-Life Company has a greater dominance in the life insurance industry in the country. This is evident in its large Market share over the study period as depicted in the data analysis. For instance, over than 6 years period reviewed, it chucked more than 50.4% share of the total life insurance Market in Ghana. Worthy of noting, it obtained 58% share of the Market in 2004, 65.1% in 2005 and 64.9% in 2006. For the rest of the study period, thus between 2007 and 2009 SIC-Life captured between 62.2% and 69.1% of the total insurance Market of Ghana. This greater dominance can be attributed to the facts of: SIC Company being one of the oldest insurance companies in the Ghanaian Market, the company having a well designed and packaged innovative products that suits customer needs and also that fact that the company enjoys state ownership which places it ahead of competitors in terms of public confidence in the payment of claims and the fact that it has a well experienced, endowed and competent management team.

Further, informal discussions and interviews with policy holders of the company revealed that, a sizeable proportion of the insured in its life portfolio were government employees whose premiums are deducted at source and paid directly to SIC through the Controller and Accountant General Department. One of the policyholders interviewed reiterated that "paying at source is much easier and convenient than going to the company to pay cash". To further buttress this is the fact that, all government vehicles are by law suppose to be insured with SIC. Most customers interviewed were of the opinion that, because the company is state owned, in times of liquidation, the government can easily provide funds for the payment of claims. Some sited the liquidation of Bank for Housing and Construction (BHC) and Co-operative Bank which were liquidated due to insolvency with government providing billions of cedis to pay off depositors and staff due to the inability of the banks to do so fully to support their argument.

5.1.4 Life funds are managed to satisfy legal and regulatory requirements set by the Insurance Commissioner and this often results in huge investments in Short-term Investments thereby hindering activities of the Stock Market.

The study revealed that there is a legal requirement by the insurance commissioner that compels insurers to keep some investment in certain securities (e.g. T – Bills, fixed deposits, bank and cash account balances and call accounts) which are more liquid and safer to improve their ranking, solvency and liquidity positions in order to meet their claims promptly and this has also influenced their investment patterns skewing it towards short-term investment instruments. This solvency requirement is strictly monitored and an insurance company can easily be blacklisted if it performs badly and consistently fails to meet the technical solvency requirement.

Information gathered through grapevine sources have it that activities of the Ghanaian stock Market is seriously affected by this law and the stock Market management is lobbying to have this requirement reviewed since the stock Market highly needs the participation of the insurance companies especially the life funds to boost its capital mobilization in the country. Critics also see this requirement as a means of mobilizing funds for the government through the sale of treasury bills and therefore should be maintained.

5.1.5 Lack of Appreciation of Insurance

The study showed that a combination of poor education of customers and lack of positive experiences leaves Life insurance clients and potential clients without understanding the nature of insurance as a risk mitigation tool, and thus people cannot grasp how having a life insurance product might make them and their families better prepared to cope with certain risks.

5.1.6 Negative Attitude towards Insurance by Staff

The result of previous failings of insurance products and dishonest insurers and intermediaries in the past is still being felt. Poor training of staff or agents and lacking appropriate motivation means that staff are ineffective at conveying the message of life insurance as a risk management tool for low-income people. This results in a poor understanding of the potential benefits of life insurance within the Market. Staff members of financial institutions expressed the idea that as an individual, saving small amounts of money at compound interest is far safer than paying money away to an insurance company in the belief that it will not be seen again. In addition, the negative perceptions of bank staff with significant experience in insurance show how low the level of trust is. For example, during the field work stage of the study, a rural banker commented that, ‘I have worked in insurance for 20 years and know that poor people won’t buy life insurance policies’

5.1.7 Mixing Insurance Concepts with other Financial Services

Comments from insurers, delivery channels and sales staff show that Life insurance is often not understood but mixed up with other microfinance services. The Market looks to insurance as a savings tool (Donewell, for example) or as a conduit to credit (GLICO or SIC, for example). The Market does not appear to recognize insurance for its risk management role, but rather for roles for which life insurance is not the most effective vehicle. If the objective is to save or borrow, the payment of premiums makes either of these more expensive

5.1.8 Premium Payment Channels

Innovative approaches such as premium payment by the new E-zwich card are being developed but are not yet widely disseminated. This will go a long way to further improve on the payment their premiums as they can effect payment at any e-zwich counter or collection point.

5.2 Conclusions

This study adds to the empirical works of Kim and Browne (2003) and Garg and Garg (2006) in trying to develop a standard framework for assessing and analyzing the investments patterns and utilization of life insurance funds. The study looked at investment of life insurance funds in long-term investment instruments as well as in short0term investment instruments for the period 2004-2009, adopting the SIC-Life insurance company as a case study area. On the basis of the findings made from the study analysis, the following conclusions are made.

Premium income is the main backbone producing the bulk of life insurance funds. About two-thirds of the total funds of life insurance companies is generated from premium income. As in the case of SIC-Life Company premium income generated GH¢208,799,000 of the total life insurance funds of GH¢280,548,000 for the 6-years reviewed. This represented 74.43% of the total funds which formed more than two-thirds (2/3) of the company's investible funds for the period.

After analyzing the factors that influences investments in life insurance policies. It is concluded that investors, before buying life insurance policies, generally think of their retirement benefits (the retirement benefits of the policies), risk coverage, tax benefits and family protection. Therefore this study may be helpful to actuaries of life insurance sector of the insurance industry in determining or deciding ether to launch such policies in the schemes of the existing policies to cover up those behaviors of investors.

The past trend, where more of life insurance funds of Ghanaian insurance companies were put in short-term investment instruments as analysed in 5.1.2 above have changed in recent times, as greater proportion of life insurance funds are channeled into long term investment instruments in accordance with prescriptions of the National Insurance Commission and the insurance Law of Ghana (PNDC Law 227). This is a positive move towards the development of the nation's economy as it has the ripple effects of helping build and strengthens the infrastructure base of the country for its development.

The legal requirement imposed on life insurance companies by the National Insurance Commission regarding life insurance firms keeping some investments in securities which are more liquid, to improve their solvency ranking and liquidity position has the tendency of making life insurance companies to invest more in short-term investment instruments than in long –term instruments. It also has negative effects on the performance and functioning of the stock exchange Market in the country.

Again, looking at the performance of SIC-Life Company in line with its investment activities, it can be concluded that the survival and future growth of the company depends on its management knowledge about the investment behaviour of its clientele or customers. This means that, management of the company need to be proactive and should always take into consideration the behavior of its clientele when it comes to investment decisions. More so, in today's competitive era of cosmic customer base, customer contentment and customer fidelity are the important parameters on which a life insurance service provider depends upon. To achieve all these characteristics the strategic managers of the life insurance sector must know the investment behavior of the customer, so that they can accordingly design their Market campaign for company's continued survival and strong future growth.

Lastly, it is the fervent believe of the researcher that the findings of this study will be found helpful to the management of life insurance companies as well as policy formulators and for that matter government in formulating effective policies regarding investment activities of life insurance funds.

5.3 Recommendations

Based on the objectives and main findings of the study, it is important for management of Life insurance firms (for that matter SIC-Life Company) to stay focus and institute pragmatic measures and strategies to help manage the investments of their companies so as to produce maximum returns to shareholders and stakeholders at large. In this wise therefore, the following recommendations are put forward for management consideration.

5.3.1 Life Insurance Funds should be substantially placed in Long-term Investments rather than in Short-term Investments.

As has been the case in SIC-Life in the recent past (between 2007 and 2009), more of the life insurance funds should be placed in long-term investments so as to have a perfect match of assets and liabilities. Thus life funds should be placed in long-term investments to create long-term assets to match with the long-term liability it holds for the insured.

5.3.2 The Increasing Trends of Total Life Funds generation should be maintained and improved upon.

SIC-Life Company should endeavour to maintain its increasing trends of total life funds generation so as to sustain its business activities. Investments and other incomes though increased over the 6 years period under review, the increases were at a reducing rate. There is more room therefore for the company to improve on this; hence efforts should be made to have these two forms of Life funds increased rapidly. This SIC-Life Company can do by embarking on massive insurance educational campaigns and by introducing new life products.

5.3.3 Products Innovations and Developments to be looked at more seriously

Product innovations and development should be considered seriously by life insurance companies in Ghana. New products should be developed to meet specific needs of individual Market segments in the insurance industry. Life insurers need to invest on product innovations and developments so as to out with products that meets the fast changing times and environments. More so, the study has shown that there are a lot more to be gained in the Market of life insurance in Ghana. The prospects of the industry is great as stated by Amoah (2008) and with a gradual fall in the extended family system due to urbanization and globalization, the only alternative left for family security is life insurance. This therefore creates an opportunity for insurance companies to take advantage and sell a lot more of their products to customers.

5.3.4 Market Dominance of SIC-Life Company to translate into Greater Assets Base.

It is recommended that management of SIC-Life should endeavour to translate the company's dominance in the Ghanaian insurance Market into larger asset base which has developmental implications and spilt off effects to boast the economic growth on the nation.

5.3.5 Insurance Associations should embark on massive insurance educational drives and campaign.

The GIA, GIBA, GAA and GIAA make up the core associations for insurance professionals in Ghana. They are developed and backed to provide services for their members. There are signs that most of these associations are welcoming and fast embracing life insurance development but so far, are not actively involved in its development. Initiatives such as Insurance Awareness Month implemented by GIA in 2008 are a move in the right direction as far as public education and awareness of insurance is concerned and need to be continued and intensified with a lot more seriousness. Annex V attached is a picture of the said event.

Furthermore, understanding of the concept behind insurance among the potential as well as the actual clients is somewhat mixed. Whereas the majority of all customers in the survey reports, that they generally understand the idea behind insurance, most of them only refer to the case of health insurance (the NHIS in particular), which is very well known in the area.

Accordingly, most of the potential clients are interested in buying health insurance. Life or other types of insurances provided by the private sector are not very well known. When asked about the reasons for anyone to buy insurance, quite a number of people seemed confused about the difference of insurance to savings products. For instance, among the Anidaso policyholders (a product of SIC-Life) the majority of people seem to be aware of the concept behind life insurance. Nevertheless, when asking more detailed questions it turns out that there is quite a share of them who are unaware or confused about the range of benefits included in their policy. This concerns especially additional components of the policy, i.e. hospitalisation benefits, accident benefits and the voluntary investment option. Some clients were not informed about the benefits altogether; others thought that medical treatment is included. The impression gathered is that for some clients a strong motive for buying the Anidaso policy in the first place was to receive a loan, which was promised to them by sales agents. These clients were generally disappointed that they had not been given a loan so far and some had already or were about to stop paying their premiums. Altogether, evidence suggests, that it is extremely important to educate clients very profoundly about the content of their policy and sell the policy under clear premises.

5.4 Recommendations for Future Research

- Market factors, obstacles, problems and issues affecting the growth of life insurance business in Ghana
- What is the status of national policy and regulation on life insurance activities in Ghana?
- Determinants of life insurance quality, consumer satisfaction and behavioural intentions to advice the life insurance firms on their bid to improve their competitive advantage through the adoption of life policies.
- Evaluate consumer dimensionality of life insurance and how they perceive the current quality of life insurance and the influence it has on consumer bahavour.

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Annex 1

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

KUMASI

INSTITUTE OF DISTANCE LEARNING

QUESTIONNAIRE ON INVESTMENT MANAGEMENT OF LIFE INSURANCE FUNDS: A CASE OF SIC LIFE DIVISION

Dear Sir/Madam,

I am student of the Kwame Nkrumah University of Science and Technology – Kumasi conducting a research on Investment Management of Life Insurance Funds.

The aim of this questionnaire is to enable the researcher elicit data to facilitate the research. The data collected is purely for academic work and as such your response shall be treated with utmost confidentially. Your time and attention to the questions would be appreciated.

Thank you in advance.

SECTION A:

PERSONAL INFORMATION

1. What is your status?

   Staff ☐

   Customer ☐

   Other ☐

2. If a Staff, indicate your Department?

   Investment ☐

   Marketing ☐

   Agency Force ☐

   Others ☐

3. Indicate your age

Below 20 ☐

21 – 30 ☐

31 – 40 ☐

41 – 50 ☐

51 and above ☐

4. Indicate the number of years with SIC

Less than 5 years ☐

6 - 10 ☐

11 – 15 ☐

16 – 20 ☐

21 and above ☐

5. What Life Policy do you have?

Endowment ☐

Team ☐

Education ☐

Saving Pension ☐

Key man ☐

Others ☐

SECTION B:

INVESTMENT PORTFOLIO STRUCTURE

1. In development economies, Life Insurance Funds are mainly placed in long term investments for maximum returns. Is this situation the same in Ghana?

Yes ☐ No ☐

2. Please give reason(s) for your choice in 1 above?

i. ……………………………………………………………………………

ii ……………………………………………………………………………

iii. ……………………………………………………………………………

3. Provide a rough estimate of the composition of your investment portfolio?

i. Short term investment …………………………. (%)

ii. Long term investment …………………………. (%)

4. Does the Insurance Commissioner have a say in determining the duration or maturation of investment that Life Insurance Companies can undertake?

Yes ☐ No ☐

5. Give reason(s) for your choice in question 4 above

i. ……………………………………………………………………………

ii ……………………………………………………………………………

iii. ……………………………………………………………………………

6. If the answer in question 5 is Yes, is this seriously monitored?

Yes ☐ No ☐

7. Give reason(s) for choice above?

i. ……………………………………………………………………………

ii ……………………………………………………………………………

SECTION C

8. Rank (1st, 2nd, 3rd, etc) the following sources of income to Life Insurance Companies in Ghana?

Source Rank	………………………………………
Investment Income	………………………………………
Premium Income	………………………………………
Other Income	………………………………………

9. Give reason(s) why you have ranked 1st in question 8 is the leading sources of incomes?

i. ……………………………………………………………………………

ii ……………………………………………………………………………

iii. ……………………………………………………………………………

10. Which of the sources of income listed in question 9 above has the greatest growth?

…………………………………………………………………………......

11. Give reason(s) for your answer?

i.……………………………………………………………………………

ii ……………………………………………………………………………

iii ……………………………………………………………………………

SECTION D

LIFE INSURANCE MARKET (PROSPECT)

12. What are some of the challenges faced by Companies in the Life Insurance business in Ghana?

i.……………………………………………………………………………

ii…………………………………………………………………………

iii…………………………………………………………………………

iv…………………………………………………………………………

13. In spite of the above problem, do you think the Life Insurance Market has brighter prospects?

Yes ☐ No ☐

14. Give reason(s) for your answer in 13 above

i.……………………………………………………………………………

ii……………………………………………………………………………

iii.……………………………………………………………………………

15. In your estimation, do you think the Life Insurance Market in Ghana has been fully exploited?

Yes ☐ No ☐

16. Please give reason(s) for your choice above

i ……………………………………………………………………………

ii……………………………………………………………………………

iii.……………………………………………………………………………

17. Suggest how policyholder's premium can best be invested for greater returns

i.……………………………………………………………………………

ii……………………………………………………………………………

Annex II

Interview Guide

1. What do you understand life insurance to be?
2. How did you get to know about life insurance?
3. What type of life insurance policy do you hold?
4. What benefit do you intend to gain from such policy?
5. Do you think benefits stated under the life policy you have taken with SIC-Life is adequate?
6. What were the factors that influenced your decision to by life insurance policy?
7. Why did you choose to buy the policy from SIC- Life Company and not any other insurance firm?
8. Do you still consider you decision for the purchase of the life policy worthy or have you regretted doing so?
9. Are you holding any other life policy with other insurance firms?
10. What other life policy would you like to purchase beside the one(s) already taken?
11. How do you pay premium for the policy taken?
12. Do you per any chance know of how premiums paid by you and other customer are utilized by SIC-Life Company?
13. In your opinion what kind(s) of investments instruments should SIC-Life Company put life funds generated into and why?
14. Who are responsible for the non-observance of credit approval procedures by SIC Life Company
15. Are violators of the Insurance Company's credit approval procedures sanctioned?

Annex III

Insurers, Reinsurers, Brokers and Loss Adjusters Registered with NIC

List of Licensed Non-Life Insurance Companies

1. CDH Insurance Company Limited
2. Donewell Insurance Company Limited
3. Enterprise Insurance Company Limited
4. Equity Insurance Company Limited
5. Ghana Union Assurance Company Limited
6. GLICO General Insurance Limited
7. Global Alliance Insurance Ghana Limited
8. Industrial and General Insurance Ghana Limited
9. Metropolitan Insurance Company Limited
10. Phoenix Insurance Company Limited
11. Prime Insurance Company Limited
12. Provident Insurance Company Limited
13. Quality Insurance Company Limited
14. SIC Insurance Company Limited
15. Star Assurance Company Limited
16. Unique Insurance Company Limited
17. Vanguard Assurance Company Limited

List of Licensed Life Insurance Companies

1. CDH Life Insurance Company Limited
2. Donewell Life Insurance Company Limited

3. Enterprise Life Assurance Company Limited

4. Ghana Life Insurance Company Limited

5. Ghana Union Assurance Life Company Limited

6. GLICO Life Insurance Company Limited

7. Metropolitan Life Insurance Ghana Limited

8. Network Life Assurance Company Limited

9. Phoenix Life Assurance Company Limited

10. Provident Life Insurance Company Limited

11. Quality Life Insurance Company Limited

12. SIC Life Insurance Company Limited

13. Star Life Assurance Company Limited

14. Unique Life Insurance Company Limited

15. Vanguard Life Assurance Company Limited

16. IGI Life

17. Capital Express Life

List of Licensed Reinsurance Companies

1. Ghana Reinsurance Company Limited

2. Mainstream Reinsurance Company Limited

List of Licensed Insurance Broking Companies

1. AG & Associates

2. Akoto Risk Management Limited

3. All Risks Consultancy Limited

4. Alpha Insurance Brokers Limited

5. Apex Insurance Brokers

6. Ark Insurance Brokers Ghana Limited

7. Asterix Insurance Services Limited

8. Ceris International Limited

9. CLAIM Limited

10. Crown Insurance Brokers Limited

11. Danniads Limited

12. Double D & M Insurance Brokers Limited

13. Dynamic Insurance Brokers Limited

14. Edward Mensah, Wood & Associates

15. First Anchor Risk Management Limited

16. Ghana International Insurance Brokers Limited

17. Global Impact Insurance Brokers Ghana Limited

18. Gras Savoye Ghana Limited

19. Horizon Insurance Brokers Limited

20. Insurance Centre of Excellence Limited

21. Insurance Consultancies International Limited

22. Inter-Africa Brokers Limited

23. International Consortium Brokers Limited

24. Jerock Insurance Brokers Limited

25. KEK Insurance Brokers Limited

26. Lordship Insurance Brokers & Consultancy Limited

27. Marine & General Brokers Company Limited

28. Maxpal Intermediaries Limited

29. Midas Insurance Brokers Limited

30. Progressive Insurance Services Limited

31. Prudent Consult Limited

32. Safety Insurance Brokers Limited

33. Trans-National Insurance Brokers Limited

34. Tri-Star Insurance Services Limited

35. Universal Insurance Consultants Limited

Licenses Reinsurance Brokers

1. KEK Reinsurance Brokers (Africa) Limited

Licensed Loss Adjusters

1. Manyo-Plange & Associates Limited

Annex IV

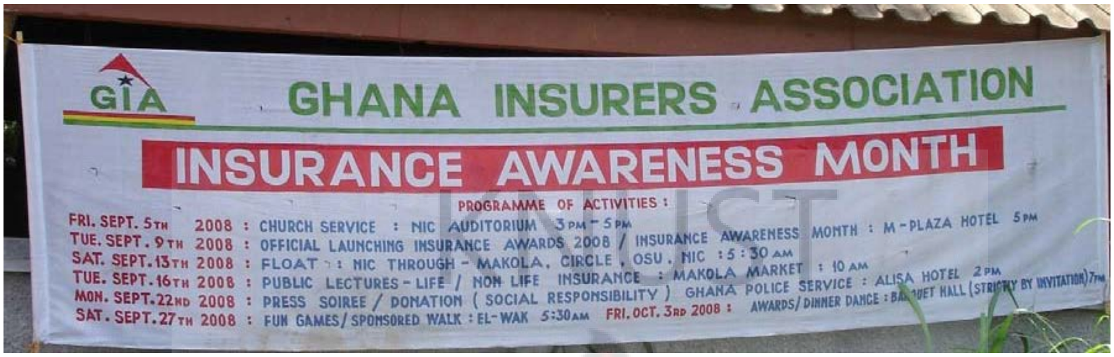
Composition of Investment Portfolio (GH¢) – Extracted from Technical Report on SIC-Life Operations (2004-20059

	2004	**2005**	**2006**	**2007**	**2008**	**2009**
Gross Premium	10,679,000	14,870,000	21,051,000	28,845,000	51,310,000	82,044,000
Investment Income	3,845,000	9,891,000	9,147,000	14,610,000	14,961,000	16,697,000
Other income	372,000	75,000	565,000	125,000	933,000	519,000
Long term investment	3,6967,000	21,431,000	40,654,000	64,125,000	103,116,000	112,621,000
Short term investment	15,593,000	28,361,000	41,600,000	61,662,000	75,583,000	114,828,000
Investment Income						
Dividend	700,000	493,000	1,145,000	376,000	1,751,000	1,638,000
Mortgage loans interest	-	134,000	-	-	-	-
Interest on Bank Deposits	2,838,000	7,995,000	6,295,000	9,073,000	7,028,000	7,763,000
Commercial loans Interest	307,000	233,000	-	-	-	-
Loans Agents Policies Interest	-	-	-	-	-	-
HFC House Bond Interest	-	208,000	68,000	70,000	90,000	-
Government Stock Interest	-	655,000	1,640,000	6,091,000	6,182,000	7,206,000
Total	**3,845,000**	**9,718,000**	**9,147,000**	**14,610,000**	**14,961,000**	**16,697,000**

Investment Instruments

	2004	2005	2006	2007	2008	2009
Long Term Investment	**000**	**'000**	**000**	**000**	**000**	**000**
Mortgage loans	86	86	86	-	1,075	1,136
Loans against life policies	2,275	1,846	2,783	4,415	7,652	12,792
Equity shares (Merchant Bank Limited, Accra Market)	1,221	19,384	34,859	56,697	229,780	235,454
HFC House Bond Trust	161	161	2,972	2,160	15,005	14,122
Government Securities	-	-	-	-	400	-
Total	3,697	21,431	40,654	64,152	255,453	269,052
Short Term Investment						
Commercial loans	318	442	37	-	-	
Government Bills	1,301	2,402	13,386	28,313	48,641	
HFC Unit Trust	1,524	1,938	-	-	-	
Bank Time Deposits	12,359	28,832	28,086	33,349	66,187	
Money Bank Policy Loans	109	109	109	-	-	
Total	**15,593**	**28,368**	**41,600**	**61,662**	**114,828**	

Figure 5.1: A snap shot of Insurance Awareness Event in 2008 by the GIA



Source: Adopted from a Study Report on Support for Microinsurance Sector in Ghana, Janury 2009.