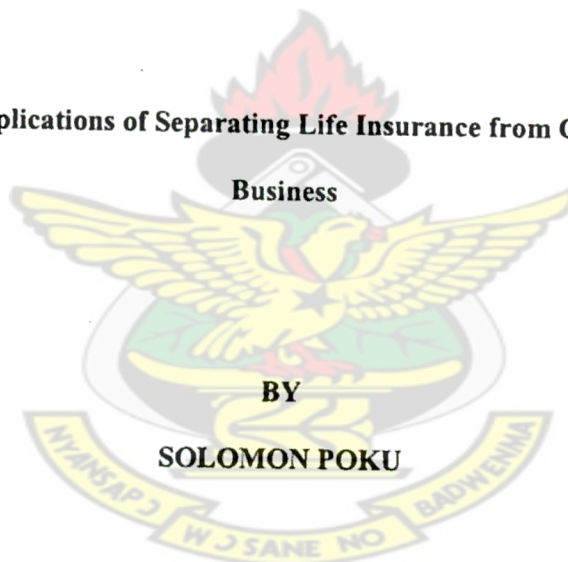


**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND  
TECHNOLOGY, KUMASI**

**College of Arts and Social Sciences  
Department of Accounting and Finance  
KNUST School of Business**

**Exploring the Implications of Separating Life Insurance from General Insurance**



**SEPTEMBER, 2009**

**EXPLORING THE IMPLICATIONS OF SEPARATING LIFE INSURANCE  
FROM GENERAL INSURANCE BUSINESS**

**By**

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**A thesis submitted to the Department of Accounting and Finance, Kwame Nkrumah  
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the degree of**

**MASTER OF BUSINESS ADMINISTRATION (BANKING AND FINANCE)**

**School of Business**

**College of Art and Social Sciences**

**September, 2009**

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## DECLARATION

I hereby declare that this thesis was prepared and submitted by me and to the best of my knowledge it contains no material previously published by any person or group of persons which has been accepted for the award of any other degree of the University except where due acknowledgement has been made in the text.

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## **DEDICATION**

I dedicate this thesis project to my parents Mr. & Mrs. Poku, my brothers and sisters, my uncle, Mr. S. K. Dwaa and my childhood father, the late Very Rev. Kwaku B. Asare.





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To God be the glory great things he has done. My ability to realize this dream of higher education could not have been possible without the sufficient grace of the Most High God. I owe this feat to the incomparable role of my parents especially my illiterate mother whose inspiration and commitment challenged me to make her proud. I am most grateful to my brothers and sisters whose support in diverse ways sustained me in school. I wish to appreciate my foresighted primary school teachers whose commendations encouraged my parents to take me through some of the finest schools in the country. I am greatly indebted to the late Very Rev. Kwaku B. Asare and wife, my uncle Mr. S. K. Dwaa who whole heartedly accepted me as one of their children and helped me to build a good Christian foundation which has seen me through these years.

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## ABSTRACT

This study explores the financial implication of the Insurance Law Act 724 of 2006. It discusses the aspect of the law that mandates all composite insurance companies to separate the non life business operation from the life business. The researcher made use of primary as well as secondary data while employing interviews, questionnaires and desk research to arrive at the findings. The study sets out to find the motivation behind the separation, the challenges the companies faced in the process, the source of funding for the separation, the effects of the separation on claims incurred, underwriting profit and the benefits of the separation to the Ghanaian economy. The findings revealed that all the composite companies that existed have separated the non life operation from the life business. The study further revealed that more investors have entered the insurance industry significantly from South Africa and Nigeria. The study has revealed that the separation has not caused a decline in the quantum of claim paid by Metropolitan Insurance Company but it has rather increased. However, the underwriting profit is growing. The separation has brought a lot of benefits to the individual companies as well as the Ghanaian economy. These include employment, tax revenue, mobilization of surplus funds for investment and the capacity of the insurance companies to deal with risk. It is recommended that the regulator ensures healthy competition by putting in measures to prevent undercutting of premiums which is dangerous to the financial strength of the companies. Again, prudent underwriting is also recommended to forestall the incidence of catastrophic losses. Activities of new entrants to the market especially those of foreign origin should be monitored so that the citizens of the country will benefit from the vast opportunities in the industry.

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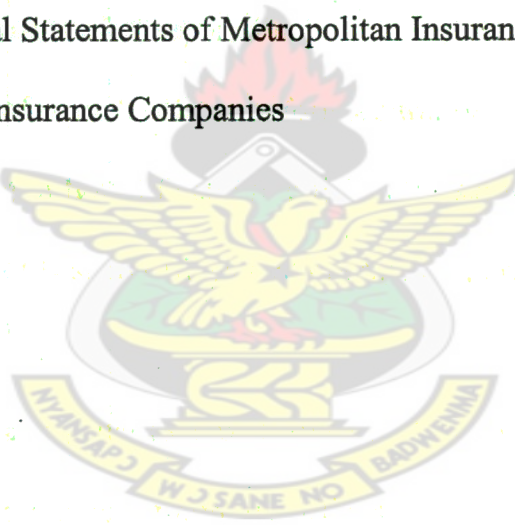
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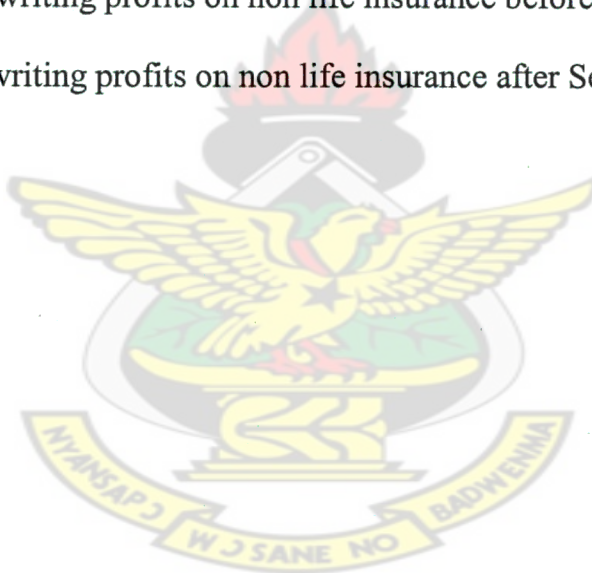
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## CHAPTER ONE

### General Introduction

The insurance market in Ghana is growing and changing rapidly and since the market is relatively small, the scope of future expansion is huge. The market offers vast opportunities for existing as well as new players. Its expected growth potential is attributed to its highly untapped market, rising awareness level, health consciousness and the initiative taken by the government and the industries' governing body, the National Insurance Commission (NIC).

The financial stability and strength of an insurance company should be a major consideration when buying an insurance contract. An insurance premium paid currently provides coverage for losses that might arise many years in the future. For that reason, the viability of the insurance carrier is very important. In recent years, a number of insurance companies have become insolvent, leaving their policyholders with no coverage (or coverage only from a government-backed insurance pool or other arrangement with less attractive payouts for losses)

There has therefore been the need to put in place adequate institutional arrangements to facilitate the operations of the industry. This paper therefore seeks to explore the implications of the aspect of the new Insurance Law, Act 724 of 2006 that prohibits insurance companies from operating as composite companies.

## **1.0 Introduction**

This chapter covers the background analysis of major components of the study. It also includes the research problem, relevance, objectives, scope and limitation and how the study is organized.

## **1.1 Background**

According to the Business and Financial Times' 2<sup>nd</sup> June 2008 edition, the Ghana insurance market is the second largest in the West African sub-region in terms of business volume and numbers of players.

Over the years, the industry has been dominated by marginally strong composite companies with only a few transacting either life insurance or non-life insurance separately. Prior to the enactment of the insurance law in 2006, two companies namely Gemini Life Insurance and Ghana Life Insurance were the only insurers transacting life insurance business as a specialty. Among other enactments, the law barred players in the industry from operating composite insurance companies. Since most of the insurers operated very large life insurance business unit as part of their portfolio, they needed to comply with the law by separating the life unit from the non life unit.

According to the National Insurance Commission's 2005 Annual Report, page 14 the industry as at 31<sup>st</sup> December 2005, was made up of eighteen(18) registered firms with two re-insurance companies and thirty two(32) brokerage firms. The total number of licensed sales agents as at then was four thousand three hundred (4,300). Between 1998 and 2002, non-life insurance premium income accounted for 85.68% of gross premium income with life and health accounting for only 14.2%. Motor and accident insurance dominated in the non-life (General Insurance) business unit, accounting for 41.6% and



16.4% respectively probably as a result of the enforcement of the legal requirement for vehicle owners to insure their vehicles by the police. It is becoming increasingly pertinent for the industry to be creative, innovative and proactive in engineering products that will attract the interest of the public.

Consequently, after years of symbiotic relations, two business units, non-life and life, parted ways leading to the biggest corporate restructuring ever in Ghana's insurance industry.

## 1.2 Statement of Problem

Similar to all other business enterprises, the prime motive of all insurance companies is to make profit. Their financial performance depends largely on premiums generated from policies underwritten and the proportion of that which pays claims to their policy holders.

Insurers make money in two ways:

Through underwriting, the process by which insurers select the risks to insure and decide how much in premiums to charge for accepting those risks and by investing the premiums they collect from insured parties.

The combination of both the life and the non-life portfolio, presumably should rake in premiums, enough to settle claims as well as other administrative expenses with yet more to invest and generate profit to increase shareholder value.

According to Adler (2007), mergers and acquisitions (M&A) have become the dominant mode of growth for firms seeking competitive advantage in an increasingly complex and global business economy. The perceived principle behind buying a company is to create

shareholder value over and above that of the sum total of the two companies. Two companies together are more valuable than two separate – at least, that is the apparent reason behind mergers and acquisition. Strong companies will often act to buy other companies to create a more competitive, cost-effective company.

As theory suggests, the combination of these two major business units should produce a synergistic effect that should enhance the financial performance of the composite insurance companies.

Again, since insurance is a risk transfer mechanism, adding to the portfolio by way of putting both life risk and non-life risk together would diversify the portfolio and reduce the level of risk and produce higher returns.

However, according to the Insurance Law, Act 724 of 2006, and Section 26;

- (1) The Commission shall not issue a license that authorizes the insurer to operate a composite insurance business
- (2) A company licensed to operate
  - (a) Life Assurance business as a specialty shall not be licensed subsequently to operate a non-life insurance business and
  - (b) Non-life Insurance business as a specialty shall not be licensed subsequently to operate a life assurance business
- (3) Despite subsection 2, a company
  - (a) licensed to operate a life assurance business may acquire substantial shareholding in a non-life insurance company, and



(b) licensed to operate non-life insurance may acquire substantial shareholding in a life assurance company.

The law makes it mandatory for all composite companies to separate their life operations from non-life, creating two distinct corporate entities out of the composite companies.

The law also requires insurance companies to raise their capital base to US\$1million or its equivalent.

The question then is what have been the implications of separating life from non-life insurance business? How are the players in the industry able to raise their capital base to meet the requirement of the law? How has the separation affected underwriting profit? How has the separation affected the quantum of claim payment of non-life insurance companies?

These are the issues that will occupy the attention of the researcher in this research work. This study is interested in finding out the effect of the separation on the financial performance of a composite insurance company that has totally disengaged the two units.

### **1.3 Objective of the Study**

Broadly, the study intends to explore the financial implication of the Insurance Law Act 724 of 2006 on the financial performance of composite insurance companies that have fully separated their life business unit from the non-life businesses.

The specific objectives are:

1. to discuss the motivation behind separating life from composite insurance
2. to identify the challenges in separating life insurance from composite portfolio

3. to establish the source of funding for the separation
4. to analyse the effect of the separation on underwriting profit
5. to analyse the effect of the separation on the quantum of claims
6. to discuss the benefits of the separation to the Ghanaian economy

#### **1.4 Relevance of the Study**

This study sets out to explore the financial implications of the aspect of the Insurance Law, Act 742 of 2006 that prohibits composite insurance companies from operating as such.

The general information in the public domain and among insurance practitioners regarding the financial performance of life and non-life insurance is not adequate enough. Analyst and stakeholders are apparently anxious to find answers to questions about the effect of separating life insurance from non-life insurance on the financial fortunes of non-life insurers. It is hoped that this study would provide them the relevant answers.

Again, it is believed that all data and information gathered during the study would serve as a means of useful information to academicians and researchers in general. Of much importance are the implications of findings of the study regarding enacting attractive and investor friendly laws and rules applicable to insurance operations in Ghana. While policy makers would be advised to keep a closer eye at the laws and rules regarding the separated operations of the life and non-life insurance businesses and to continually update them to conform to current developments in the global insurance market, managers, shareholders of insurance companies would be advised to consider the potential benefits and costs associated with running a separate non-life insurance business

to encourage them to take advantage of the opportunities in order to enjoy the benefit associated with concentrating on areas of core competence whether life or non-life insurance operation. This gives relevance of the study to the national insurance commission in particular for spearheading the enactment of the law.

### **1.5 Scope and Limitation of the Study**

Since the national insurance commission is the statutory body mandated to regulate insurance companies in Ghana, the study focused on available data from the Commission. It also used information from the Insurance Law, Act 724 of 2006. The study was focused on composite insurance companies that could go through the separation exercise successfully. Financial statements of Metropolitan Insurance Company Ltd before and after the separation were examined as well.

The stipulated time frame for the submission of this work to the Graduates School and the situation in Ghana where most corporate information could be sourced from Accra has been a major limitation. It was practically impossible for the researcher to obtain data on financial performance on the contacted companies and so analysis on financial performance was restricted to Metropolitan Insurance Company Ltd.

### **1.6 Organization of the Study**

This study is organized in five chapters. Chapter one is an introductory chapter, which covers the background analysis of major components of the study. This chapter also includes the research problem, relevance, objectives, scope and limitation and how the study is organized.

The review of the relevant literature was made to serve as the basis of the study in chapter two. Chapter three presents the methodology of the study to reflect the study type, its scope, data sources, kinds of data, sampling method, sampled population, sampled size, ethical consideration and analytical techniques used in the study.

In chapter four, estimations are presented using models and analytical techniques outlined in the methodology. Discussions of the results and findings of the research are also presented in this chapter. The concluding chapter, five provides a summary of the study. The conclusion of the study and relevant recommendations based on the findings of the study are then presented.



## **CHAPTER TWO**

### **Literature Review**

#### **2.0 Introduction**

This chapter reviews the relevant literature of work done on this subject

#### **2.1 Definition of Insurance**

Melnikov (2004) defines insurance as a contract (policy) according to which one party (a policy holder) pays an amount of money (premium) to another party (insurer) in return for an obligation to compensate some possible losses of the policy holder.

The aim of such a contract is to provide a policy holder with some protection against certain risks. Death, sickness, disability motor vehicle accident, loss of property etc. are some of typical examples of such risks.

Each policy contract specifies the policy term and the method of compensation. Usually compensation is provided in the form of payment of an amount of money. Any event specified in the policy contract that takes place during its term can result in such an insurance claim. If none of the events specified in the policy contract happen during the policy term, then the policy holder has no monetary compensation for the paid premiums.

#### **2.2 History of Insurance**

According to Mehr and Camack (1976), in some sense we can say that insurance appears simultaneously with the appearance of human society. We know of two types of economies in human societies: money economies (with markets, money, financial instruments and so on) and non-money or natural economies (without money, markets,



financial instruments and so on). The second type is a more ancient form than the first. In such an economy and community, we can see insurance in the form of people helping each other. For example, if a house burns down, the members of the community help build a new one. Should the same thing happen to one's neighbour, the other neighbours must help. Otherwise, neighbours will not receive help in the future. This type of insurance has survived to the present day in some countries where modern money economy with its financial instruments is not widespread (for example countries in the territory of the former Soviet Union).

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Turning to insurance in the modern sense (i.e., insurance in a modern money economy, in which insurance is part of the financial sphere), According to Vaughan (1997), early methods of transferring or distributing risk were practiced by Chinese and Babylonian traders as long ago as the 3rd and 2nd millennia BC, respectively. Chinese merchants traveling treacherous river rapids would redistribute their wares across many vessels to limit the loss due to any single vessel's capsizing. The Babylonians developed a system which was recorded in the famous Code of Hammurabi, c. 1750 BC, and practiced by early Mediterranean sailing merchants. If a merchant received a loan to fund his shipment, he would pay the lender an additional sum in exchange for the lender's guarantee to cancel the loan should the shipment be stolen.

Achaemenian monarchs of Ancient Persia were the first to insure their people and made it official by registering the insuring process in governmental notary offices. The insurance tradition was performed each year in Norouz (beginning of the Iranian New Year); the

heads of different ethnic groups as well as others willing to take part, presented gifts to the monarch. The most important gift was presented during a special ceremony. When a gift was worth more than 10,000 Derrik (Achaemenian gold coin) the issue was registered in a special office. This was advantageous to those who presented such special gifts. For others, the presents were fairly assessed by the confidants of the court. Then the assessment was registered in special offices.

The purpose of registering was that whenever the person who presented the gift registered by the court was in trouble, the monarch and the court would help him. Jahez, a historian and writer, writes in one of his books on ancient Iran: "Whenever the owner of the present is in trouble or wants to construct a building, set up a feast, have his children married, etc. the one in charge of this in the court would check the registration. If the registered amount exceeded 10,000 Derrik, he or she would receive an amount of twice as much."

A thousand years later, the inhabitants of Rhodes invented the concept of the 'general average'. Merchants whose goods were being shipped together would pay a proportionally divided premium which would be used to reimburse any merchant whose goods were jettisoned during storm or sinkage. (Mehr and Camack, 1976)

The Greeks and Romans introduced the origins of health and life insurance in c. 600 AD when they organized guilds called "benevolent societies" which cared for the families and paid funeral expenses of members upon death. Guilds in the Middle Ages served a similar purpose. The Talmud deals with several aspects of insuring goods. Before

insurance was established in the late 17th century, "friendly societies" existed in England, in which people donated amounts of money to a general sum that could be used for emergencies.

Separate insurance contracts (i.e., insurance policies not bundled with loans or other kinds of contracts) were invented in Genoa in the 14th century, as were insurance pools backed by pledges of landed estates. These new insurance contracts allowed insurance to be separated from investment, a separation of roles that first proved useful in marine insurance. Insurance became far more sophisticated in post-Renaissance Europe, and specialized varieties developed. (Lynch, 1992).

Toward the end of the seventeenth century, London's growing importance as a centre for trade increased demand for marine insurance. In the late 1680s, Edward Lloyd opened a coffee house that became a popular haunt of ship owners, merchants, and ships' captains, and thereby a reliable source of the latest shipping news. It became the meeting place for parties wishing to insure cargoes and ships, and those willing to underwrite such ventures. Today, Lloyd's of London remains the leading market (note that it is not an insurance company) for marine and other specialist types of insurance, but it works rather differently than the more familiar kinds of insurance.

From the Insurance Information Institute, Insurance as we know it today can be traced to the Great Fire of London, which in 1666 devoured 13,200 houses. In the aftermath of this disaster, Nicholas Barbon opened an office to insure buildings. In 1680, he established England's first fire insurance company, "The Fire Office," to insure brick and frame homes.



The first insurance company in the United States underwrote fire insurance and was formed in Charles Town (modern-day Charleston), South Carolina, in 1732. Benjamin Franklin helped to popularize and make standard the practice of insurance, particularly against fire in the form of perpetual insurance. In 1752, he founded the Philadelphia Contributionship for the Insurance of Houses from Loss by Fire. Franklin's company was the first to make contributions toward fire prevention. Not only did his company warn against certain fire hazards, it refused to insure certain buildings where the risk of fire was too great, such as all wooden houses. (Business insurance information)

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### **2.2.1 History of Life Insurance**

The earliest known type of life insurance was the burial benefits that Greek and Roman religious societies provided for their members. Neither these religious societies nor any pre-modern systems for paying death benefits employed actuarial calculations. They were frequently financed on a post-assessment basis; that is, contributions were made by all surviving members following one member's death. As a result, funds were not always available to pay claims.

The tontine annuity system, founded in Paris by the 17th-century Italian-born banker Lorenzo Tonti, although essentially a form of gambling, has been regarded as an early attempt to use the law of averages and the principle of life expectancies in establishing annuities. Under the tontine system, associations of individuals were formed without any reference to age, and a fund was created by equal contributions from each member. The sum was invested, and at the end of each year the interest was divided among the survivors. The last remaining survivor received both the year's interest and the entire

amount of the principal. Modern life insurance has achieved global popularity. It is most popular in Ireland, Belgium, the Netherlands, the United States, Canada, Australia, New Zealand, South Korea, and Japan. In these countries the face value of current life insurance policies is usually greater than the national income (Lynch, 1992)

### **2.3 Profitability of Insurance**

The business model can be reduced to a simple equation: Profit = earned premium + investment income - incurred loss - underwriting expenses.

Insurers make money in two ways: (1) through underwriting, the process by which insurers select the risks to insure and decide how much in premiums to charge for accepting those risks and (2) by investing the premiums they collect from insured parties.

The most complicated aspect of the insurance business is the underwriting of policies.

Using a wide assortment of data, insurers predict the likelihood that a claim will be made against their policies and price products accordingly. To this end, insurers use actuarial science to quantify the risks they are willing to assume and the premium they will charge to assume them. Data is analyzed to fairly accurately project the rate of future claims based on a given risk. Actuarial science uses statistics and probability to analyze the risks associated with the range of perils covered, and these scientific principles are used to determine an insurer's overall exposure. Upon termination of a given policy, the amount of premium collected and the investment gains thereon minus the amount paid out in claims is the insurer's underwriting profit on that policy. Of course, from the insurer's perspective, some policies are "winners" (i.e., the insurer pays out less in claims and expenses than it receives in premiums and investment income) and some are "losers"

(i.e., the insurer pays out more in claims and expenses than it receives in premiums and investment income); insurance companies essentially use actuarial science to attempt to underwrite enough "winning" policies to pay out on the "losers" while still maintaining profitability.

According to Fitzpatrick (2004), an insurer's underwriting performance is measured in its combined ratio. The loss ratio (incurred losses and loss-adjustment expenses divided by net earned premium) is added to the expense ratio (underwriting expenses divided by net premium written) to determine the company's combined ratio. The combined ratio is a reflection of the company's overall underwriting profitability. A combined ratio of less than 100 percent indicates underwriting profitability, while anything over 100 indicates an underwriting loss.

Insurance companies also earn investment profits on "float". "Float" or available reserve is the amount of money, at hand at any given moment that an insurer has collected in insurance premiums but has not been paid out in claims. Insurers start investing insurance premiums as soon as they are collected and continue to earn interest on them until claims are paid out. The *Association of British Insurers* (gathering 400 insurance companies and 94% of UK insurance services) has almost 20% of the investments in the London Stock Exchange.

According to Gregory D. Squires, 2003, in the United States, the underwriting loss of property and casualty insurance companies was \$142.3 billion in the five years ending 2003. But overall profit for the same period was \$68.4 billion, as the result of float. Some insurance industry insiders, most notably Hank Greenberg, do not believe that it is forever possible to sustain a profit from float without an underwriting profit as well, but

this opinion is not universally held. Naturally, the “float” method is difficult to carry out in an economically depressed period. Bear markets do cause insurers to shift away from investments and to toughen up their underwriting standards. So a poor economy generally means high insurance premiums. This tendency to swing between profitable and unprofitable periods over time is according to Fitzpatrick, commonly known as the “underwriting” or insurance cycle.

Property and casualty insurers currently make the most money from their auto insurance line of business. Generally better statistics are available on auto losses and underwriting on this line of business has benefited greatly from advances in computing. Additionally, property losses in the United States, due to unpredictable natural catastrophes, have exacerbated this trend.

Advanced economies account for the bulk of global insurance. With premium income of \$1,681bn, Europe was the most important region, followed by North America (\$1,330bn) and Asia (\$814bn). The top four countries accounted for nearly 60% of premiums in 2007. The US and UK alone accounted for 42% of world insurance, much higher than their 7% share of the global population. Emerging markets accounted for over 85% of the world’s population but generated only around 10% of premiums.

Global insurance premiums grew by 11% in 2007 (or 3.3% in real terms) to reach \$4.1 trillion. The macro-economic environment was characterised by slower economic growth in 2007 and rising inflation. Profitability improved in life insurance and fell slightly in the non-life sector during the year. Life insurance premiums grew by 12.6%, accelerating in the advanced economies with the exception of Japan and Continental Europe. Non-life



insurance premiums grew by 7.6% during the year. (Source: Insurance IP Bulletin, December 15, 2008)

## 2.4 Payment of Claims

Claims and loss handling is the materialized utility of insurance; it is the actual "product" paid for, though one hopes it will never need to be used. Claims may be filed by an insured directly with the insurer or through brokers or agents. The insurer may require that the claim be filed on its own proprietary forms, or may accept claims on a standard industry form.

Insurance company claim departments employ a large number of claims adjusters supported by a staff of records management and data entry clerks. Incoming claims are classified based on severity and are assigned to adjusters whose settlement authority varies with their knowledge and experience. The adjuster undertakes a thorough investigation of each claim, usually in close cooperation with the insured, determines its reasonable monetary value, and authorizes payment. Adjusting liability insurance claims is particularly difficult because there is a third party involved (the plaintiff who is suing the insured) who is under no contractual obligation to cooperate with the insurer and in fact may regard the insurer as a deep pocket. The adjuster must obtain legal counsel for the insured (either inside "house" counsel or outside "panel" counsel), monitor litigation that may take years to complete, and appear in person or over the telephone with settlement authority at a mandatory settlement conference when requested by the judge.

In managing the claims handling function, insurers seek to balance the elements of customer satisfaction, administrative handling expenses, and claims overpayment

leakages. As part of this balancing act, fraudulent insurance practices are a major business risk that must be managed and overcome. Disputes between insurers and insureds over the validity of claims or claims handling practices occasionally escalate into litigation. (<http://www.iii.org/media/hottopics/insurance/ratereg/>)

## **2.5 Regulation of Insurance Companies**

In September 2004, Dr. Renbao Chen, an Associate Professor and Dr. Kie Ann Wong, a Professor, both of the Department of Finance and Accounting at the National University of Singapore, in an article in *Journal of Risk and Insurance* volume 71, Issue 3 page 469 stated among other things that the insurance industry in different Asian economies is at different stages of development and therefore require different regulatory guidelines to enable them serve their clients more effectively and efficiently. (<http://www.blackwell-synergy.com/links/doi/10.1111/j.0022-4367.20...>).

According to the Insurance Information Institute, in the United States, regulation of the insurance industry is a primary responsibility assumed by individual state insurance departments. Whereas insurance markets have become centralized nationally and internationally, state insurance commissioners operate individually, though at times in concert through a national insurance commissioners' organization. In recent years, some have called for a dual state and federal regulatory system (commonly referred to as the Optional federal charter (OFC)) for insurance similar to that which oversees state banks and national banks.

In most countries, life and non-life insurers are subject to different regulatory regimes and different tax and accounting rules. The main reason for the distinction between the

two types of company is that life, annuity, and pension business is very long-term in nature — coverage for life assurance or a pension can cover risks over many decades. By contrast, non-life insurance cover usually covers a shorter period, such as one year.

### **2.5.1 Regulation in Ghana**

Quarshie (2008) points out that the National Insurance Commission (NIC) is the sole regulatory agency tasked with supervisory responsibility to ensure that all insurance companies do not incur excessive insolvency risk, nor treat policyholders unfairly. The role of the commission is essentially expected to be twofold, solvency regulation and market regulation.

In respect of solvency regulation, the NIC is supposed to regulate insurers' activities aimed at providing protection to policyholders against the risk that insurers will not be able to meet their financial obligations. The commission is expected to concern itself with areas like capitalisation, pricing, and products, investments, reinsurance, reserves, asset-liability matching, transactions with affiliates and management. The market regulatory activity of the commission is to ensure that there exists fair and reasonable insurance prices, products and trade practices within the industry. These two responsibilities of the commission are inextricably inter-related in the sense that the market regulatory aspect tries to monitor rates and market practices which affect the financial performance of insurers, whereas solvency regulation sets standards that constrains the products and prices that insurers can offer reasonably.

## **2.6.0 Types of Insurance Companies**

Insurance companies may generally be classified into two groups:

These are Life insurance companies, which sell life insurance, annuities and pensions products and Non-life, General, or Property/Casualty insurance companies, which sell other types of insurance.

General insurance companies can be further divided into the Standard Lines and Excess Lines sub categories.

### **2.6.1 General (Non life) Insurance Companies**

In the United States, standard line insurance companies are "mainstream" insurers. These are the companies that typically insure autos, homes or businesses. They use pattern or "cookie-cutter" policies without variation from one person to the next. They usually have lower premiums than excess lines and can sell directly to individuals. They are regulated by state laws that can restrict the amount they can charge for insurance policies.

Excess line insurance companies (aka Excess and Surplus) typically insure risks not covered by the standard lines market. They are broadly referred as being all insurance placed with non-admitted insurers. Non-admitted insurers are not licensed in the states where the risks are located. These companies have more flexibility and can react faster than standard insurance companies because they are not required to file rates and forms as the "admitted" carriers do. However, they still have substantial regulatory requirements placed upon them. State laws generally require insurance placed with surplus line agents and brokers not to be available through standard licensed insurers. (Source: Insurance Information Institute)



## **2.6.2 Life Insurance Companies**

These are insuring organizations that assume the risk of death of a policyholder. Unlike loss in insurance on property, loss in life insurance is certain to occur and is total. The element of uncertainty is when death will occur. Mortality is subject to the laws of probability; however, and life-insurance premiums can be calculated from mortality tables, which indicate the average number of people in each age and gender group that will die each year.

## **2.6.3 Other Types of Insurance Companies**

### **2.6.3.1 Reinsurance Companies**

These are insurance companies that sell policies to other insurance companies, allowing them to reduce their risks and protect themselves from very large losses.

In order to avoid retaining the full amount of insurance on risks, insurers frequently resort to reinsurance; that is, they pay a premium to another insurer, who then assumes part of the risk. Based on the same principle as insurance itself, reinsurance is a mechanism to provide for a further sharing of the risk so as to help insurance companies meet their obligations to policyholders.

The reinsurance market is dominated by a few very large companies, with huge reserves.

A re-insurer may also be a direct writer of insurance risks as well.

### **2.6.3.2 Captive Insurance Companies**

These may be defined as limited-purpose insurance companies established with the specific objective of financing risks emanating from their parent group or groups. This

definition can sometimes be extended to include some of the risks of the parent company's customers. In short, it is an in-house self-insurance vehicle. Captives may take the form of a "pure" entity (which is a 100% subsidiary of the self-insured parent company); of a "mutual" captive (which insures the collective risks of members of an industry); and of an "association" captive (which self-insures individual risks of the members of a professional, commercial or industrial association).

### **2.7.0 Types of Insurance Policies**

An insurance contract often contains an element of contingency, that is, the event insured against must be possible but not certain to occur in a given period of time and must be substantially beyond the control of either insured or insurer. In addition to the requirement that the risk is contingent, the policyholder must generally have an insurable interest, that is, the policyholder must be one who would suffer a material loss by the happening of the event.

Any risk that can be quantified can potentially be insured. Specific kinds of risk that may give rise to claims are known as "perils". An insurance policy will set out in details which perils are covered by the policy and which are not. Below are (non-exhaustive) lists of the many different types of insurance that exist. A single policy may cover risks in one or more of the categories set out below.

## **2.7.1.0 General Insurance Policies**

### **2.7.1.1 Auto (Motor) Insurance**

Auto insurance protects you against financial loss if you have an accident. It is a contract between you and the insurance company. You agree to pay the premium and the insurance company agrees to pay your losses as defined in your policy. Auto insurance would typically cover both property risk (covering the risk of theft or damage to the car) and liability risk (covering legal claims from causing an accident), however, others include additional benefits such as medical coverage.

Property coverage pays for damage to or theft of your car. Liability coverage pays for your legal responsibility to others for bodily injury or property damage.

Medical coverage pays for the cost of treating injuries, rehabilitation and sometimes lost wages and funeral expenses.

An auto insurance policy comprises six general kinds of coverage. Most countries require you to buy some, but not all, of these covers. If you're financing a car, your lender may also have requirements. Most auto policies are for six months to a year. It may cover both legal liability claims against the driver and loss of or damage to the insured's vehicle itself. Throughout the United States an auto insurance policy is required to legally operate a motor vehicle on public roads.

In the United States, your insurance company should notify you by mail when it's time to renew the policy and to pay your premium. (Source: Insurance Information Institute)

### **2.7.1.2 Homeowner's Insurance**

Home insurance provides compensation for damage or destruction of a home from disasters. In some geographical areas, the standard insurances exclude certain types of disasters, such as flood and earthquakes that require additional coverage. Maintenance-related problems are the homeowners' responsibility. The policy may include inventory, or this can be bought as a separate policy, especially for people who rent housing. In some countries, insurers offer a package which may include liability and legal responsibility for injuries and property damage caused by members of the household, including pets. A homeowner's insurance policy typically includes property insurance covering damage to the home and the owner's belongings, liability insurance covering certain legal claims against the owner, and even a small amount of coverage for medical expenses of guests who are injured on the owner's property. (Source: Insurance Information Institute)

### **2.7.1.3 Business Insurance**

Business insurance can be any kind of insurance that protects businesses against risks. Some principal subtypes of business insurance are (a) the various kinds of professional liability insurance, also called professional indemnity insurance, which are discussed below under that name; and (b) the business owner's policy (BOP), which bundles into one policy many of the kinds of coverage that a business owner needs, in a way analogous to how homeowners insurance bundles the coverage that a homeowner needs. (Source: Insurance Information Institute)



#### **2.7.1.4 Liability Insurance**

Liability insurance is a very broad superset that covers legal claims against the insured. Many types of insurance include an aspect of liability coverage. For example, a homeowner's insurance policy will normally include liability coverage which protects the insured in the event of a claim brought by someone who slips and falls on the property; automobile insurance also includes an aspect of liability insurance that indemnifies against the harm that a crashing car can cause to others' lives, health, or property. The protection offered by a liability insurance policy is twofold: a legal defense in the event of a lawsuit commenced against the policyholder and indemnification (payment on behalf of the insured) with respect to a settlement or court verdict. Liability policies typically cover only the negligence of the insured, and will not apply to results of willful or intentional acts by the insured.

Directors and officers liability insurance protects an organization (usually a corporation) from costs associated with litigation resulting from mistakes made by directors and officers for which they are liable. In the industry, it is usually called "D&O" for short.

Environmental liability insurance protects the insured from bodily injury, property damage and cleanup costs as a result of the dispersal, release or escape of pollutants.

Professional liability insurance, also called professional indemnity insurance, protects insured professionals such as architectural corporation and medical practice against potential negligence claims made by their patients/clients. Professional liability insurance may take on different names depending on the profession. For example, professional



liability insurance in reference to the medical profession may be called malpractice insurance. (Source: Ibid. <http://en.wikipedia.org/wiki/insurance>).

#### **2.7.1.5 Disability Insurance**

These policies provide financial support in the event the policyholder is unable to work because of disabling illness or injury. It provides monthly support to help pay such obligations as mortgages and credit cards.

Total permanent disability insurance provides benefits when a person is permanently disabled and can no longer work in their profession, often taken as an adjunct to life insurance.

Workers' compensation insurance replaces all or part of a worker's wages lost and accompanying medical expenses incurred because of a job-related injury.

#### **2.7.1.6 Travel insurance**

This is an insurance cover taken by those who travel abroad, which covers certain losses such as medical expenses, loss of personal belongings, travel delay, personal liabilities, etc.

#### **2.7.1.7 Property Insurance**

Property insurance provides protection against risks to property, such as fire, theft or weather damage. This includes specialized forms of insurance such as fire insurance, flood insurance, earthquake insurance, home insurance, inland marine insurance or boiler insurance.

Aviation insurance insures against hull, spares, deductibles, hull wear and liability risks.

Boiler insurance (also known as boiler and machinery insurance or equipment breakdown insurance) insures against accidental physical damage to equipment or machinery.

Builder's risk insurance insures against the risk of physical loss or damage to property during construction. Builder's risk insurance is typically written on an "all risk" basis covering damage due to any cause (including the negligence of the insured) not otherwise expressly excluded.

Earthquake insurance is a form of property insurance that pays the policyholder in the event of an earthquake that causes damage to the property. Most ordinary homeowners' insurance policies do not cover earthquake damage. Most earthquake insurance policies feature a high deductible. Rates depend on location and the probability of an earthquake, as well as the construction of the home.

#### **2.7.1.8 Marine Insurance**

Marine Insurance and marine cargo insurance cover the loss or damage of ships at sea or on inland waterways, and of the cargo that may be on them. When the owner of the cargo and the carrier are separate corporations, marine cargo insurance typically compensates the owner of cargo for losses sustained from fire, shipwreck, etc., but excludes losses that can be recovered from the carrier or the carrier's insurance. Many marine insurance underwriters will include "time element" coverage in such policies, which extends the indemnity to cover loss of profit and other business expenses attributable to the delay caused by a covered loss.

### **2.7.1.9 Pecuniary Insurance**

Financial loss insurance protects individuals and companies against various financial risks. For example, a business might purchase coverage to protect it from loss of sales if a fire in a factory prevented it from carrying out its business for a time. Insurance might also cover the failure of a creditor to pay money it owes to the insured. This type of insurance is frequently referred to as "business interruption insurance." Fidelity bonds and surety bonds are included in this category, although these products provide a benefit to a third party (the "obligee") in the event the insured party (usually referred to as the "obligor") fails to perform its obligations under a contract with the obligee.

A fidelity bond is a form of casualty insurance that covers policyholders for losses that they incur as a result of fraudulent acts by specified individuals. It usually insures a business for losses caused by the dishonest acts of its employees.

Credit insurance repays some or all of a loan when certain things happen to the borrower such as unemployment, disability, or death.

Mortgage insurance insures the lender against default by the borrower. Mortgage insurance is a form of credit insurance, although the name credit insurance more often is used to refer to policies that cover other kinds of debt.

### **2.7.2.0 Life Insurance Policies**

Life insurance provides a monetary benefit to a decedent's family or other designated beneficiary, and may specifically provide for income to an insured person's family, burial, funeral and other final expenses. Life insurance policies often allow the option of

having the proceeds paid to the beneficiary either in a lump sum cash payment or an annuity.

Annuities provide a stream of payments and are generally classified as insurance because they are issued by insurance companies and regulated as insurance and require the same kinds of actuarial and investment management expertise that life insurance requires. Annuities and pensions that pay a benefit for life are sometimes regarded as insurance against the possibility that a retiree will outlive his or her financial resources. In that sense, they are the complement of life insurance and, from an underwriting perspective, are the mirror image of life insurance.

Certain life insurance contracts accumulate cash values, which may be taken by the insured if the policy is surrendered or which may be borrowed against. Some policies, such as annuities and endowment policies, are financial instruments to accumulate or liquidate wealth when it is needed.

Life insurance may be classified in a variety of ways. A classification depending primarily on the manner in which the premium is collected comprises ordinary, debit, and group life insurance. Ordinary insurance can be further classified into whole life, limited-payment life, endowment, and term. Debit life insurance can be classified into debit ordinary and industrial. Classification by type of contract yields term, whole life, and universal life. Life insurance may also be classified as participating and non-participating, depending on whether or not the policyholder shares in the savings or the profits of the insurer.



### **2.7.2.1 Ordinary Life Insurance**

Ordinary life insurance may be used to provide a lump sum or continuing income to family beneficiaries, or it may be used by a firm to insure the life of a business executive. Premiums are paid on a periodic basis. With the exception of term life insurance, ordinary life insurance builds cash values that can be borrowed to help families meet emergencies or take advantage of business opportunities. A medical examination usually is required to buy life insurance. Almost all ordinary policies are sold on a level-premium basis, which means that premiums in the early years are greater than the value of the insurance. This is not a true overcharge, but is designed to compensate for the greater costs in later years, when mortality rates increase.

### **2.7.2.2 Whole Life Insurance**

Whole-life insurance provides for the payment of the face amount of the policy on the death of the insured, whenever it might occur. Premium payments are made during the entire lifetime of the insured person; this differs from limited-payment and endowment policies. The cash value of the policy, which is less than its face value, is paid when the contract matures or is surrendered.

All cash-value policies like whole life, endowment, and limited-payment life are required to provide values that cannot be lost should the insured terminate the policy. Such benefits provide that the insured may obtain the cash surrender value and terminate the policy; or the insured may obtain a paid-up whole-life policy in a reduced amount; or he or she may obtain term insurance for the full face amount of the policy for a specified



period. A loan provision in all such policies permits the insured to borrow up to the full amount of the cash surrender value at any time, subject to specified limitations.

#### **2.7.2.3 Limited-Payment Life Insurance**

The limited-payment life policy is a subtype of whole-life policy providing for premium payments for a specified number of years (for example, 10 or 20, or until age 65) unless the insured person dies sooner. The policy remains effective once paid for, unless surrendered. A single-premium life policy is a special case of a limited-payment policy. Premium rates for limited-payment policies are higher than for ordinary life insurance policies because the paying-in period is shorter.

#### **2.7.2.4 Endowment Insurance**

Endowment policies are payable at the death of the insured or on a specified maturity date if the insured is alive. Premiums generally are payable from the date of issue until the date of maturity but may be limited to fewer years or even to a single lump-sum payment. Premium payments on endowments are high because a large cash value is built up in a relatively short time. Endowments combine savings with insurance, and such policies may be used to provide for education, mortgage payments, or retirement purposes.

#### **2.7.2.5 Term Life Insurance**

Term insurance provides benefits only if the insured dies within a specified period. If the insured survives up to the end of the specified period, the contract is terminated unless

renewed. Because the premium for a term policy pays only for the cost of the insurance protection during the term of the policy, term insurance generally has no cash surrender value. The insured may be allowed to renew for another term without a medical examination. The premium, however, increases with each renewal because it is calculated on the age of the insured at the time of renewal.

Term insurance is often used by the head of a family to obtain additional temporary insurance when the children are young. Term insurance policies frequently provide the insured with conversion options to whole-life policies. Credit life insurance is term insurance against a loan taken out on some major purchase such as a car. It generally decreases in amount as the loan is repaid. It protects the insurer as well as the lender against the debt that remains unpaid at death.

#### **2.7.2.6 Universal Life Insurance**

Universal life insurance, a type first introduced in the United States in the 1970s, allows the policyholder to decide details of the premium (size and frequency) and the amount of death benefits. Policies may yield either a set benefit or a fixed sum plus any cash value accumulated in the policy. The insurer charges for general expenses and mortality costs and credits the policyholder with any interest earned, which usually gives an interest rate equivalent to mortgages and long-term bonds. If protection requirements change in the course of time, the policyholder can have the policy terms altered.

#### **2.7.2.7 Debit Life Insurance**

Two types of debit life insurance are available. Debit ordinary insurance was designed for wage earners with modest incomes. Premiums are collected by company agents at policyholders' homes. Other than this mode of collection, the coverage has the same characteristics as ordinary life insurance. Industrial life insurance is also designed to meet the needs of low-income industrial workers. Premiums are payable periodically.

#### **2.7.2.8 Group Life Insurance**

Group life insurance is often included as a fringe benefit in collective bargaining agreements or as a benefit for employees. It provides a means of insuring a number of people in a business establishment, society, or other organization. This form of insurance is common in Japan, as part of the tradition of lifetime employment, and nearly all Japanese life insurance companies offer group schemes.

A master contract is issued, and each insured person receives a certificate specifying the amount of the insurance and his or her beneficiary. Employer and employee may each pay a set portion of the premium, or the employer may pay the whole; the amount of insurance is usually proportionate to seniority and salary. Because group insurance is a form of wholesale buying with low incurred costs, its economies are passed on to policyholders in the form of lower premiums. It does not usually require a medical examination. Group insurance policies are normally convertible to individual policies upon leaving the establishment.

### **2.7.2.9 Combination Policies**

The variety of policies available in modern life insurance allows for tailor-made combinations made to suit customers' needs. Especially common are family income policies, where a whole-life policy is combined with term life insurance to yield an income over a set period, often the period when children are young. A similar policy, the mortgage protection policy, provides for income to pay off a mortgage on a property, usually with the term insurance decreasing as the mortgage is paid. In each case the whole-life policy is unaffected by the parallel term policy.

### **2.7.2.10 Health Insurance**

Health insurance policies by the National Health Service in the United Kingdom (NHS) or other publicly-funded health programs will cover the cost of medical treatments. Dental insurance, like medical insurance, is coverage for individuals to protect them against dental costs. In the U.S., dental insurance is often part of an employer's benefits package, along with health insurance.

## **2.8.0 Benefits of Insurance**

### **2.8.1 Protection**

Insurance plays a major role in the modern economy, providing an orderly means for the replacement of property lost or destroyed and for sustaining purchasing power adversely affected by illness, injury, or death. Moreover, the huge reserves accumulated by insurance companies to meet expected claims are invested, thus providing industry with needed funds for capital expansion or other investments.

Insurance companies constantly search for additional business by providing insurance protection against new types of hazards. Most standard homeowners' policies do not protect against catastrophes, such as earthquakes, nuclear explosion or radiation, war, and certain other perils. Over the past decade, however, insurance companies have provided a wider range of coverage to their clients and it is now possible to insure against most eventualities.





## **CHAPTER THREE**

### **Research Methodology**

#### **3.0 Introduction**

This chapter which embodies the methodology of this study includes the study area, data sources, collection methods and analysis, sample population, size and method and ethical considerations.

#### **3.1 Study Type**

The study type is descriptive showing motivation behind the enactment of the Insurance Law with respect to separating life from non life insurance in Ghana and the financial implications of the law on players in the industry. It employed both quantitative and qualitative methods for the data collection, analysis and interpretation.

#### **3.2 Data**

Both primary and secondary data on the underlying factors for the separation of life from non-life insurance, the pre and post separation financial performance of Metropolitan Insurance, opinions on the separation, and challenges affecting companies during the separation were gathered for the study.

### **3.3 Data Sources**

The quantitative method comprised of extensive desk research while the qualitative method consisted of responses to questionnaire and interviews. The respondents were required to answer both closed and open ended questions.

#### **3.3.1 Desk Research**

By this method, extensive reviews of the relevant data available on non life insurance companies were made for the study. The materials reviewed included financial reports, annual narrative reports and specific information reports and brochures. These reports spanned through the period of 3 – 6 years of the operations of the companies.

#### **3.3.2 Interviews**

Guided interviews were held with representatives and individuals of the companies under study, representative of the Insurance Commission as well as knowledgeable people on the subject matter. These representatives were top managers, head of finance and accountants, marketing managers and head of human resource and administration. Data elicited from them centered on the operational performances, opinions and overviews, challenges and general comments on the separation of the composite insurance companies in Ghana.

#### **3.3.3 Questionnaires**

Questionnaires were distributed to representatives of the companies to elicit vital information for the study.

### **3.4 Data Analysis**

The data collected were sorted, coded, collated and analyzed using version 16.0 of SPSS software programme to show findings of the study. The analysis covered the motivation behind the separation, the challenges in separating life from non-life insurance portfolio, the source of funding for the separation, the influence of the separation on claim payment and the level of profitability before and after separation.

### **3.5 Sampled Population**

The study focused on composite companies that existed before the enactment of the law and have gone through the separation process. Questionnaires were administered to four representatives of these companies and information gathered was analyzed in the study together with information obtained from the NIC. Companies that could not survive the separation process were excluded from the study.

### **3.6 Sampled Size**

Out of the 18 Insurance companies that existed before the law, 3 of them were purely life insurance companies and were not included in the study. The study covered the 12 companies that survived the separation process and are currently operating as non-life insurance companies.

Since obtaining the financial statements of the companies was not possible, the quantitative data analysis therefore excluded such companies.

### **3.7 Sampling Method**

A purposive sampling method was used to select participants for the study. By this method, representatives of companies that have successfully separated their life business unit from the non-life that the researcher judged to be useful cases were selected to participate in the study.

### **3.8 Ethical consideration**

The study was well explained to participants for their full comprehension and consent to participate before the study was conducted. Confidentiality of the information provided was assured so that other outside parties would not access the study for other purposes than this study.

All information obtained from the participated companies were carefully recorded and presented to avoid distortions and misrepresentations so as to depict the original meaning of the data collected.

Finally, the study was carried out with the participants at their convenience places and times and in very conducive atmospheres for better research exercise. This ensured the full cooperation of respondents for better information gathering.

## **CHAPTER FOUR**

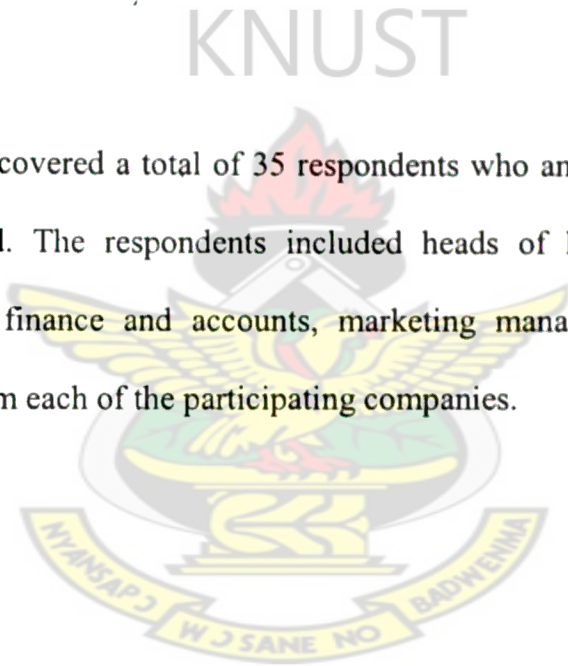
### **PRESENTATION OF FINDINGS AND ANALYSIS**

#### **4.0 Introduction**

This chapter elaborates on the findings of the study. The full results of the data were analysed based on the researcher's assessment and judgment from the questionnaire and interview responses and financial data obtained.

#### **4.1 Segment Profiles**

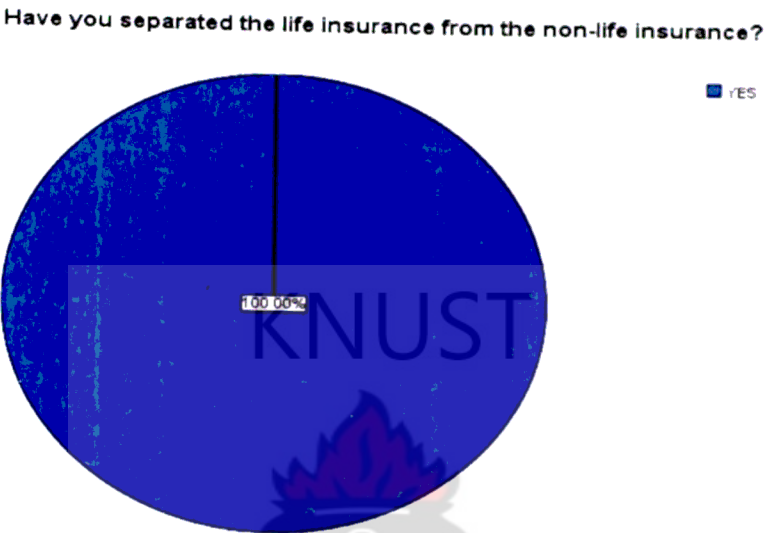
The analysis of the study covered a total of 35 respondents who answered the questions out of the 48 distributed. The respondents included heads of human resource and administration, heads of finance and accounts, marketing managers as well as top management members from each of the participating companies.





4.2 Motivation for separating life from composite insurance

4.2.1 Figure 1: Number of companies that have separated life from non life



Source: (Author’s field survey, August 2009)

Out of the 35 respondents from the various companies 35 (100%) said their companies have separated their life business unit from the non life. This means that all the composite insurance companies have separated the life insurance portfolio from the composite companies.

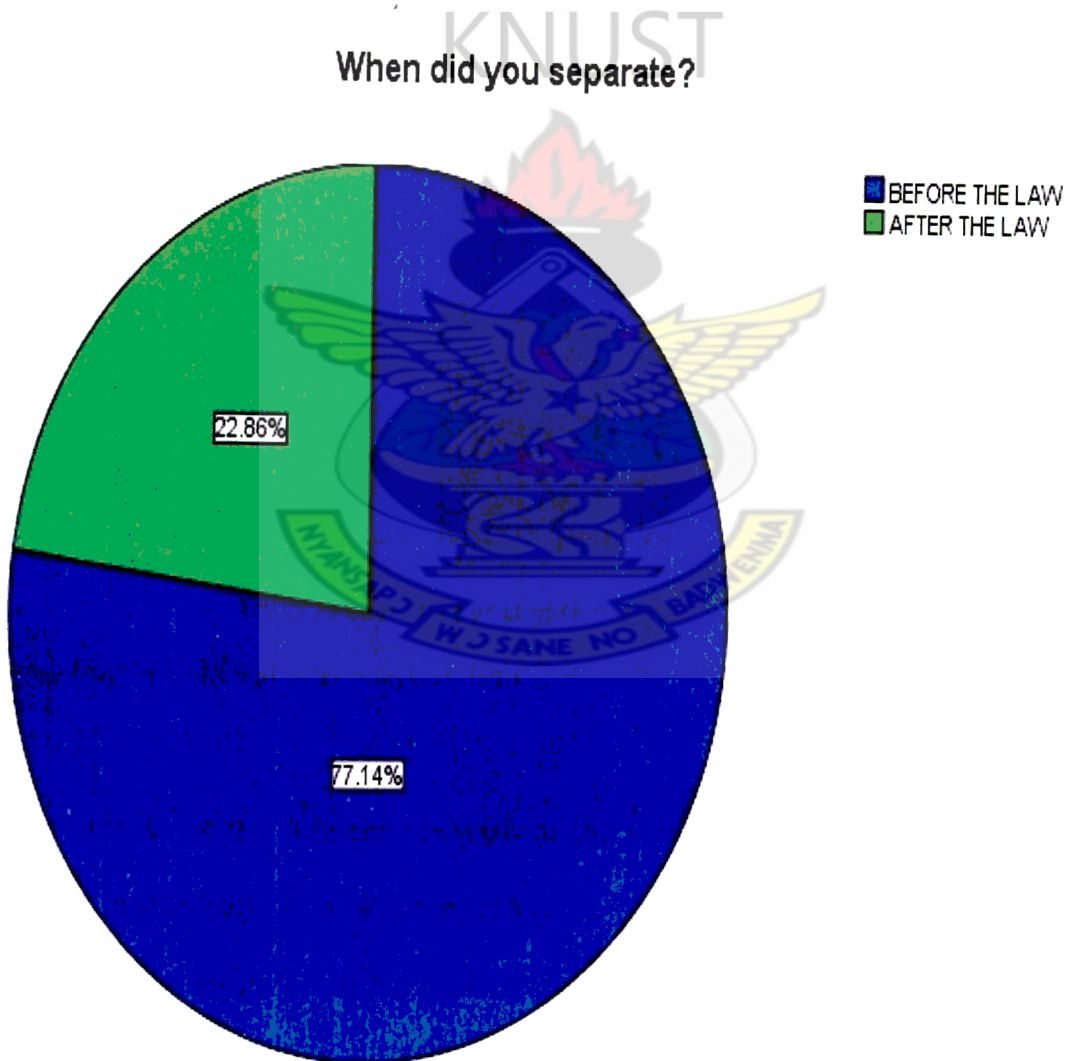
4.2.2 Table 1: Period of Operating a separate Non life company

How long have you operated the non-life business unit separately?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-3 YRS	30	85.7	85.7	85.7
	4-6 YRS	5	14.3	14.3	100.0
	Total	35	100.0	100.0	

Source: (Author’s field survey, September 2009)

Five (14%) of the respondents said their companies have operated the non life insurance business for a period of between four to six years and thirty five (86%) responded that their companies have operated for a period of between one to three years.

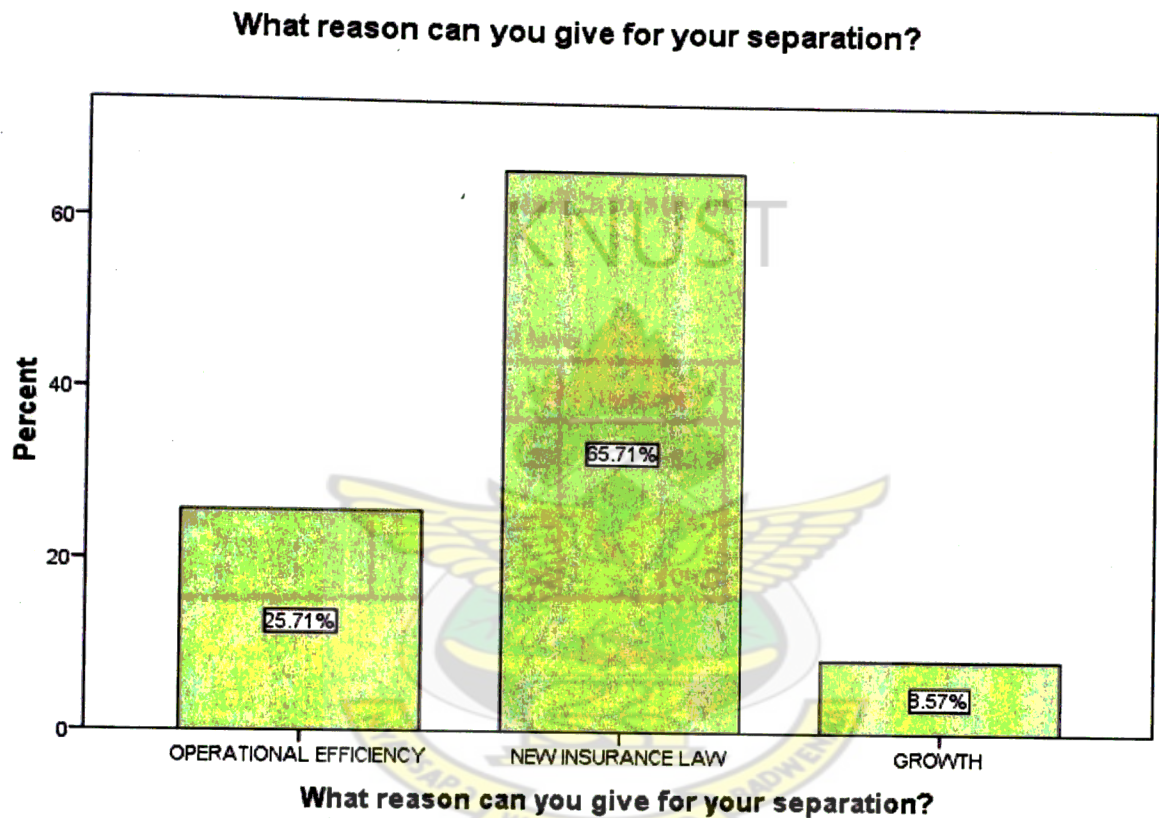
4.2.3 Figure 2: Time of the Separation



Source: (Author’s field survey September, 2009)

Eight (23%) of the respondents said their companies separated before the law was enacted and 27(77%) said they separated after the law had been enacted.

4.2.4 Figure 3: Reasons behind the separation



Source: (Author’s field survey, August 2009)

Twenty three (66%) of the respondents were of the view that the separation of the life from the non life was because of the new insurance law, 9(26%) of the respondents also said their companies separated because of their desire to achieve operational efficiency and again 3(4%) of the respondents said their companies separated because of the desire to expand and grow.

4.3 Challenges in separating life insurance from composite portfolio

A question to find out the criteria used in assigning staff of the composite company to either life or non life company during the separations requested respondents to indicate the level of relevance of factors such as educational level, job schedule, professional qualification, staff performance and number of years served. The tables below show how they responded:

4.3.1 Table 2 – 6: Criteria for placing staff into any of the companies

**Table 2** Educational level

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid MORE RELEVANT	29	82.9	82.9	82.9
RELEVANT	6	17.1	17.1	100.0
Total	35	100.0	100.0	

**Table 3** Professional qualification

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid MOST RELEVANT	31	88.6	88.6	88.6
MORE RELEVANT	4	11.4	11.4	100.0
Total	35	100.0	100.0	

**Table 4** Number of years served

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid LESS RELEVANT	35	100.0	100.0	100.0

**Table.5** **Staff performance**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MOST RELEVANT	31	88.6	88.6	88.6
	MORE RELEVANT	4	11.4	11.4	100.0
	Total	35	100.0	100.0	

**Table.6** **Job schedule**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MOST RELEVANT	9	25.7	25.7	25.7
	MORE RELEVANT	20	57.1	57.1	82.9
	RELEVANT	6	17.1	17.1	100.0
	Total	35	100.0	100.0	

**Source: (Author's field survey, August 2009)**

A total number of 175 responses were recorded for these questions. The responses were analysed under the following headings:

### **Most Relevant**

Thirty one (18%) of the responses showed that staff performance was the most relevant of the factors. The same number of response, 31(18%) gave the most relevant factor to professional qualification. A further 29(17%) placed education level as the most relevant, while 9(5%) responded for job schedule.

### **More Relevant**

Twenty (12%) of the responses chose job schedule to be more relevant. 4(2%) placed this level of relevance on staff performance while another 4(2%) went for professional qualification.



**Relevant**

Six (3%) of the responses showed that educational qualification was relevant and the same number 6(3%) chose job schedule to be relevant.

**Less Relevant**

Thirty five (20%) of the responses suggested that number of years served was less relevant in placing a staff into any of the companies.

**4.3.2 Table 7: Resignation of staff of composite company after separation**

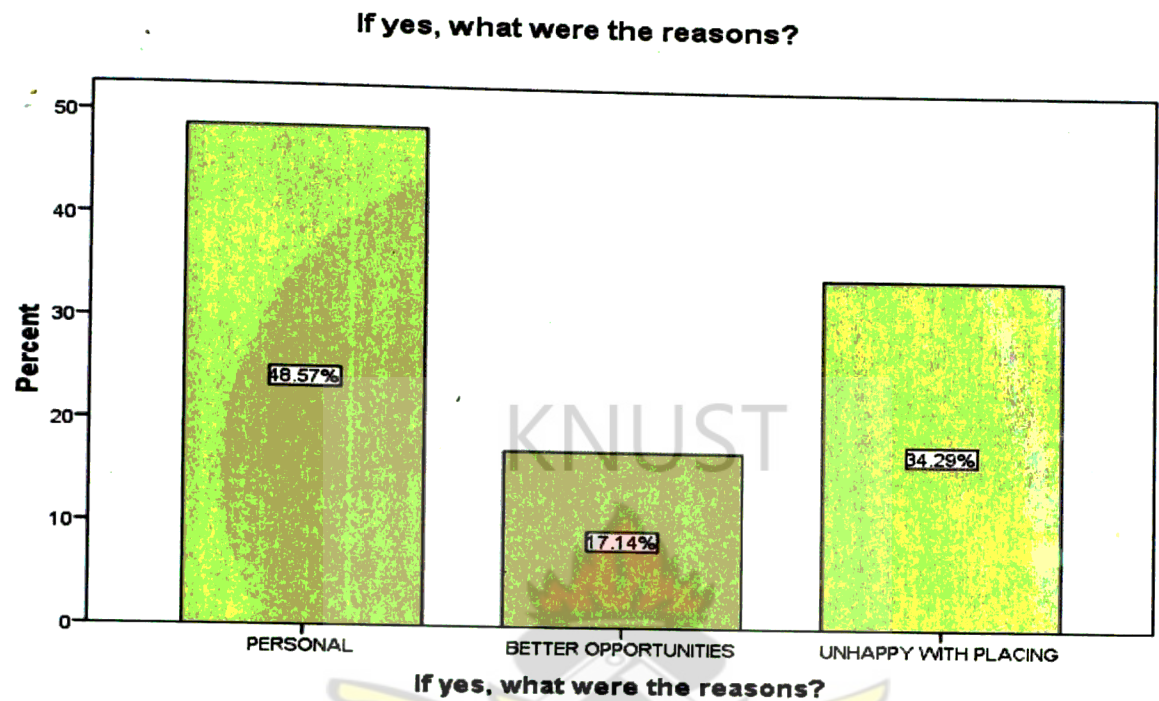
Did some of the staff from the composite company resign after the separation?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	YES	26	74.3	74.3	74.3
	NO	9	25.7	25.7	100.0
	Total	35	100.0	100.0	

Source: (Author’s field survey, August 2009)

Twenty six of the respondents representing 74% of the total said some staff from the composite company resigned after the separation. 9(26%) of the respondents said no staff have resigned after the separation.

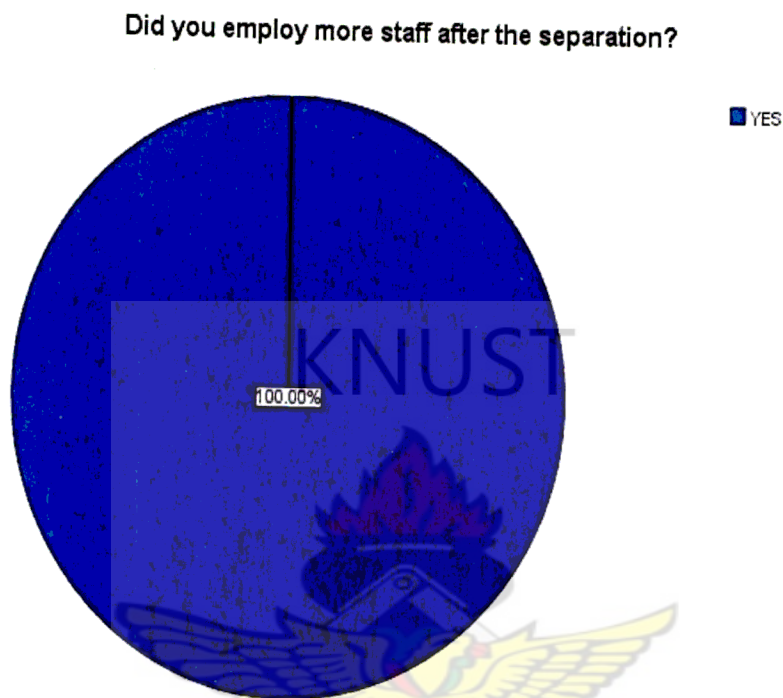
4.3.2 Figure 4: Reasons for Resignation



Source: (Author’s field survey, August 2009)

Seventeen (49%) of the respondents said those who resigned cited personal reasons for their action. 6(17%) also said those who resigned claimed that they had better opportunities elsewhere. In addition 12(34%) of them also attributed the resignation of the staff to their unhappiness in their attachment to the non life company.

4.3.3 Figure 5: Employments after Separation

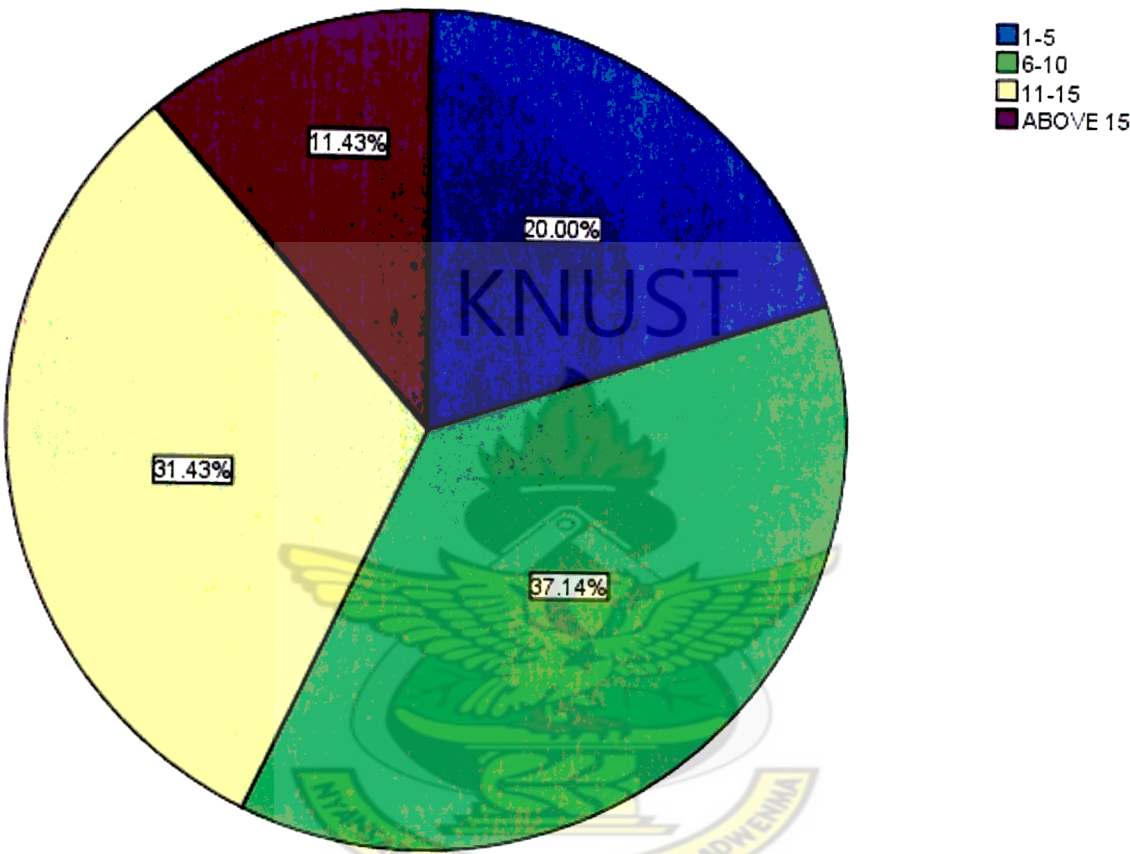


Source: (Author’s field survey, August 2009)

All the 35(100%) respondents said their companies had to employ more people to be able to operate as a fully fledged company. This was as a result of assigning some members of staff to the new life insurance companies formed as a result of the prohibition to operate a composite insurance company.

4.3.4 Figure 6: Number of branch offices before separation

How many branch offices did you operate before the separation?

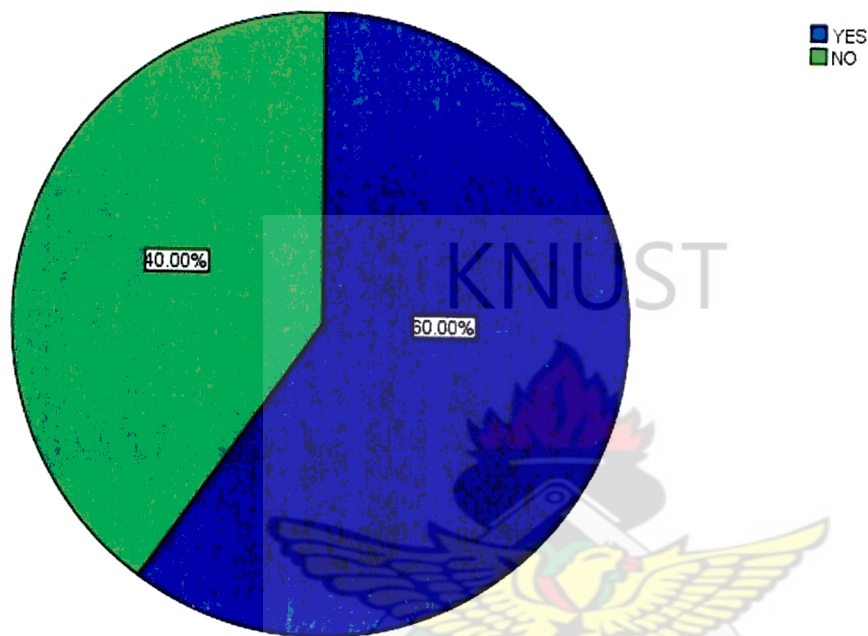


Source: (Author’s field survey, August 2009)

Seven (20%) of the respondents said they operated between one to five branches before they separated the life business unit from the non life business unit. Thirteen (37%) also said they operated between six to ten branch offices before the separation. Eleven (31%) of the respondents said they operated between eleven to fifteen branch offices before the separation. And about twelve percent of the respondents said they operated above fifteen branch offices before the separation.

4.3.5 Figure 7: Operation of both life and non life in the same office

Were you operating both life and non life businesses in the same offices?

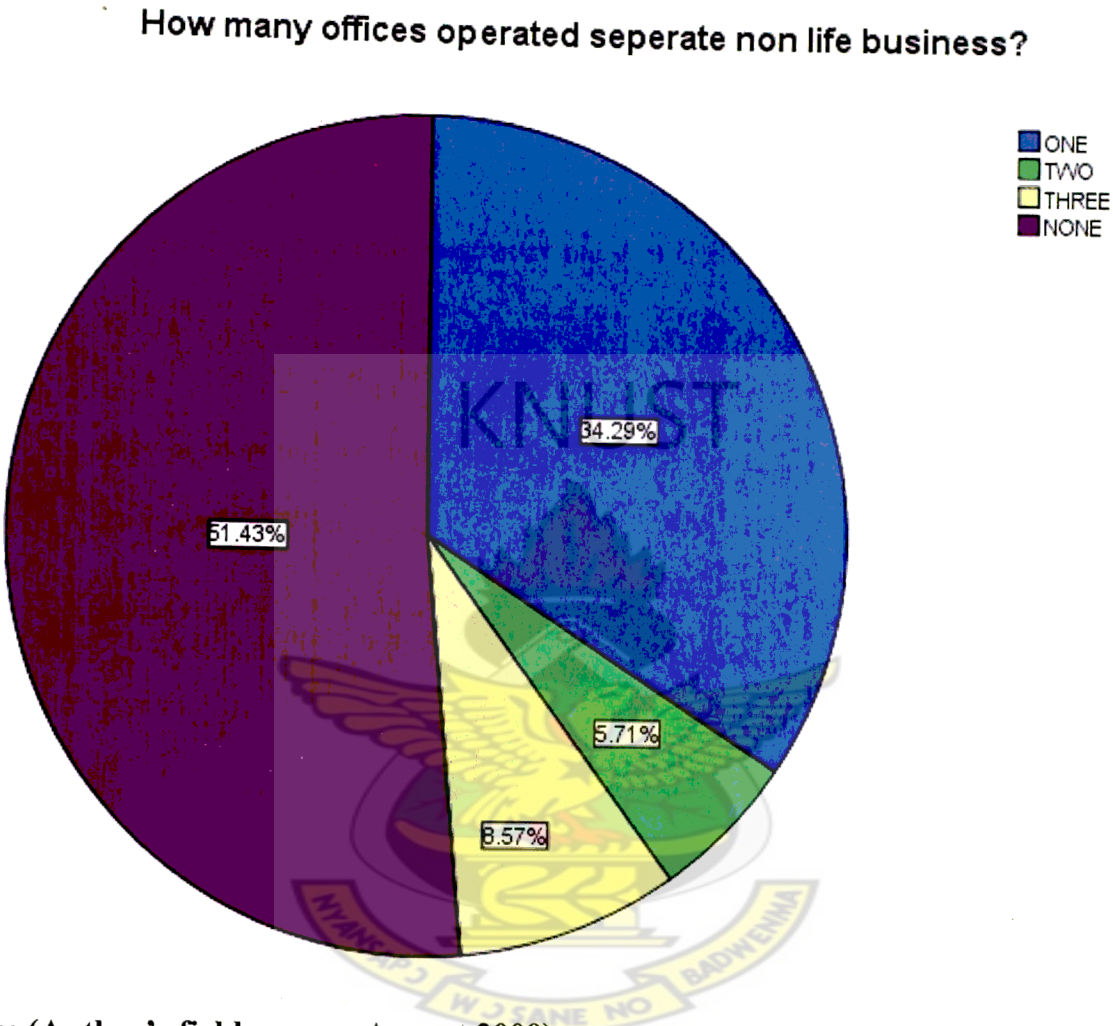


Source: (Author's field survey, August 2009)

Twenty one (60%) of the respondents said their companies transacted both life and non life businesses in the same office and 14(40%) of the respondents said their companies were not transacting both life and non life businesses in the same office



4.3.6 Figure 8: Number of branch offices that operated separate non life business

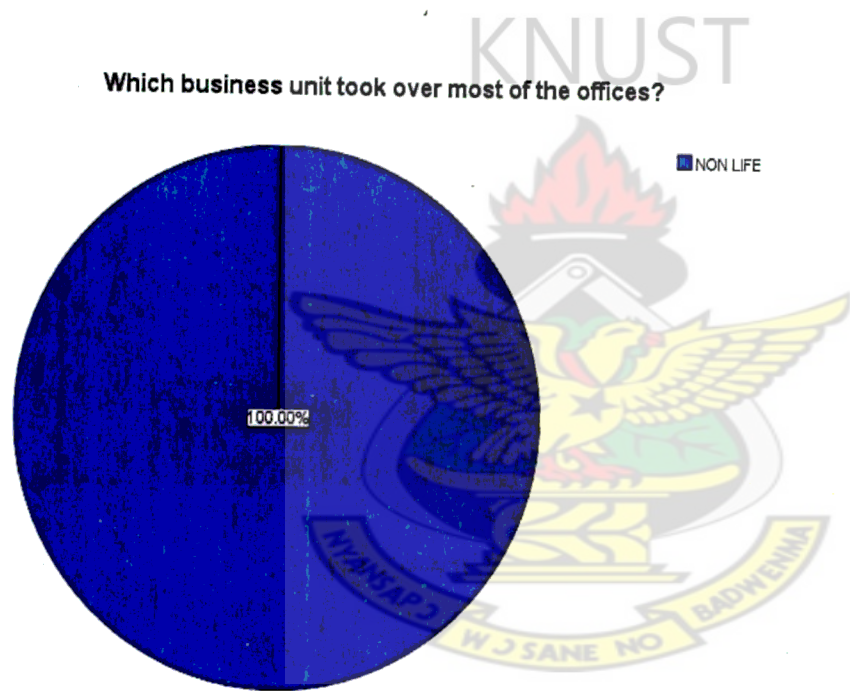


Source: (Author’s field survey, August 2009)

Twelve, representing about 34% operated only one separate non life office at the head office before the separation of the operations. This means that before the separation, all the offices apart from one operated both life and non life in the same office. About two (6%) of the respondents said their companies operated two non life offices separately before the separation. All the offices apart from two operated both life and non life businesses in the same office. Three (9%) of the respondents said their companies

operated three non life offices separately while all the other offices operated both life and non life in the same office. About 8(52%) of the respondents were of the view that none of their companies offices operated separate non life business office and that all the companies' offices were doing both life and non life in the same office.

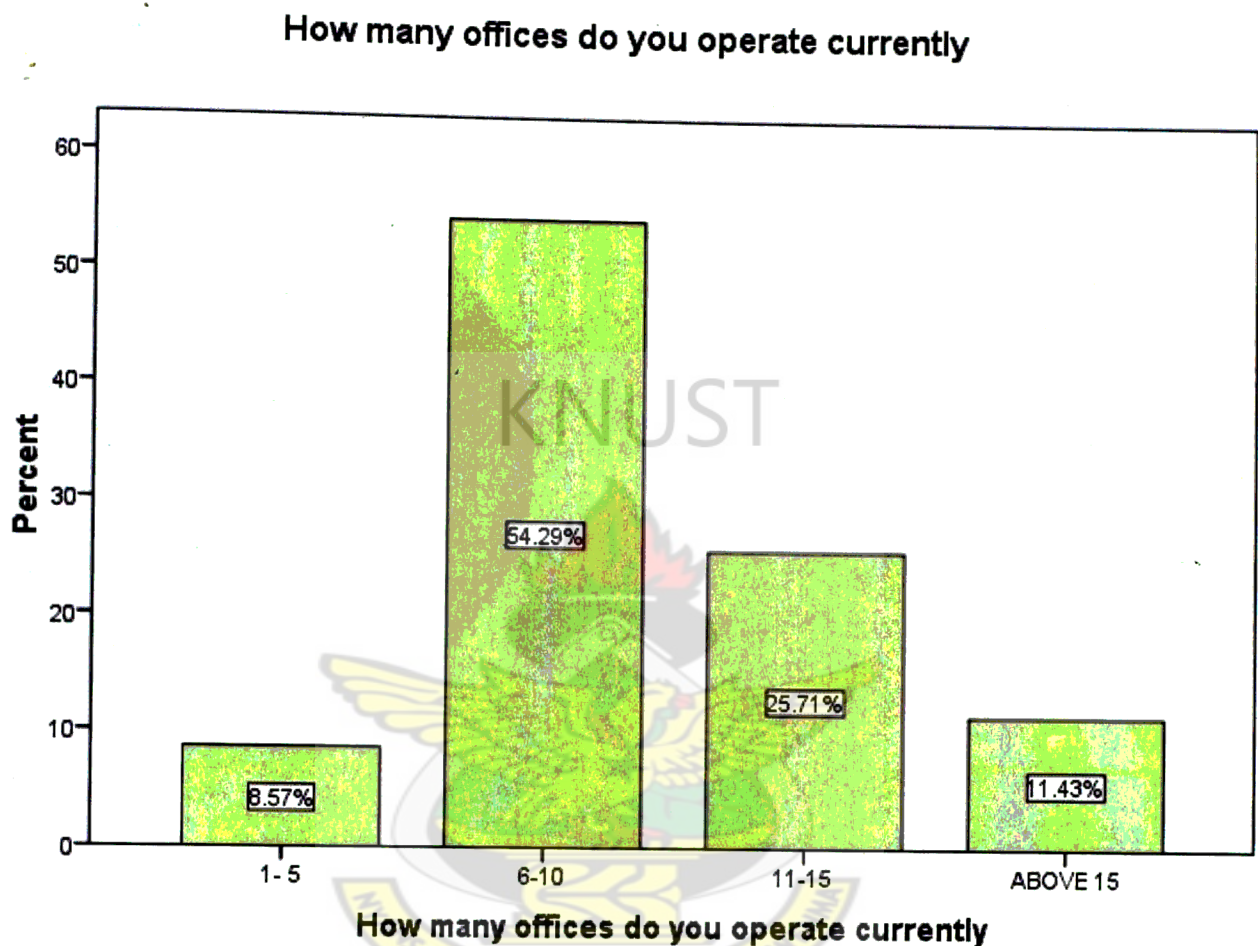
4.3.7 Figure 9: The Company that took over most of the composite offices



Source: (Author's field survey, August 2009)

All the respondents were of the view that the non life companies took over most of the offices even though some of the offices went to the life companies.

4.3.8 Figure 10: Current number of non life offices

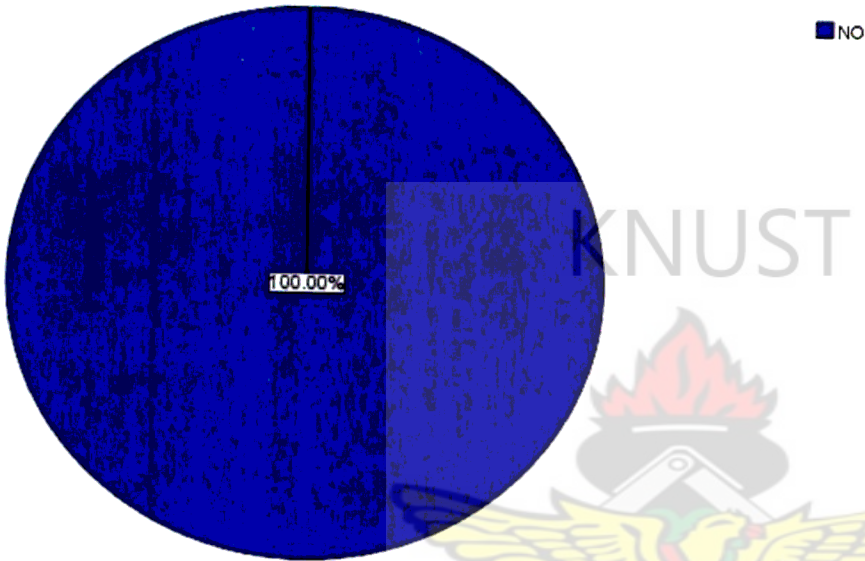


Source: (Author’s field survey, 2009)

Three (9%) of the respondents said their companies operated one to five offices currently, while nineteen (54%) said their companies had between six to ten offices. Nine (26%) of the respondents’ companies operated between eleven to fifteen offices and four (11%) of them responded that their companies currently operated above fifteen offices.

4.3.9 Figure 11: Payment of Severance award

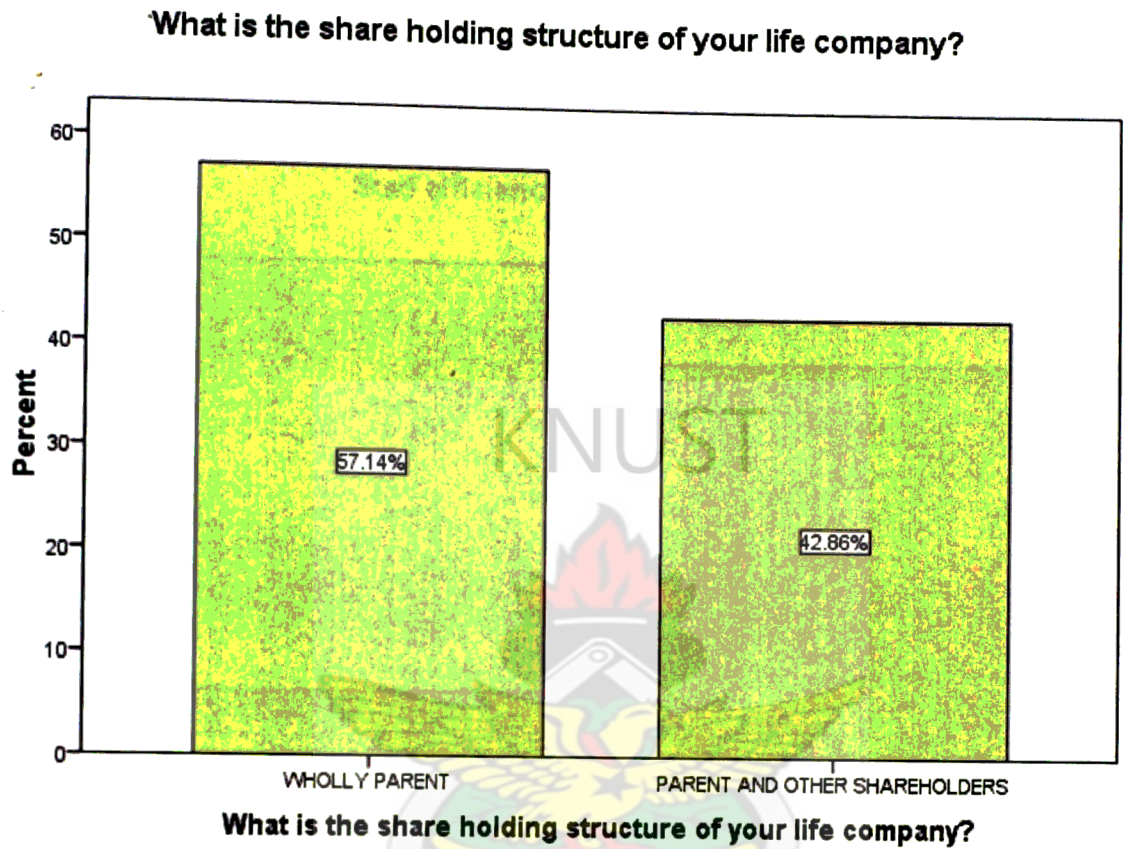
Did you have to pay severance award to staff that were placed in the life insurance?



Source: (Author's field survey, August 2009)

All the respondents said none of their companies paid severance award to the composite companies' staff that with placed in the new company. This means no fund disbursement was made to compensate the members of staff whose appointments had to end with the composite company.

4.4.1 Figure 12: Share holding Structure



Source: (Author’s field survey, August 2009)

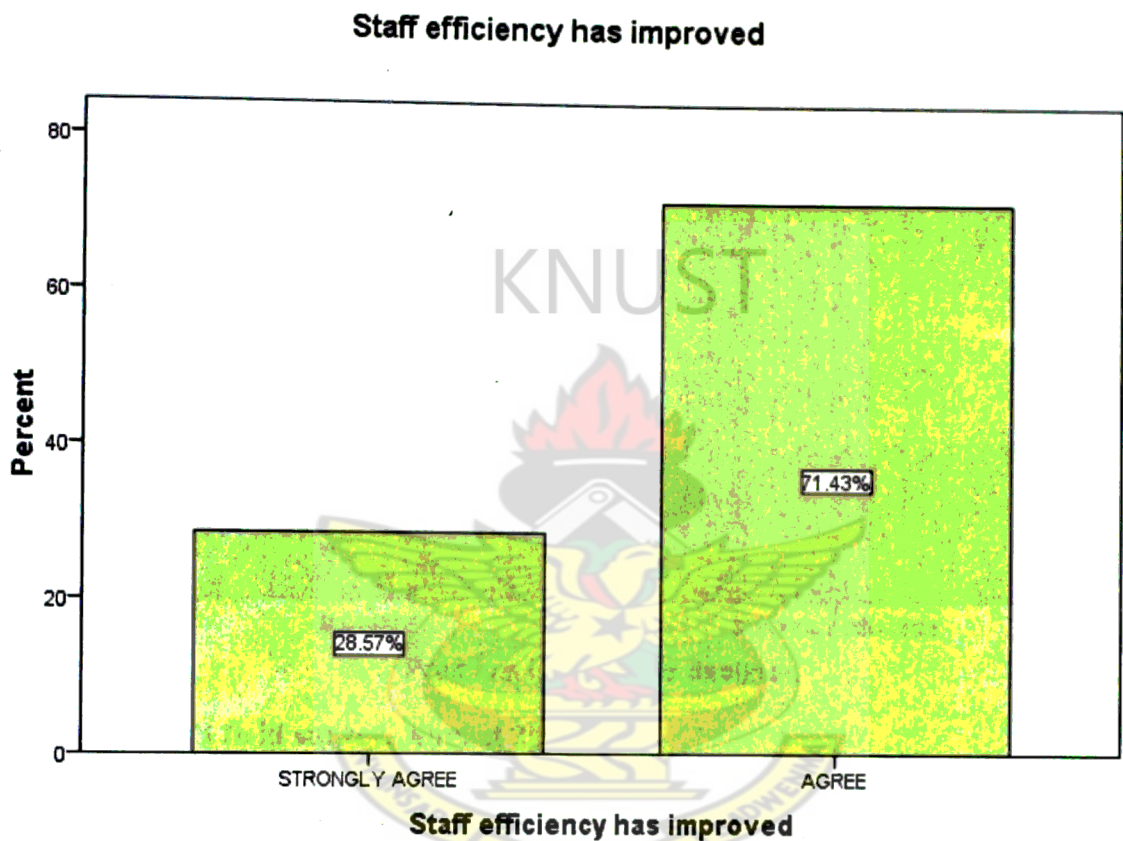
Twenty (57%) of the respondents said the new life companies established out of the composite companies were wholly owned by the parent companies. Fifteen representing 43% said the new companies were owned by both parent companies and other share holders.



**4.5 Benefits of the separation to the Ghanaian economy**

**4.5.1 Benefits of the separation to non life insurers**

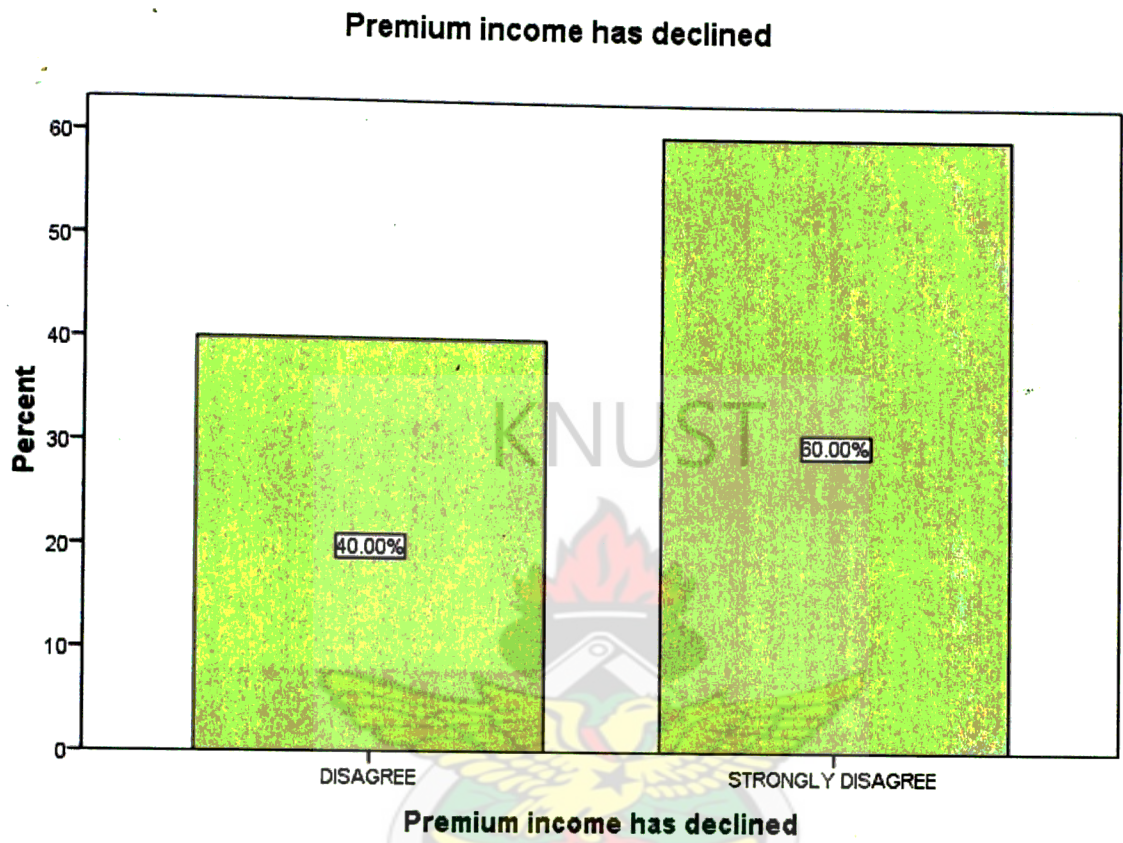
**4.5.1.1 Figure 13: Improvement of staff efficiency**



**Source: (Author’s field survey, August 2009)**

In a question to ascertain whether staff efficiency has improved after the separation, ten (29%) of the respondents strongly agreed. The remaining twenty five (71%) also agreed.

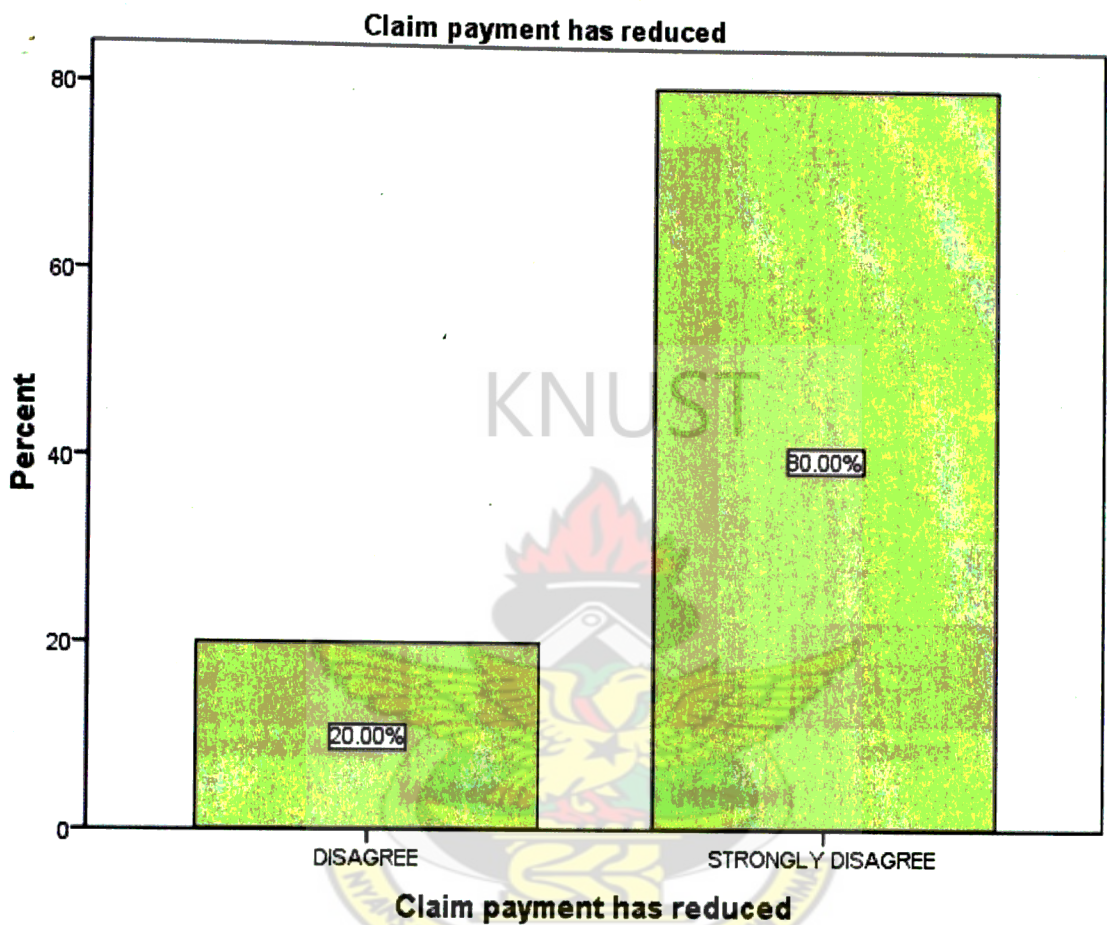
4.5.1.2 Figure 14: Declining Premium Income



Source: (Author’s field survey, August 2009)

Another question to find out whether premium income has declined after the separation, 14 (40%) of the respondents disagreed while a further 21 (60%) strongly disagreed.

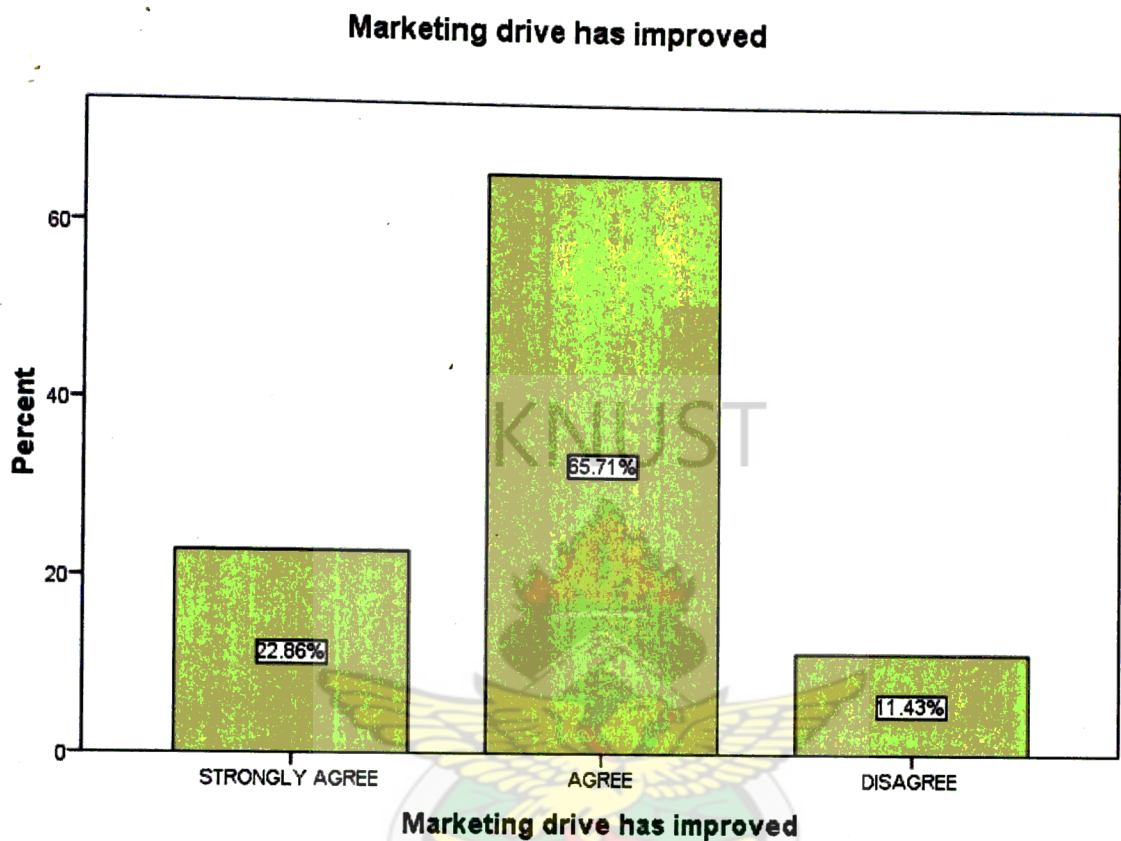
4.5.1.3 Figure 15: Reducing Claim Payment



Source: (Author’s field survey, August 2009)

Twenty eight (80%) of the respondents strongly disagreed with the assertion that claim payment might have reduced after the separation with seven (20%) also disagreeing to that suggestion.

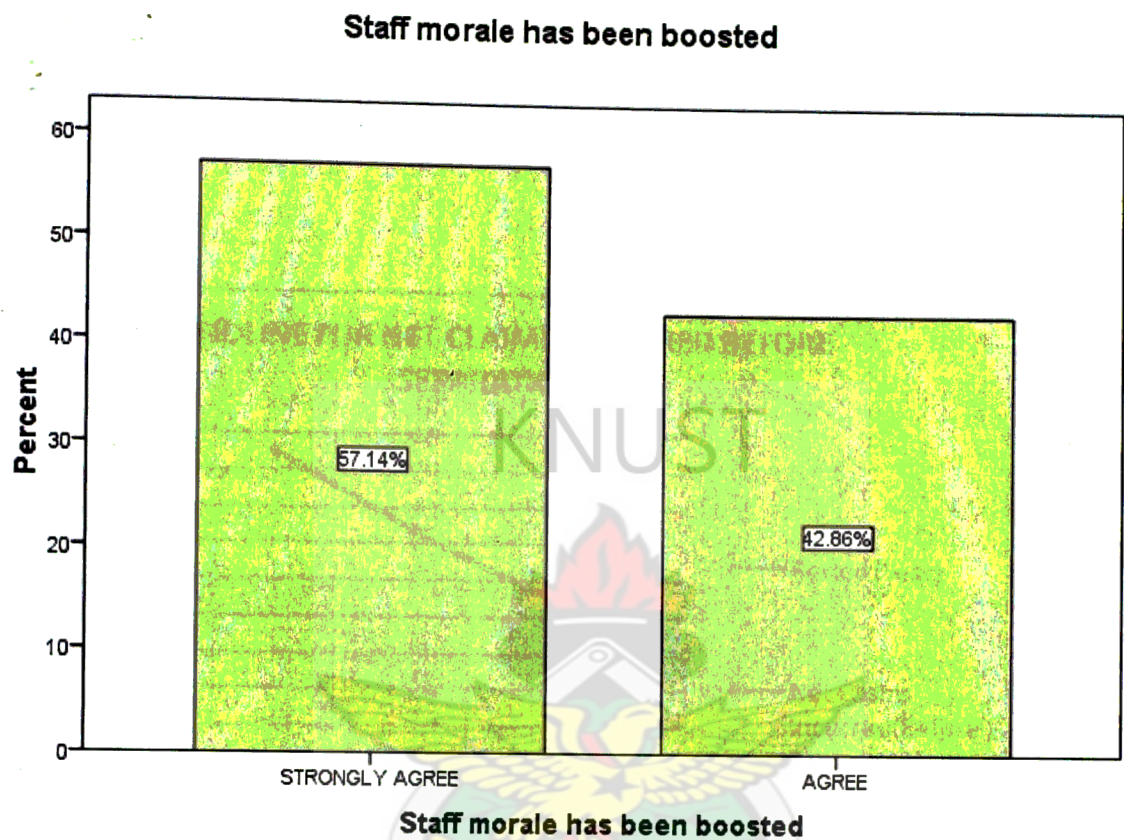
4.5.1.4 Figure 16: Improvements in Marketing Drive



Source: (Author’s field survey, August 2009)

Eight (23%) of the respondents strongly agreed marketing drive has improved after the separation with twenty three (66%) also agreeing to this claim, however, four (11%) of the respondents disagreed with this suggestion.

4.5.1.5 Figure 17: Boost in Staff morale



Source: (Author’s field survey, August 2009)

Twenty (57%) of the respondents strongly agreed that staff morale has been boosted after the separation with fifteen (43%) also agreeing to that conception.



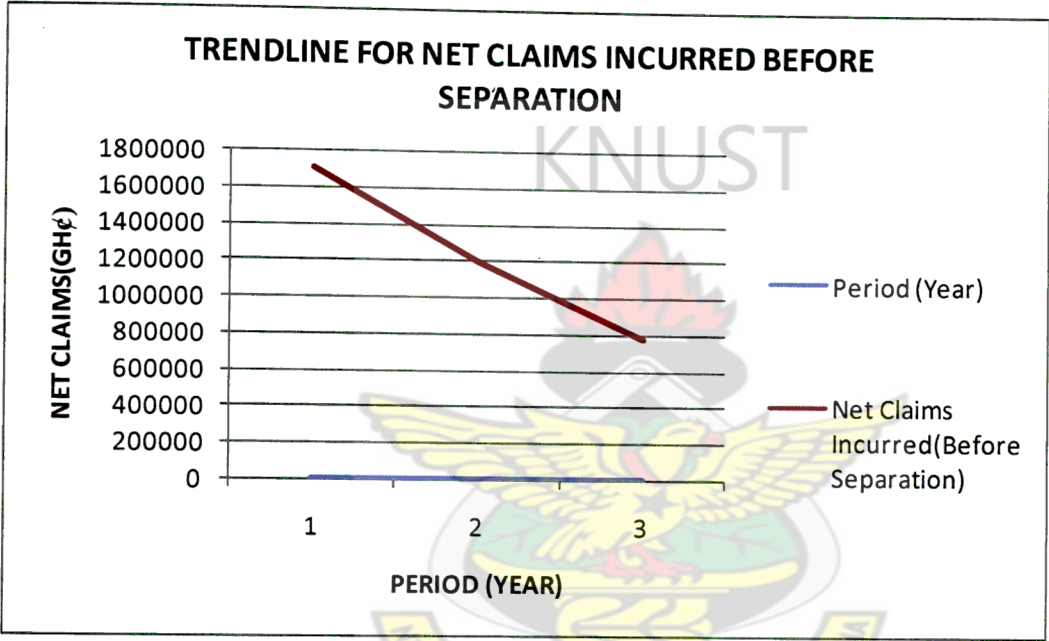
4.6 Effect of the separation on the quantum of claims

4.6.1 Table 4

Net Claims Incurred on Non Life Insurance Before Separation

Period (Year)	2003	2004	2005
Net Claims Incurred( GH¢)	1,704,790	1,191,360	777,556

4.6.2 Figure 18



Source: (Study Results, September 2009)

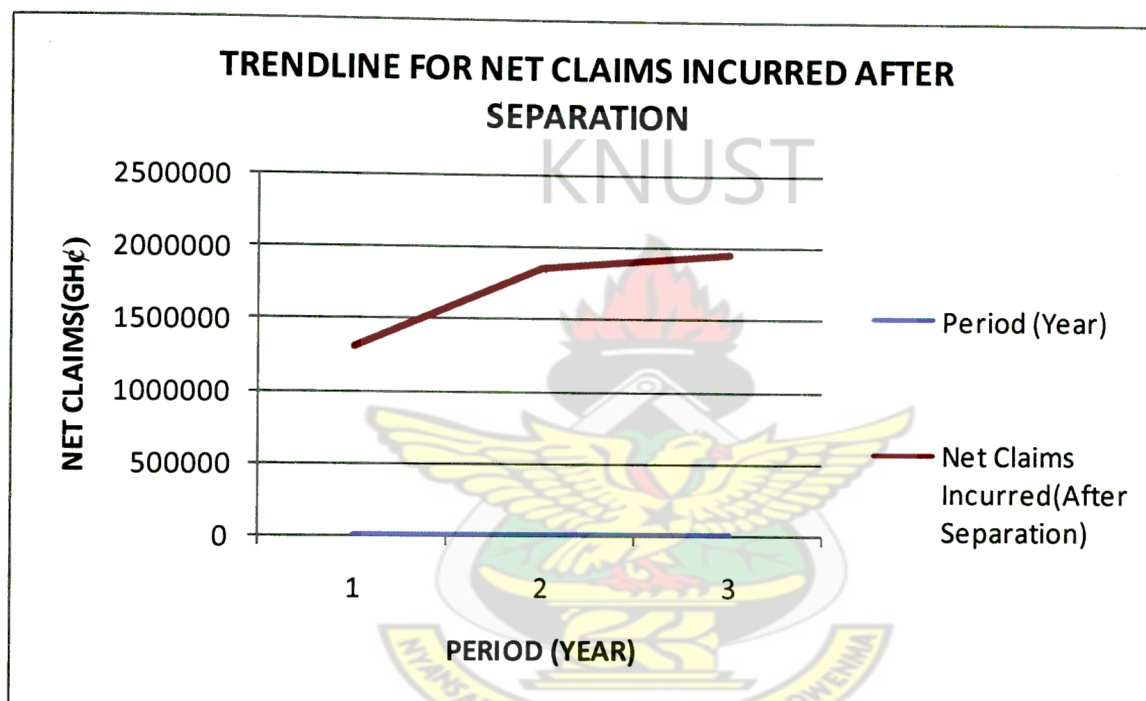
From table 4 and figure 18, it could be observed that prior to the separation, Metropolitan Insurance showed a steady decline in net claims incurred of GH¢1,704,790 GH¢1,191,360 and GH¢777,556 for the years 2003,2004 and 2005 respectively. This is clear evidence that the net claim incurred declined by 30% in 2004 and 35% in 2005. As shown on table 5, the trend began to change in 2006 when Metropolitan Insurance, a composite company separated its life business unit.

#### 4.6.3 Table 5

**Net Claims Incurred on Non Life Insurance After Separation**

Period (Year)	2006	2007	2008
Net Claims Incurred( GH¢)	1,302,581	1,858,978	1,965,890

#### 4.6.4 Figure 19



Source: (Study Results, September 2009)

From table 5 and figure 19, beyond 2005, the net claim incurred began to rise from GH¢1,305,581 in 2006, the year Metropolitan Insurance separated its composite business, at a rate of 68%. However, from 2006 onwards the net claim incurred began to rise at a decreasing rate from GH¢1,858,978 and GH¢1,965,890 in 2007 and 2008 respectively. This trend represents a decreasing rate of 43% and 5% for 2007 and 2008 respectively.

This particular analysis is significant since the study has unveiled that the net claims incurred rose significantly in the year the company separated its life business but began to increase at a decreasing rate.

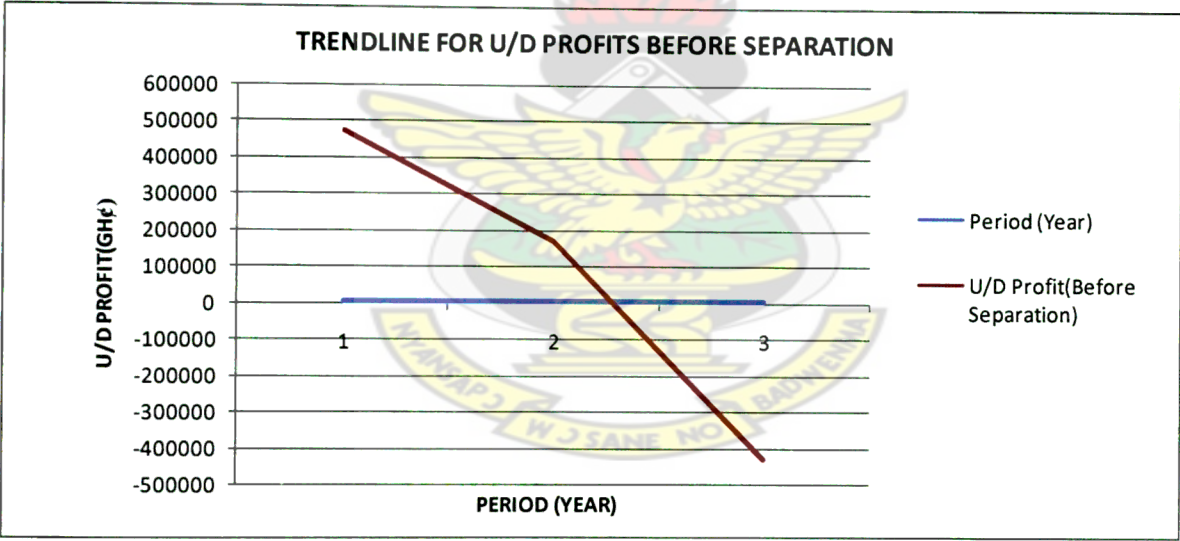
4.7 Effect of the separation on underwriting profit of non life insurance

4.7.1 Table 6

Underwriting Profits on Non Life Insurance Before Separation

Period (Year)	2003	2004	2005
U/D Profits( GH¢)	475,405	171,430	(432,286)

4.7.2 Figure 20



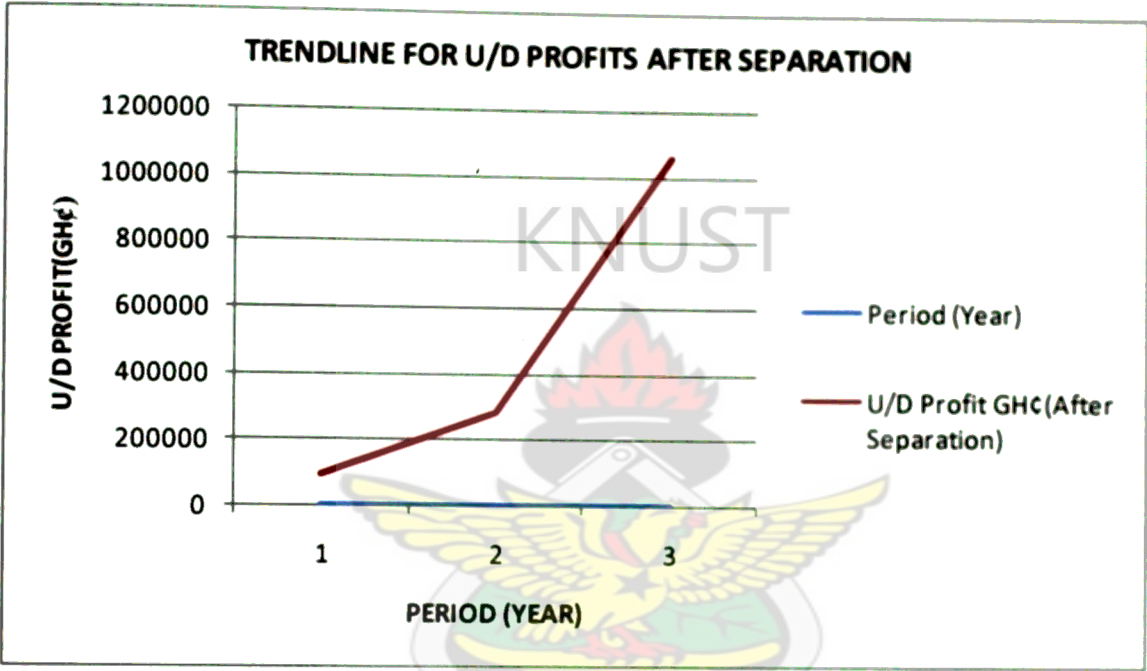
Source: (Study Results, September 2009)

As shown in table 6 and figure 20 underwriting profit of Metropolitan Insurance Company before the separation were GH¢475,405, GH¢171,430 and GH¢(432,286) in 2003, 2004 and 2005 respectively. This underwriting profit shows a rate of decline of 64% and 352% in 2004 and 2005 respectively.

4.7.3 Table 7

Underwriting Profits on Non Life Insurance After Separation			
Period (Year)	2006	2007	2008
U/D Profits( GH¢)	90,976	279,005	1,062,363

4.7.4 Figure 21



Source: (Study Results, September 2009)

From table 7 and figure 21, beyond 2005, the underwriting profit began to rise from GH¢(432,286) to GH¢90,976 in 2006, the year Metropolitan Insurance separated its composite business, at a rate of 121%. However, from 2006 onwards the underwriting profit began to rise at an increasing rate from GH¢90,976 to GH¢279,005 and GH¢1,062,363 in 2007 and 2008 respectively. This trend represents an increasing rate of 206% and 280% for 2007 and 2008 respectively.

This particular analysis is also very significant since the study has unveiled clearly that the underwriting profit showed a significantly rise in the year the company separated its life business continued to increase.

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## CHAPTER FIVE

### Summary of Findings, Recommendations, and Conclusion

#### 5.0 Introduction

This chapter summarises and concludes the study by finally making recommendations to players in the industry as well as the regulator. It basically touches on issues concerning the implications of the separation aspect of the regulation.

#### 5.1 Summary of findings

The researcher found that, out of the fifteen composite companies that existed before the enactment of the law, twelve of them actually survived the separation process and are currently operating non life insurance businesses. Benefits General Insurance Company was bought by Regency Alliance and the life went to Capital Express, a specialist life underwriter all coming from Nigeria. Beacon Insurance Company has also been taken over by new investors. Network Assurance Company also sold off 60% shares of its general business portfolio to IGI, a new entrant from Nigeria.

Again, it was realized that the number of non life insurance companies had increased from fifteen to twenty while the purely life insurance companies have also increased in number from three to seventeen. The number of brokerage firm has also increased from thirty two to thirty nine.

Also the researcher saw that foreign participation in the industry is growing with Nigeria and South Africa taking the lead.

## **5.2 Motivation for the separation**

Majority of the composite companies separated by the date given by the regulator, just to meet the requirement of the law, however, a few of the companies had earlier seen the separation as a corporate strategy to expand and grow and had done that by themselves. These were of the view that the separation would allow effective management and operational efficiency and consequently increase shareholder value.

From the views of the regulator, the separation would help provide effective monitoring to ensure compliance to accounting reporting standards to protect stakeholders against insolvency. The expansion of the industry to exploit the vast potential of the industry was also a major motivating factor.

## **5.3 Challenges of the separation**

The research identified a number of challenges the companies had to go through during the separation.

### **5.3.1 Renting of office Space**

All the composite companies operated both life and non life business under the same roof with sometimes only the head office separated from the life head office. The researcher discovered that most of the offices were taken over by the non life company, however, some of the offices were taken over by the life company after the separation,. This necessitated the renting of new offices in areas where the non life company was interested in operating. This was a huge drain on their annual budgets and as a result,

most of the companies still operate both businesses in the same office in some of their branches even though the law disallows that.

### **5.3.2 Minimum Capital Requirement**

The minimum capital required for operation as an insurer in the country was raised to \$1M as part of measures put in place to safeguard policy holders. All insurance companies were mandated to meet this requirement. Raising funds to meet this requirement for both non life and life insurance companies was a great challenge for all the companies, resulting in the distortion of their cash flow figures.

### **5.3.3 Asset Acquisition**

The study found that, apart from the office space used by the composite company that had to be taken over by either of the two companies, most physical assets like vehicles, office equipments, computers and other valuables had to be replaced because some had been taken over by the life insurance company. The companies had to do that from their resources and this affected their financial positions.

### **5.3.4 Employee Issues**

Placing staff to either of the companies was a difficult task for management of the composite companies. The study identified that there was no clear criteria for assigning staff to the resultant two companies. While some maintained that staff performance was more relevant in the placing, others suggested professional qualification, level of education and other said job schedule.

The researcher saw that some staff resigned after the separation citing a number of reasons among which included their unhappiness at where they found themselves. The companies had to quickly employ more people to continue delivering services to their clients. A lot of technical brains had to be “pouched” to fill the vacancies created. The remuneration packages for these people usually went beyond the existing scales resulting in huge financial burdens to these companies. The old staff also began agitating for better condition of service. Most companies had to increase their monthly budget on remunerations.

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#### **5.3.5 Investors**

From the interviews, it became clear that identifying interested parties to invest in the new life insurance companies was phenomenal task for most of the companies. Some of the people interviewed intimated that the liability attributable to the life sub unit was staggering and as such their books had to be cleaned to attract serious investments. A lot of capital injection had to go into the life business unit before it could attract investors. In clearing some of the liabilities in order to make the unit attractive, a lot of funds were mobilized for the purpose.

#### **5.4 Source of funding of the separation**

Two main sources of funding of the separation were identified in the study. These were internally generated funds and external funds. Most of the new life companies were established by their parent companies with their retained earnings.

The researcher learned that the other source of funding for the separation was external equity financing. Apart from Enterprise Insurance and SIC Insurance companies that are listed on the Ghana Stock Exchange, almost all the other companies that used equity funds sourced it through private placement. Metropolitan Insurance and Enterprise Insurance also entered into partnership agreements with multinational companies with head offices in South Africa to establish their life insurance.

### **5.5 Effects of separation on quantum of claim**

The study showed that before the separation, the net claims incurred of Metropolitan Insurance Company showed a downward trend, however, it began to rise sharply before rising steadily.

### **5.6 Effects of separation on underwriting profit**

It was identified that underwriting profit of Metropolitan Insurance Company showed a downward trend and even became negative before the separation. However, it also began to rise steadily and then sharply.

### **5.7 Benefits of the Separation to the Ghanaian Economy**

From the interviews and interactions with players in the industry, the researcher identified the following as the benefits of the separation to the economy.



### **5.7.1 Employment**

The separation of the twelve composite insurers has created twelve more life insurers who have employed a similar number of staff to what the composite company employed. Most of the non life companies have also employed more staff to augment their staff strength. In addition, a lot of people are currently engaged as sales representatives of these companies. Many of the top executives of the life companies got their current positions because of the separation. Again, the industry has become attractive to the global industry and more foreign firms have joined, creating employment to a lot of Ghanaians.

### **5.7.2 Mobilisation of premiums**

The life companies created as a result of the separation is contributing a great deal to the economy. They have been aggressive at rolling out innovative investment products that are taking surplus funds from the public as premiums. The researcher also found out that the marketing drive of the non life companies has improved. This is generating more premium income from the public. The economy stands to gain since all the accumulated premiums will find their way into various forms of investments.

### **5.7.3 Tax revenue**

The number of insurers available to pay corporate tax to the government has grown tremendously by the enactment of the law. The payment of income tax by the numerous people employed by the companies also contributes additional tax revenue to the country.

#### **5.7.4 Foreign investments**

As a direct result of the investment climate in the country and the regulation of the industry, more foreign insurers have gained confidence to invest in the country. The entry of foreign insurers has injected a lot of capital into the economy. The attractiveness of the industry to multinational insurers has brought a lot of foreign capital into the economy to contribute to economic growth.

#### **5.7.5 Competition**

The separation has created more insurance companies in the country and has eliminated the monopoly enjoyed by a few companies. This has thrown a great challenge to the existing companies who now have to deliver quality service in order to retain and attract more clients. The numbers of companies coupled with the fact that insurance culture in the country is not developed, has put more pressure on insurers to deliver on their promise to be able to meet the competition for the few formal worker groups. The delivery of innovative and customer focused policies is bringing confidence in the policy holders and people are increasingly becoming aware of the need to protect property by insuring. With more risks transferred to the insurance companies, individuals can go about their business fully assured that their losses would be compensated for.

#### **5.7.6 Capacity to settle claims**

The new regulation has recapitalized the industry and has increased the capacity of players in the industry to take on more risks. Policy holders are now assured of the strength of their insurers to indemnify them in the event of losses.

## 5.9 Recommendations

Given the information gathered in this project, the researcher proposes the following recommendations for the industry.

As a way of ensuring health rivalry among the insurance companies, the regulator (NIC) should ensure that the competition does not lead to the compromise of underwriting standards by the insurance companies so that undercutting of premium to gain business would be avoided.

The study revealed that more foreign insurance companies are joining the industry. It is therefore recommended that the activities of these foreign entrants should be monitored closely by the regulators so that the benefits accrued to the separation would be enjoyed by the nation.

Since most of the insurance companies separated to meet the requirement of the law, the recommendation is that the insurance companies should be educated to consider the separation as a strategy for growth and expansion and concentrate on areas of their core competence to expand the industry.

To forestall the issue of staff inefficiency, management of these companies should ensure the recruitment of staff of professional competence and quality to deliver quality services to the policy holders

There is still the issue of severance award lingering in the minds of some of the staff of the composite company. Most of the employees were of the view that since their appointments technically ended with the composite company, they should be granted severance award. This has become contentious considering the fact that some of the employees who joined the life insurance companies had to sign new employment

contracts. The recommendation is that the authorities should make a formal statement on it to prevent any agitation from staff of the insurance companies.

It is also recommended that non life insurance companies adopt good underwriting standards to bring unto their portfolio quality businesses to reduce the incidence of claim payment whiles considering other items on their balance sheet that affect underwriting profit.

Finally, the researcher wishes to recommend that future studies explore the effect of the separation on life insurance companies.

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## **5.8 Conclusions**

The following were the findings the researcher identified at the end of the project.

All the composite insurance companies that existed before the enactment of the law have separated their operations. While a few of the companies did it before the law was adopted for strategic reasons, majority of the companies did it at the instance of the law.

The researcher found out that during the separation, staff of the composite company were placed into either life or non life insurance company based predominantly on their job schedule. Some of the staff resigned after the exercise and many more had to be engaged to keep the new non life company in operation.

None of the composite companies had since paid severance award to staff that were placed in the new life insurance company.

Again, the study identified that the non life insurance took over most of the offices where the composite insurance was carried out and the number of branch offices of the companies had increased after the division.

The study further revealed that more investors have entered the insurance industry, especially, from South Africa and Nigeria.

The study has revealed that the separation has not caused a decline in the quantum of claim paid by Metropolitan but it has rather increased. However, the underwriting profit is growing. The separation has brought a lot of benefits to the individual companies as well as the Ghanaian economy.





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## APPENDIX 1

### QUESTIONNAIRE

#### KNUST SCHOOL OF BUSINESS

#### DEPARTMENT OF BANKING AND FINANCE

This questionnaire is for academic purposes and any information given will be treated confidential

Instruction: Kindly tick or write in the spaces provided where necessary and appropriate.

Representatives of Non-life Insurance Companies

#### Section A: Personal Data

1. Gender {1} ☐ Male {2} ☐ Female
2. Age {1} ☐ 20-29 {2} ☐ 30 - 39 {3} ☐ 40 – 49 {4} ☐ >50
3. Educational background {1} ☐ Cert/Dip {2} ☐ HND {3} ☐ Degree {4} ☐ Others
4. Years spent in the Organization {1} ☐ 1- 5 {2} ☐ 6 – 10 {3} ☐ 11-15 {4} ☐ >15
5. Position in the organization .....

#### Section B: Organizational Data

1. Have you separated the life insurance from the non-life insurance?  
{1} ☐ Yes {2} ☐ No

2. When did you separate?

{1} \_\_ Before the law {2} \_\_ After the law

3. How long have you operated the non-life business unit separately?

{1} \_\_ 1 -3yrs {2} \_\_ 4 – 6yrs {3} \_\_ 7- 9yrs {4} \_\_ above 10yrs

4. What was the staff strength before the separation? .....

5. What is the current staff strength? .....

6. What percentage was in the composite company?

{1} \_\_ 0 -25% {2} \_\_ 26 – 50% {3} \_\_ 51- 75% {4} \_\_ 76 – 100%

Criteria for placing staff into either life or non life company

(Choose between 1 and 4, 1 – Most relevant, 2 – More relevant, 3 – Relevant, 4 – Less relevant)

	{1} __	{2} __	{3} __	{4} __
7. Educational level	[ ]	[ ]	[ ]	[ ]
8. Professional qualification	[ ]	[ ]	[ ]	[ ]
9. Number of years served	[ ]	[ ]	[ ]	[ ]
10. Staff performance	[ ]	[ ]	[ ]	[ ]
11. Job schedule	[ ]	[ ]	[ ]	[ ]

12. Did some of the staff from the composite company resign after the separation?

{1} \_\_ Yes {2} \_\_ No

13. If yes, what were the reasons?

{1} \_\_ Personal {2} \_\_ Better opportunities {3} \_\_ Unhappy with placing

{4} \_\_ Other reason

14. Did you employ more staff after the separation?

{1} \_\_ Yes {2} \_\_ No

15. How many branch offices did you operate before the separation?

{1} \_\_ 1- 5 {2} \_\_ 6 – 10 {3} \_\_ 11 - 15 {4} \_\_ above 15

16. Were you operating both life and non life businesses in the same offices?

{1} \_\_ Yes {2} \_\_ No

17. If no, how many offices operated separate non life business?

{1} \_\_ {2} \_\_ {3} \_\_ {4} \_\_ none

18. Which business unit took over most of the offices?

{1} \_\_ Life {2} \_\_ Non life

19. How many offices do you operate currently?

{1} \_\_ 1- 5 {2} \_\_ 6 – 10 {3} \_\_ 11 - 15 {4} \_\_ above 15

20. What reason can you give for your separation?

{1} \_\_ Operational efficiency {2} \_\_ New Insurance Law {3} \_\_ Growth

{4} \_\_ Other reasons

. If other reasons, state them.....

21. Did you have to pay severance award to staff that were placed in the life insurance?

{1} \_\_ Yes {2} \_\_ No

22. What is the share holding structure of your life company?

{1} \_\_ Wholly parent owned {2} \_\_ Parent and other shareholders

In your assessment, indicate the extent of your agreement to the following statements

(Choose between 1 and 4, 1 – Strongly agree, 2 – Agree, 3 – Disagree, 4 – Strongly disagree)



	{1}__	{2}__	{3}__	{4}
23. Staff efficiency has improved	[ ]	[ ]	[ ]	[ ]
24. Premium income has declined	[ ]	[ ]	[ ]	[ ]
25. Claim payment has reduced	[ ]	[ ]	[ ]	[ ]
26. Marketing drive has improved	[ ]	[ ]	[ ]	[ ]
27. Staff morale has been boosted	[ ]	[ ]	[ ]	[ ]

## QUESTIONS GUIDE FOR INTERVIEW

1. What reasons can you give for separating life insurance from your business units?
2. How did you raise the capital to finance the separation?
3. Did you have to pay severance award to staff that were placed in the life insurance?
3. What is the share holding structure of your company?
4. What challenges did you encounter during the separation?
5. What is your general comment on the benefits of the separation to the Ghanaian economy?

**Metropolitan Insurance Company Limited**  
**Financial statements for the years ended 31 December 2003 - 2008**  
All amounts are expressed in Ghana cedis

	PERIOD					
	2003	2004	2005	2006	2007	2008
Gross premium	8,391,718.00	7,311,141.50	9,185,538.60	10,950,999.10	12,556,397.00	15,116,792.00
Less: Reinsurance	3,785,922.90	4,756,033.10	5,830,034.50	7,531,744.50	7,278,504.00	7,732,267.00
Net premium written	4,605,795.10	7,311,141.50	9,185,538.60	10,950,999.10	5,277,893.00	7,384,525.00
Unearned premium b/f		4,756,033.10	5,830,034.50	7,531,744.50	1,546,041.00	2,381,700.00
Unearned premium c/f		7,311,141.50	9,185,538.60	10,950,999.10	2,381,700.00	3,349,283.00
Change in unearned premium	591,844.00	4,756,033.10	5,830,034.50	7,531,744.50	835,659.00	967,583.00
Earned premium	4,013,951.10	7,311,141.50	9,185,538.60	10,950,999.10	4,442,234.00	6,416,942.00
Commission receivable		4,756,033.10	5,830,034.50	7,531,744.50	1,521,855.00	1,720,916.00
Commission payable		7,311,141.50	9,185,538.60	10,950,999.10	1,250,633.00	1,757,970.00
Net Commission	30,650.80	4,756,033.10	5,830,034.50	7,531,744.50	271,222.00	37,054.00
Gross claims paid		7,311,141.50	9,185,538.60	10,950,999.10	3,577,724.00	5,435,070.00
Reinsurance recoveries and salvage		4,756,033.10	5,830,034.50	7,531,744.50	2,119,827.00	3,854,461.00
Net claims paid		7,311,141.50	9,185,538.60	10,950,999.10	1,457,897.00	1,580,609.00
Provision for claims outstanding b/f		4,756,033.10	5,830,034.50	7,531,744.50	1,074,800.00	1,475,881.00
Provision for claims outstanding c/d		7,311,141.50	9,185,538.60	10,950,999.10	1,475,881.00	1,861,162.00
Net provision for claims		4,756,033.10	5,830,034.50	7,531,744.50	401,081.00	385,281.00
Net claims incurred	1,704,789.70	7,311,141.50	9,185,538.60	10,950,999.10	1,858,978.00	1,965,890.00
Underwriting results		4,756,033.10	5,830,034.50	7,531,744.50	2,854,478.00	4,413,998.00
Management expenses		7,311,141.50	9,185,538.60	10,950,999.10	2,575,473.00	3,351,635.00
Underwriting profits	475,404.80	4,756,033.10	5,830,034.50	7,531,744.50	279,005.00	1,062,363.00

## **LIST OF NON LIFE INSURANCE COMPANIES**

1. CDH Insurance Company Limited
2. Donewell Insurance Company Limited
3. Enterprise Insurance Company Limited
4. Ghana Union Assurance Company Limited
5. Metropolitan Insurance Company Limited
6. Phoenix Insurance Company Limited
7. Provident Insurance Company Limited
8. Quality Insurance Company Limited
9. Star Insurance Company Limited
10. Unique Insurance Company Limited
11. SIC Insurance Company Limited
12. Global Alliance Company Limited
13. Vanguard Insurance Company Limited
14. Activa Insurance Company Limited
15. International Energy Insurance Limited
16. Industrial and General Insurance Ghana Limited
17. Intercontinental Wapic Insurance Ghana Limited
18. Prime Insurance Company Limited
19. Glico General Insurance Company Limited
20. Regency Alliance Insurance Ghana Limited

## **LIST OF LIFE INSURANCE COMPANIES**

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