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My Ref No

OP/COA/050/01



REPUBLIC OF GHANA

OFFICE OF THE PRESIDENT
FLAGSTAFF HOUSE
ACCRA
TEL 0302-201000

21st February, 2014

Your Ref No

ALL MINISTERS

**RE: PURCHASE AND RENEWAL OF INSURANCE COVER
IN THE COURSE OF GOVERNMENT BUSINESS**

His Excellency President John Dramani Mahama has directed that MDAs suspend, with immediate effect, the implementation of a directive dated December 9th, 2013 (Ref OPS 182/2Vol.1/13/2469) with regards to the above subject.

After meeting with stakeholders in the Insurance Sector, Government has decided to suspend the earlier directive noted above. The suspension is to enable Government to consider a petition to His Excellency by the Private Insurance Industry.

In the interim, MDAs can buy or renew insurance cover in the course of government business from State or Private owned insurance companies as long as they can demonstrate value for money.

PROSPER D. K. BANI
Chief Of Staff

cc: H.E. The Vice President
Flagstaff House

Executive Secretary to the President
Flagstaff House



SIC INSURANCE COMPANY LIMITED

Our Ref: SMD/AD/01/2014

Date: January 8, 2014

Dear Sir,

RENEWAL OF INSURANCE POLICIES
GOVERNMENT DIRECTIVE

On behalf of the Board, Management and staff of SIC Insurance, we wish you and your team the very best of the year 2014.

Pursuant to the Directive (attached) from the EXECUTIVE SECRETARY TO THE PRESIDENT, we kindly write to confirm that SIC Company Limited is the only wholly or partially owned insurance company by the State.

In this regard, we write to request your outfit to furnish us with all your insurance details for urgent insurance audit (at no cost to your organization) for professional and technical advice.

Meanwhile we also wish to request for the renewal schedule of your existing businesses to enable us hold your interests covered appropriately to avert any lapse in cover.

We wish to assure you of our speedy and dedicated services through our SIC @ your door relationship officers.

The SIC @ your door unit is now solely dedicated to you and will be responsible to attend to all your insurance needs in order to avert any delay in your claims payment.

RING ROAD WEST OFFICE
P. O. Box 2363, Accra, Ghana
Tel: (0302) 228222, 228667, 250341, 2, 228662
TOLL-FREE: 048143, 241078, 213225
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E-mail: info@sicgh.com
Web site: www.sicgh.com

Handwritten signature and date: 21/1/14



OFFICE OF THE PRESIDENT
FLAGSTAFF HOUSE
ACCRA



OFFICE OF THE PRESIDENT
FLAGSTAFF HOUSE
ACCRA
TE: 0302-297000

REPUBLIC OF GHANA

9TH DECEMBER, 2013

**PURCHASE AND RENEWAL OF INSURANCE COVER
IN THE COURSE OF GOVERNMENT BUSINESS**

His Excellency President John Dramani Mahama has directed that, with immediate effect, all Ministries, Departments and Agencies (MDAs) should purchase or renew insurance cover required in the course of government business solely from insurance companies wholly or partially owned by the state.

2. Any Ministry, Department or Agency which has cause to do otherwise must first of all obtain the requisite permission before doing so.
3. I would be grateful if all Ministers could ensure that Departments and Agencies under the jurisdiction of their Ministries comply strictly with this directive.
4. I count on your cooperation in this matter.

**DR. RAYMOND A. ATUGUBA
EXECUTIVE SECRETARY TO THE PRESIDENT**

**ALL MINISTERS,
GOVERNMENT OF GHANA.**

cc: H.E. The Vice President,
Flagstaff House.

The Chief of Staff,
Flagstaff House.



GHANA INSURERS ASSOCIATION

No. 248/9 Kanda - Sunyani Avenue (Adjacent Club 10 Hotel Ltd.)
P. O. Box GPO 13930 Accra. Tel: 0302 - 251092-3 / 0307032080 Fax: 0302 - 251091

24th January, 2014

His Excellency,
The President of the Republic of Ghana
FLAGSTAFF HOUSE
Accra.

Your Excellency,

RE: PETITION TO REVERSE DIRECTIVE ON THE PURCHASE AND RENEWAL OF INSURANCE COVER IN THE COURSE OF GOVERNMENT BUSINESS

1. INTRODUCTION

Your Excellency, this petition respectfully, is a follow-up to our letter to His Excellency dated 21st December, 2013 in response to the directive from your august office regarding the purchase and renewal of insurance cover in the course of Government business.

On 9th December 2013, a directive from your high office with Reference Number OPS/82/2 Vol.1/13/2469 was issued and signed by Dr. Raymond A. Atuguba, the Executive Secretary of the President titled, **“Purchase and Renewal of Insurance Cover in the Course of Government Business”**. The said directive seeks to restrict the purchase and renewal of insurance by all Ministries, Departments and Agencies (MDAs) **“solely from insurance companies, wholly or partially owned by the state”**.

Since the issuance of this directive from your high office, the Ghana Insurers Association (GIA) has received numerous concerns and complaints expressed by our members and key stakeholders in the Ghanaian Insurance Industry and the private sector. Your Excellency, at this stage, we have found it expedient to submit a formal petition on this matter as a follow-up to our letter of December 9th 2013 which was an initial reaction to the said directive.

Your Excellency, currently there are only three companies in the insurance sector which are wholly or partially owned by the State. These are SIC Life Insurance Company (a direct underwriter of life insurance business), SIC Insurance Company (a direct underwriter of non-life or general insurance business) and Ghana Reinsurance Company (a reinsurance company – an insurer of insurers). Though this directive benefits only the two SIC companies, reference has also been made to Ghana Reinsurance Company (Ghana Re) when deemed necessary. SIC as used in this petition refers to the two entities carrying the SIC name.

2. BACKGROUND TO THE MONOPOLIES AND RATIONALE FOR THEIR ABOLITION

2.1 Monopoly of SIC and Ghana Re

The State Insurance Company (SIC) formerly known as State Insurance Corporation of Ghana was established in 1963. To strengthen its premium income and customer base and facilitate its rapid growth, the PNDC Government initiated a legal and regulatory process towards giving SIC exclusive right (monopoly) over the insurances of Ministries, Departments and Agencies.

DIRECTORS: Mr. Kwame-Gazo Agbenyadzie (President), Mr. C. C. Bruce, Mr. Kofi Duffuor, Mr. OlabodeOseni,
Mr. Gustav Siale, Mr. Steve Kyerematen, Mr. Aaron Issa Anafure, Mr. James Osabutey, Mr. Ivan Avereyireh
Mr. Atsu K. Menyawovor (Chief Executive Officer)

Your Excellency, in view of the foregoing, an amendment was made in the Ghanaian insurance laws and thus, Section 64 of the Insurance Law 1989, PNDC L227, required all Government agencies, statutory bodies or corporations in which Government owns more than 50% proprietary interest and all interests or properties of the Government to be insured with the State Insurance Corporation.

Similarly, the Ghana Re enjoyed monopoly through a compulsory cession provision in the Ghana Reinsurance Organisation Law 1984 (PNDC L169) which required that all insurance companies operating in Ghana should cede 20% of their general business to Ghana Re.

2.2 Rationale for Abolition of the Monopoly of SIC and Ghana Re

Your Excellency, several years after SIC had enjoyed this monopoly, the first NDC Government through a number of dialogue with various stakeholders (the insurance industry, the National Insurance Commission, SIC, Ghana Re, the World Bank, the private sector, etc.), started a process towards promoting a healthy and vibrant insurance industry through the abolition of the exclusive rights given to both SIC and Ghana Re.

The rationale for the then Government's resolve to abolish these exclusive rights were as follows:

- (a) To remove unfair competition
- (b) The laws on exclusive rights were found to be inconsistent with Government policy on promoting the private sector.
- (c) To encourage the private sector to invest in the insurance industry as part of Government's efforts to strengthen the insurance industry.
- (d) To rationalize the entire insurance industry, and
- (e) To encourage SIC and Ghana Re to operate as efficient and commercially viable business entities.

Your Excellency, these bold and commendable efforts in addition to the need for total reforms in the insurance sector culminated in the enactment of the Insurance Act, 2006, Act 724 which among others, repealed SIC's monopoly over Government's insurance business. This created the requisite level playing field for all market players, and paved way for a healthy, vibrant and competitive insurance market to the mutual benefit of all stakeholders including the insuring public, insurers, reinsurers, insurance brokers, insurance agents, Government of Ghana, employees in the insurance industry, etc.

Your Excellency, similarly, the legal (compulsory) cession which compelled all insurance companies operating in Ghana to cede 20% of their general business to Ghana Reinsurance Company was abolished in December, 2008. Sub-section 2 of Section 213 of the Insurance Act, 2006 states that, "**The Ghana Reinsurance Organisation Law 1984 (P.N.D.C. L 169) are hereby repealed**". This removal of Ghana Re's monopoly with effect from January 2009, has also promoted sound competition, efficiency and innovation in the Ghanaian insurance industry.

3. IMPLICATIONS OF THE DIRECTIVE FROM OFFICE OF THE PRESIDENT

Your Excellency, flowing from the facts presented in Section 2 of this petition, we wish to respectfully draw your attention to the implications of the directive under reference in order to facilitate your appreciation of the impact of this decision, and to provide sufficient and reasonable grounds for reversing the directive from your high office.

3.1 Wrong Signal to Stakeholders

Your Excellency, the positive initiatives taken by the first NDC Government to promote a vibrant insurance industry and encourage private sector investment in this industry have been amply articulated

in Section 2.2 of this petition. It is our humble opinion that, these highly commendable decisions on insurance sector reforms which commenced in the late 1990s and subsequently led to the repealing of the monopolies of SIC and Ghana Re in 2006, should not be overturned after they have impacted positively on the transformation of the insurance sector. In essence, though successive governments have played their respective roles to ensure a healthy Ghanaian insurance industry, the origin of this sector reforms laid a solid foundation for the transformation of the insurance industry. It is our humble opinion that reversing the gains from the reforms at this stage especially without the necessary amendments to the insurance law, will send the wrong signals to stakeholders.

Furthermore, this directive has been described by most industry practitioners and private investors as discrimination in the insurance sector in favour of a few companies partially or wholly owned by the State and that, it is at variance with the current Government's positive efforts at promoting a strong and healthy private sector. Your Excellency, on the strength of the facts presented in Section 2.2 and the preceding paragraph, it is our respectful opinion that there is the need to weigh these facts and concerns against your Government's positive resolve to promote a sound private sector.

3.2 Unfair Competition

Your Excellency, a major concern expressed by stakeholders within the insurance industry and the private sector is that, the directive from your high office will lead to unfair competition for the following reasons:

- a) MDAs will not have any choice to transact business with any insurance company of their choice. Thus, MDAs will not have the opportunity to protect their interest even if they receive poor service from SIC or any insurer wholly or partially owned by the State. In short, MDAs could be victims of poor services.
- b) This monopoly will give SIC the advantage of charging MDAs unfair premiums because no other insurer can offer competitive premium rates and discounts the MDAs.
- c) Such exclusive right will not give SIC the drive to introduce efficiency into its operations, and this could have serious effect in terms of poor claims settlement which will be detrimental to the smooth functioning of MDAs.
- d) Insurance brokers who have been rendering useful services to MDAs will also be disadvantaged because; (i) SIC can easily rely on the absence of competition to prevent or minimize the use of brokers; (ii) SIC can easily decide to pay brokers unattractive commissions and bonuses.
- e) The lack of competition will also have an adverse impact on innovation and customization of products and services to the unique needs of MDAs and their employees.

3.3 Effect on Innovation and Customisation of Insurance Products

Your Excellency, **innovation and customization of products** are major benefits that the insuring public (including MDAs) derive from insurance companies. Over the years, various private insurance companies have applied innovation and competitive positioning to enhance services rendered to MDAs and also to develop and modify insurance products unique to the needs and operational requirements of MDAs as well as the personal/family needs of their employees.

Your Excellency, the private insurance companies have, over the years, invested huge financial, material and human resources in innovation and product development for numerous MDAs and thus, transferring those businesses to SIC or any insurer wholly or partially owned by the State will be detrimental to the creative, costly and time-consuming efforts made by the private insurance companies in respect of innovation and product development.

3.4 Allegedly Usurping the Regulatory Functions of the NIC

It is being alleged within the insurance industry and sections of the private sector that, the Office of the President is usurping the regulatory functions of the National Insurance Commission. (NIC). This claim has emanated from **item 2** of the said directive from your high Office which states that, **“Any Ministry, Department or Agency which has cause to do otherwise must first of all obtain the requisite permission before doing so.”** Though the source for obtaining the permission was not defined in the directive under reference, it is being alleged that the permission is expected to be obtained from the Office of the President, and this, according to several analysts, will constitute usurpation of the powers of NIC. Furthermore, it is the opinion of most insurers that, the potential bureaucracy that may result from the process of obtaining permission could result in non-availability of insurance cover within specific periods and/or lapses in insurance cover - situations which could lead to property losses without insurance protection and repudiation of insurance claims as a result of lapsed insurance cover. Your Excellency, we wish to respectfully draw attention to the need to critically examine these implications so that sections of the public would not fault your high office for the possible litigation that may arise.

3.5 Socio-Economic Contributions by Private Insurers

The private insurance companies make significant socio-economic contributions which include the following among others: employment generation; payment of taxes; funding of operations of NIC through payment of fees and levies; contributions to employees’ retirement benefits (including social security fund), the National Road Safety Commission, the Motor Insurance Compensation Fund, the Fire Fund, the National Health Insurance Authority, etc. Your Excellency, as expressed by several analysts, this directive which is aimed at precluding private insurers from participating in the insurance transactions involving MDAs would have adverse socio-economic implications, and limit the growth of private insurance companies and the insurance industry as a whole.

3.6 Growth in SIC’s Market Shares at the Expense of Private Insurers

SIC Life Insurance and SIC Insurance Company have been the market leaders in both the life and general business portfolios respectively for several years. In 2012, SIC Life generated gross premium income of GHC100,301,526.00 representing 28.2% of the total life premiums generated by 18 life insurance companies. In the same year, SIC Insurance Company mobilised gross premium income of GHC109,965,628.00 representing 22.2% of the total gross premium income generated by 24 non-life (general business) insurance companies. These market shares still make SIC the leading insurance company in both life and general business portfolios.

Your Excellency, it is the professional opinion of most people in the insurance industry that, this directive will enhance the already high market shares of SIC at the expense of private insurance companies. Furthermore, it is the viewpoint of key industry analysts that, this directive is likely to lead to complacency on the part of state insurers – a situation which could rather be detrimental to the operations of the State insurers.

3.7 Effects on the Minimum Capital Requirements

As indicated in our letter of 21st December 2013, the National Insurance Commission is seeking to raise the current minimum capital requirement from the cedi equivalent of USD1million to the cedi equivalent of USD5million. Insurance businesses conducted with MDAs contribute to the enhancement of the capital base of both private and State-owned insurers. Your Excellency, as implied in our letter already referenced, the enforcement of this directive will thus, impact negatively on the private insurers’ ability to improve their capital base.

3.8 Unfair Treatment of Private Investors in the Insurance Industry

A lot of practitioners and analysts in the insurance industry and the private sector have expressed that, the enforcement of the directive from your august office will lead to unfair treatment of private individuals and/or corporate entities who have invested in, or wish to invest in, the operations of privately owned insurance companies.

SIC Insurance Company (the non-life or general business wing of SIC) is a public listed company whose shares are held by both local and foreign investors. Private individuals/entities own 60% while the Government of Ghana owns 40% of the shares. Similarly, private individuals/entities have invested (through acquisition of shares, etc.) in the operations of several private insurance companies in Ghana.

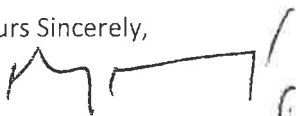
Your Excellency, in view of the facts presented in the preceding paragraph, it is being argued by numerous private sector analysts and practitioners in the insurance industry that, the directive from your august office favours private individuals/entities who have or will invest in SIC Insurance Company while it is damaging to the private individuals/entities who have or will invest in the private insurance companies.

4 CONCLUSION AND RECOMMENDATION

Your Excellency, in conclusion, a lot of concerns have been raised by our members, numerous stakeholders in the insurance industry and the private sector since this directive was issued from your august office on 9th December 2013. The numerous complaints we have received points towards the need to critically analyse the implications of the directive on the total survival and growth of the Ghanaian insurance industry. It is the respectful opinion of the majority of players in the insurance industry that this directive will not attract private investment in the industry and most importantly, the directive will cripple several insurance companies which are private entities and thus, create an adverse impact on the insurance industry as a whole. The issuance of this directive without the necessary amendment to the existing insurance law has also been raised by several analysts and players in the insurance industry. Accordingly, we wish to recommend that based on the facts and issues presented in this petition, you use your respected authority as the President of the Republic of Ghana to get this directive reversed to promote a healthy and vibrant Ghanaian insurance industry.

Your Excellency, with the utmost respect for your high office, we end our petition.

Yours Sincerely,



Kwame-Gazo Agbenyadzie
President – Ghana Insurers Association

cc: His Excellency, the Vice President of the Republic of Ghana

The Chief of Staff

The Honourable Minister of Finance and Economic Planning

The Honourable Minister of Trade and Industry

The Honourable Minister of State responsible for the Private Sector

The Honourable Minister of State at the Presidency responsible for Financial and Allied Institutions

The Commissioner of Insurance

The Chairman – Private Enterprises Federation

The President – Ghana Insurance Brokers Association.