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Thriving after the storm

Key considerations for moving your Insurance business from 'recovery' to 'thriving' amidst COVID-19, a new minimum capital requirement and a new Insurance Act (Act 1061)



In a bid to improve the robustness of the Insurance industry and enable it contribute tangibly to the socio-economic development of Ghana, the National Insurance Commission (NIC), the regulator, has revised upwards the Minimum Capital Requirements of all insurance entities.

Although this was announced before the onset of the COVID-19 pandemic in Ghana and was scheduled to take effect from 30 June 2021, the adverse impact of the pandemic on Insurance businesses led to a postponement of the effective date to 31 January 2022.

For both life and non-life Insurance companies, the new minimum capital requirement has been set at GHS 50 million, up from the current requirement of GHS 15 million. Although raising the additional capital alone can be challenging enough for Insurance companies, it is even more challenging to do so amidst the COVID-19 virus and its emerging variants.

Although the initial pandemic-induced storm that threatened to shut down entire economies appear to have been brought under some considerable amount of control, the virus is yet to be eliminated and the threat to businesses and economies still exist.

In Ghana, businesses in general have begun to recover from the onslaught of the virus, especially after devising ways of coping with the virus while continuing to do business. For most Insurance businesses, meeting the new minimum capital requirement is the immediate next step. However, to attract the needed capital, Insurance companies must demonstrate their ability to progress beyond the recovery phase to thriving amidst a virus that promises to stay around for a longer period than its hosts will appreciate.

Also, the President of the Republic of Ghana, on 5th January 2021, assented to a new Insurance Act, 2021 (Act 1061) which effectively repeals the old Insurance Act, 2006 (Act 724). The new Insurance Act now serves as the Legal Instrument for the regulation and supervision of the Insurance Market in Ghana. Amongst other things, the new Insurance Act affirms the mandate of the National Insurance Commission (NIC) as the regulator of Insurance business and practice in Ghana; provides guidance on the categories of Insurance licenses and rules governing the practice of Insurance in Ghana; and contains provisions detailing the supervisory control that the NIC has over Insurance practice and practitioners in Ghana.

To help insurers, this article outlines some of the key areas Insurance companies may want to focus on in a bid to demonstrate to capital providers their ability to progress beyond the recovery phase and to thrive going forward.



Key considerations for moving your Insurance business from 'recovery' to 'thriving' amidst the COVID-19 Virus



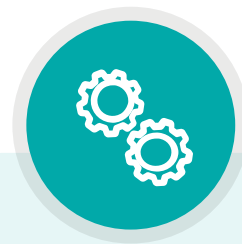
Drive Growth

- Understand how the current economy and its outlook will impact the existing in-force and new business premiums. **Identify new growth opportunities** (e.g., new segments, and partnerships), **innovate products** (e.g., parametric pandemic Insurance), and revisit and consider simplifying policy wordings.
- Go beyond the traditional Insurance offering (e.g., shift to services) to help existing and new customers. **Use transparency (e.g., on exclusions)** to drive customer knowledge and coverage.



Be active in industry activities

- Pro-actively engage with the Government and the industry. Support **a coordinated resolution and response to current and future pandemics** (e.g., shape new regulations, propose industry solutions, state-backed pandemic risk pools, etc.).
- Address, through the industry associations, public and government concerns on **how the industry is responding to COVID-19**. Ensure insurers and customers are treated fairly and that insurers get appropriate government support, where available.



Re-engineer internal systems and culture for the new normal

- **Be prepared for a longer-than-expected partial return to work**, where staff is disbursed across offices and working from home.
- **Break down silos**—by forming new physical and virtual cross-functional teams—to operate effectively.
- **Implement digital, AI/machine learning**, and other technologies to enable effective ways of working— for employees, customers, and brokers—while increasing operational resilience.



Reinvigorate the workforce

- **Co-create an employee experience** that promotes engagement, motivation and well-being (remotely and onsite) - rejuvenating the employer brand.
- **Build a truly digital culture** underpinned by the required skills and capabilities to succeed in the new normal.
- Enhance business **resilience and flexibility** and embed and sustain new ways of **working with workforce and workplace interventions**.



Provide customer support beyond traditional service

- Pivot from responding to customer and broker queries, to helping them through these challenging times. Focus on the social context of the situation and customer needs. **Provide non-traditional advice and support.**



Full implementation of IFRS 17 (June 2020 amendments)

- **Full application of IFRS**, in general, allows international capital providers to **place potential investee companies on comparable scales** for prudent investment decision purposes.
- After more than 1 clear year following the release of the Amendments to IFRS 17 in June 2020 by the International Accounting Standards Board (IASB), the capital markets will expect **Insurance businesses to have fully implemented the amendments** and any other relevant/applicable IFRS standards.

Invest in regulatory compliance

- With the new Insurance Act, 2021 (Act 1061) in full force, it is prudent that Insurance companies, practitioners and other players covered by the Act invest resources and time to acquaint themselves on the new provisions in the Act for purposes of avoiding regulatory breaches.
- The new Insurance Act, amongst other things, requires compliance to various provisions including **new capital adequacy ratio and prudential standards, terms of various categories of licenses** granted by the NIC and **rules regarding Insurance practice and activities of foreign insurers**.
- Regulatory breaches are likely to result in fines and sanctions that could lead to **loss of valuable resources, unnecessary obstruction to business and loss of credibility in the public's eyes**. Investing in systems and people to ensure regulatory compliance will optimize value in the long term.





Be market ready

- Insurance businesses must be ready to compete with other industries for the limited capital available in the market. **Having a well-thought-out business plan for utilizing the required capital** will be an advantage.
- **Independent valuation of your Insurance business** might give you a competitive advantage when pricing an equity transaction i.e., knowing the value of what you seek to sell is a must.
- **Pre-transaction self-review can be value-enhancing.** Commissioning an independent **operational and financial** review will not only help you **address key issues and protect value**; it may also **inform the most effective strategy** to attract the required capital.



How can Deloitte assist?

Capital Raising & M&A Advisory Services

Helping Insurance companies to raise additional capital to meet industry requirements and address Covid-19-induced shortfalls. We also assist Insurance companies embarking on an acquisition or a disposal strategy.

Business Valuation

Assisting Insurance companies with valuation services for purposes of pricing an equity transaction and/or for internal decision purposes.

Value Creation Services & Independent Business Reviews (IBRs)

We help Insurance companies to review current business models, internal processes and procedures with the objective of identifying inefficiencies and recommending solutions, to minimise or counter the impact of Covid-19 on the business. Our IBRs also helps in evaluating cases for additional funding from shareholders

Business Modelling

Scenario modelling to help assess the impact of COVID-19 on budgets and forecasts. We assist Insurance companies in the preparation of forecasts and set-up a comprehensive reporting system that allows them to assess the cash generation capacity of their operations.

Capital Management

We support Insurance companies to develop a capital optimisation tool for strategically allocating capital across sectors and business units to maximise return for each unit of risk undertaken.

Actuarial Valuation

We perform actuarial valuation of Insurance businesses for the purposes of establishing the reserves for Solvency and Financial Reporting. Our in-depth knowledge of IFRS 4 & 17 and experience in the preparation of Financial Condition Report help insurers to ascertain the true reflection of their Insurance business. Our valuation tools like Deloitte Accelerators and the Prophet Actuarial system provide and end-to-end actuarial support for Actuarial valuation.

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