TABLE OF CONTENTS

FOREWORD

THE NEW INSURANCE BILL

The Insurance Industry is currently being regulated under the Insurance Law, 1989 (PNDC L227) as amended by the Insurance (Amendment Laws 1991 and 1993 PNDC L's 260 and 316).

These Laws, as well as the Motor Vehicle (Third Party Insurance) Act 1958, have been carefully reviewed by Consultants under the World Bank Programme for Non-Bank financial institutions to determine their compliance with international standards for the supervision and regulation of insurance business - The "Core Principles for Insurance Supervision" set by the International Association of Insurance Supervisors (IAIS) and approved in 1997.

The Insurance Law, 1989 (PNDC L 227) and Ghana Reinsurance Organisation Law, 1994 (PNDC L 78), though modern pieces of legislation in their time, have been overtaken by significant developments in standards approved by the IAIS which has made the National Insurance Commission unable to regulate the country's Insurance Industry to Internationally accepted standards. Amendments proposed by the Consultants to be made to the current Law were so numerous that it was thought expedient by the Government on the recommendation of the National Insurance Commission to repeal both the Insurance Law 1989 (PNDC L 227) and the Ghana Reinsurance Organisation Law, 1984 and replace them with a new Insurance Act.

The recommendations of the Consultants were subjected to thorough consultation with stakeholders such as the Ghana Insurers Association (GIA), the Ghana Insurance Brokers Association (GIBA), the Insurance Institute of Ghana (IIG) and the National Insurance Commission (NIC) and form the basis of this Bill.

In line with Internationally accepted standards, the new Insurance Bill which will become the new Insurance Law will ensure the effective administration, supervision, regulation, monitoring and control of the business of insurance to protect the insurance policy holder and the insurance industry apart from Health Insurance which is provided for under the National Health Insurance Act 2003 (Act 650).

The Bill has eleven groups of clauses. The first group of clauses deal with the National Insurance Commission. The object of this forward is to highlight the new provisions of the Bill which were not previously in the PNDC Law 227.

The NIC's powers have been significantly strengthened along with the scope of its mandate.

Clause 21 requires an applicant for a license to carry on insurance business to be a Limited Liability Company. An applicant for a license is required to be in writing and should indicate the class of insurance business for which the applicant seeks authorisation. The Commission may issue an insurers license or refuse to grant one, depending on its own discretion although reasons for any refusal must be explained in writing to the applicant.

The new Law will represent a major improvement over the current legislation which contains low capital requirements and monopoly over government business by the State Insurance Company. In addressing these inadequacies and introducing international best practices in line with the global insurance industry, the proposed new Bill contains a number of other new provisions.

Clauses 69 to 77 deal with capitalisation, solvency and financial provisions. New regulations which will operate after the new bill has been passed into law will demand that life and general businesses be conducted through separate companies. Composite companies have to decouple the two lines of business.

The Minimum Capital base will be US$1 million. Thus a composite insurer not only has to decouple its two business lines but ensure that each separated company has US$1 million in core capital.

One major change in the provisions is the introduction of compulsory fire and allied perils insurance for commercial buildings under construction and existing commercial buildings. The Bill introduces this new concept to ensure the protection of life and property in commercial places where the public have access.

Clause 183 provides that a person is not to construct or cause to be constructed a commercial building without insuring the liability in respect of construction risks caused by his negligence or the negligence of his servants, agents or consultants which may result in bodily injury or loss of life or damage to property of any workman on the site or of any member of the public with a registered insurer.

Clause 184 however, requires every commercial building to be insured with an insurer against the hazards of collapse, fire earthquake, storm and flood, and an insurance policy issued for it. The clause requires the insurance policy to cover the legal liabilities of an owner or occupier of premises in respect of loss of or damage to property, bodily injury or death suffered by any user of the premises and third parties.

Clause 185 establishes a fire service maintenance fund under the designation of Fire Maintenance Fund. The object of the Fire Maintenance Fund, which is also a new introduction is to provide funds and equipment to state institutions assigned with fire fighting functions and other organisations determined by the Commission for the purpose of fighting unwanted fires (Clause 186).

These are highlights of the new Insurance Bill. It is our hope that it will be passed by Parliament as the new Insurance Law soon.

CHAIRMAN'S REPORT

Premium mobilisation has generally improved over the years for the market as a whole. Gross premium income for all businesses increased from ¢322.5 billion in 2001 to ¢1,222 trillion in 2005. This represents a yearly growth rate of 39.7%.

Premium Income for non-life business increased immensely over the five-year period, showing an annual growth rate of 35.7%.

The National Insurance Commission has embarked on a vigorous public education programme to create public awareness on insurance. It is very remarkable to observe that there has also been a tremendous growth in the life assurance market. The life sector experienced a steady rise in premium income, increasing from ¢52.1 billion in 2001 to ¢312.5 billion in 2005. The continuous increase in growth in this sector is an indication of the increase in public awareness and confidence in the insurance products of the life sector. The decrease in level of interest rates and inflation in the economy has also contributed to this growth.

Companies have developed new universal life products which provide a hedge against inflation. We hope that this trend will continue in the future. The most recent addition is funeral expenses insurance which has received a very favourable response due to our cultural values concerning dead relatives.

It is hoped that patronage of these products will be sustained through improved marketing techniques.

The Insurance Industry Training Centre has continued to offer training courses for the Insurance Industry. A lot of courses were organised in 2005 for the Insurance Company Staff and those of the Broking Companies. The IITC will continue to do this until the setting up of the Ghana Insurance College.

THE NATIONAL INSURANCE COMMISSION AS AT 31ST DECEMBER, 2005

BOARD OF DIRECTORS

Lt. Gen. Joseph Henry Smith	- Chairman
Ms. Josephine J. Amoah (Commissioner of Insurance)	- Member
Mr. Stephen Korbla Okudzeto (GPRTU)	- Member
Mr. William F. Duncan (Double D & M Insurance Brokers)	- Member
Col. John Armah Okai (Ghana Army)	- Member
Mrs. Evelyn Pra-Gohoho (South Akim Manufacturing Limited)	- Member
Mr. Wilfred Sam-Awortwi (Ghana Police Service)	- Member
Dr. Daniel Tapang (Tamale Regional Hospital)	- Member
Mr. Wilson Tei (Ghana Insurers Association)	- Member
Mr. Enoch Hemans Cobbina (Ministry of Finance & Economic Planning)	- Member
Mrs. Emma A. Ocran (National Insurance Commission)	- Secretary

MANAGEMENT TEAM

Ms. Josephine Jennifer Amoah	-	Commissioner of Insurance
Mrs. Nyamikeh Kyiamah	-	Deputy Commissioner of Insurance
Mrs. Emma Araba Ocran	-	Legal / Administration Director
Mr. Gideon Amenyedor	-	Head of Technical
Mr. Michael Andoh	-	Financial Controller (Acting)

NIC OPERATIONS

The Commission continued to perform its functions conscientiously during the year.

LICENSING

Insurers

Three (3) new insurance companies were registered by the Commission during the year. These were;

1. StarLife Assurance Company Limited

   StarLife Assurance was licensed in January, 2005. It is owned 100% by Star Assurance Company Limited. The company was licensed with a stated capital of ¢8.4 billion.

   Directors:
   - Dr. Kwabena Duffour (a former Governor of the Bank of Ghana and Chairman of Star Assurance Company Limited),
   - Mr. Paul Effah Oteng and
   - Mr. Leonard Diop Frimpong (Managing Director).

2. Glico General Insurance Company Limited

   Glico General Insurance Company Limited was licensed in August, 2005 and it is owned 100% by Gemini Life Insurance Company Limited. The company was licensed with a stated capital of ¢7.5 billion.

   Directors:

   - Kwame Achampong-Kyei (Managing Director of Glico and a professional insurer),
   - C. B. Arthur (Management Consultant),
   - Adu Anane Antwi (A Chartered Accountant) and
   - Stephen Enchill (A Chartered Accountant).

3. Global Alliance Insurance Company Limited

   Global Alliance Insurance Company Limited was licensed in August, 2005. The company's stated capital was ¢9.050 billion.

   The shareholders are:

   - Global Alliance Holdings of South Africa – 60%
   - Mr. Nuertey Odzeyen (Ghanaian) - 20%
   - Mr. Edward Mensah (Ghanaian) - 20%

Directors:

- Ian Ivan Tofield (British, a Chartered Insurer who worked with Munich Reinsurance Company Limited for 25 years.
- Andrew Ogilvie Lewis (a South African and a Chartered Insurer).
- Edward Mensah (a Ghanaian and a Chartered Insurer)
- David Roger Thomas (A South African and a Chartered Accountant)
- Robert William Lewis (A South African and a stock broker)

Brokers

Three (3) new brokers, namely: Prudent Consult Limited, Allied Insurance Brokers Limited and JeRock Insurance Brokers Limited were registered during the period. This brought the total number of registered brokers as at 31st December, 2005 to thirty-seven (37).

1. <u>Prudent Consult Limited</u>

   Prudent Consult Limited was licensed in January, 2005. The office is located at Jones Nelson Street, Adabraka behind the Catholic Bookshop. The company's Managing Director is Miss Adelaide Aboagye, a Chartered Insurer.

2. <u>Allied Insurance Brokers Limited</u>

   Allied Insurance Company Limited was licensed in January, 2005. The office is located at Accra New Town, near the Mallam Atta Market. The company's Managing Director is Mr. Mensah-Gadu.

3. <u>JeRock Insurance Company Limited</u>

   JeRock was licensed in August, 2005. The office is located at Achimota on the Nsawam Road. The company's Managing Director is Mrs. Mercy Eunice Kyei, a chartered insurer.

Agents

The total number of agents registered as at 31st December, 2005 was about 4500.

COMPLIANCE

The NIC successfully conducted on-site inspections of eight (8) insurance companies and five (5) broking companies during the period under review in spite of the limited number of staff in the inspections outfit of the Commission. The essence of the on-site inspection is to ensure compliance with the Insurance Law as in section 2(2a).

Reinsurance Premium Transfer

The Commission approved the transfer of $2,036,765, £81,183, €103,443 and the dollar equivalent of ¢58.8 billion for Ghana Reinsurance, Ghana Union, Enterprise Insurance and Metropolitan Insurance Company Limited to external reinsurers. These included Africa Re, J. B. Boda, Munich Re, Zurich International etc.

APPROVAL OF PRODUCTS

The National Insurance Commission approved the following products during the period in line with section 2(2f) of the Insurance Law:

Name of Product	Class of Business	Name of Company
1. Donewell's Child Education Policy	Life	Donewell Insurance Co. Ltd.
2. Star International Travel Insurance	Non-Life	Star Assurance Co. Ltd.
3. Star Home Call Policy	Life	Star Assurance Co. Ltd.
4. Starlife New Funeral Policy	Life	Starlife Assurance Co. Ltd.
5. GUA International Travel Insurance	Non-Life	Ghana Union Assurance Co. Ltd.
6. SIC Comprehensive Home Package	Non-Life	State Insurance Co. Ltd
7. Special Benefits Accident & Life Cover	Non-Life	Benefits Insurance Co. Ltd.
8. Unique Travel Policy	Non-Life	Unique Insurance Co. Ltd.
9. Phoenix Travel Insurance Cover	Non-Life	Phoenix Insurance Co. Ltd.

REPORT ON LEGAL MATTERS PURSUED DURING THE PERIOD OF JANUARY 2005 – DECEMBER 2005

THE NEW INSURANCE LAW

The Legal Department and Officers of the Commission continued to work on the draft Insurance Bill in year 2005.

The draft Bill was forwarded to the Cabinet Sub-Committee on Finance and Economic Planning for review. The Commission and the other Stakeholders in the industry were given the opportunity to appear before the Sub-Committee to make submissions regarding portions of the Bill.

The suggestions and recommendations arising out of the meetings with the Cabinet Sub-Committee were then forwarded to the Attorney-General's Department for their consideration.

By the close of the year, the Attorney General's Department was yet to come out with the final version of the draft Bill

THE PUBLIC PROCUREMENT ACT 2003 (ACT 663)

During the year under review, the Commission's procurement practices were brought in line with the new Public Procurement Act.

The Commission's Entity Tender Committee was set up as required by the Act. The Committee held meetings and made procurement decisions according to the procedures provided for by the Act.

The Legal Director who was then the Secretary to the NIC Board, also doubled as the Secretary to the Entity Tender Committee, whilst the Legal Manager acted as the Procurement Officer during the period under review.

COURT CASES

NATIONAL INSURANCE COMMISSION

VS.

GREAT AFRICAN INSURANCE COMPANY LIMITED

SUIT NO. MISC 833/2001

The Commission filed this case at the High Court in the year 2001 for the winding-up of The Great African Insurance Company Limited.

In 2003, the Commission filed an application for an order to audit the company.

The Court could not give its ruling on the Commission's application for an order to audit the company in the course of the year.

At the close of the year, the matter was still pending at the court.

ENFORCEMENT ACTION AGAINST PHOENIX INSURANCE COMPANY LTD.

In 2005, the Commission took some enforcement actions against Phoenix Insurance Company Ltd. owing to bad management practices and poor finances.

The Legal Department advised on the legal aspects of the various actions that were taken to ensure that the Commission acted within the Law.

COMPENSATION FUND COMMITTEE ANNUAL REPORT FOR THE YEAR 2005

The Compensation Fund Committee intensified its operations in the year 2005. The Committee also continued to pursue as one of its objectives, Publicity and Public Education.

OPERATION OF THE FUND

The operations of the Fund continued to be overseen by a Committee made up of officers from the National Insurance Commission (NIC) and the Insurance Industry.

The members in the year 2005 were as follows:

1.	Ms. J. J. Amoah	-	NIC	Chairperson
2.	Mr. Kwame-Gazo Agbenyadzie	-	MET	Vice Chairperson
3.	Mrs. Emma A. Ocran	-	NIC	Secretary
4.	Mr. Diop Frimpong	-	Star	Member
5.	Ms. Dzidzoli Asafo	-	Vanguard	Member
6.	Mr. D. B. Quansah	-	Provident	Member
7.	Mr. Musah Abdulai	-	SIC	Member

Mr. Musah Abdulai of SIC joined the Committee in the course of the year. He replaced Mr. Mark Ampadu (SIC) who ceased to be a member of the Committee following his transfer to Kumasi by his employers. Mr. Musah Abdulai was assigned the role of Treasurer to the Fund when he joined the Committee.

FINANCES OF THE COMPENSATION FUND FOR THE YEAR 2005

Income	**¢**
Contributions from Insurance Companies	2,056,382,667
Investment Income	1,302,221,666.65
Interest on Bank Account	4,292,131.71
Expenditure	
Compensation for Accident Victims	690,240,812.00
Contribution to Road Safety Commission	866,004,000.00
Public Education	269,896,003.00
General Expenses	76,344,611.00
Investments	
Shares	517,600,000.00
Treasury Bills	8,370,304,517.00
Total Amount in Compensation Fund	4,000,000,000.00
Total Amount in Rescue Fund	5,891,216,239.00

SPONSORSHIP OF INSURANCE INDUSTRY PUBLICITY ACTIVITIES

The Compensation Fund Committee continued to maintain as one of its objectives, the promotion of public education on insurance in general and motor insurance in particular.

The Committee was of the view that a continuous and sustained public education on insurance business and motor insurance in particular will reduce the number of motor insurance claims and invariably claims on the Compensation Fund.

The Committee therefore made a budgetary provision of ¢500,000,000.00. in 2005 to fund the industry's publicity and public educational activities.

MEETINGS

In the year under review the Committee met regularly to discuss the operations of the Fund.

AWARDS SUBCOMMITTEE

The Awards Subcommittee continued to meet to make awards to petitioners.

On the average each meeting lasted about five (5) hours, and between ten (10) and Fifteen (15) awards were made per meeting.

A member of the Committee chaired the session. The member was assisted by officers from the National Insurance Commission (NIC).

NATURE OF PETITIONS

The Committee received petitions involving hit and run cases, and uninsured vehicles. Other petitions stemmed from breach of policy Conditions, such as change of ownership, driving without license which resulted in the repudiation of claims by insurers were some of the petitions received.

A total of one hundred and forty four (144) petitioners were awarded compensation during the year.

Out of this number one hundred and thirty-six (136) were awards to persons who petitioned against uninsured vehicle owners. Eight (8) were awards to persons who petitioned against companies whose licenses have been withdrawn.

THE COMPLAINTS AND SETTLEMENTS BUREAU ACTIVITY REPORT FOR THE YEAR 2005

In 2005 the Bureau continued to receive complaints from the public against some insurance companies.

The Bureau worked hard to settle most of the complaints to the satisfaction of the parties.

As has been the case in previous years, most of the complaints received related to motor claims.

The areas of complaint from persons pursuing motor claims were as follows:

1. Repudiation of claim by insurers

2. Delay in settlement of claims

3. Dispute over quantum

4. Delay in payment of settled claims

In all **312** complaints were received from the public against insurance companies in the year 2005. The break down is as follows:

1.	State Insurance Company Limited	-	45
2.	Star Assurance Company Limited	-	44
3.	Continental Assurance Company Limited	-	1
4.	The Great African Insurance Company Limited	-	9
5.	Reliance Insurance Company Limited	-	1
7.	Provident Insurance Company Limited	-	8
8.	Unique Insurance Company Limited	-	5
9.	Network Assurance Company Limited	-	26
10.	Vanguard Assurance Company Limited	-	1

11.	Quality Insurance Company Limited	-	3
12.	Phoenix Insurance Company Limited	-	4
13.	C.D.H Insurance Company Limited	-	1
14.	Ghana Union Assurance Company Limited	-	2
15.	Uninsured	-	134
16.	Enterprise Insurance Company Limited	-	5
17.	Inter Life and General	-	1
18.	Donewell Insurance Company Limited	-	3
19.	Beacon Insurance Company Limited	-	1
20.	Enterprise Life Assurance Company Limited	-	2
22.	Metropolitan Insurance Company Limited	-	3
23.	Gemini Life Insurance Company Limited	-	11
24.	Ecowas Brown Card	-	2
Total		**-**	**312**

COMPLAINTS BY LIFE INSURANCE POLICYHOLDERS

A number of complaints were received from life Insurance policyholders.

The areas of complaints from life policyholders were as follows:

1. Benefits promised by Insurers differ from benefits on policy documents.

2. Insurance company's failure to cease deductions after Policy has been surrendered.

3. Payment of low surrender values.

4. Delay in processing matured policies for payment.

COMPLAINTS FROM KUMASI AND TAMALE OFFICES

The NIC Kumasi office began operation in 2005.
This is the second regional office. The first one was the Tamale office.

The regional offices are intended to bring the services of the NIC closer to the people. Thus, whilst the Tamale office caters for the Northern sector, the Kumasi office will cater for the Middle Belt. The NIC Head Office in Accra will serve the Southern Sector.

The Complaints and Settlements Bureau (CSB) also received and handled a number of complaints forwarded from the Kumasi and Tamale Offices.

These complaints were from persons with claims against motor insurance policyholders (injury, deceased and property damage claims). There were also complaints from Life Insurance policyholders.

PROCEDURE

Companies, against whom complaints were made, were informed in writing.

Depending on the nature of complaints, a company was either requested to react, or invited to meet with the complainants and officers of the National Insurance Commission (NIC) in an effort to resolve the complaints.

In some instances the "Bureau" referred the cases to the Compensation Fund Committee.

These included complaints from injured motor victims of uninsured vehicles, claims repudiated by insurance companies on grounds of change of ownership or for other breaches under the Motor Insurance Third Party Insurance Act and complaints against bankrupt insurance companies.

The Bureau received the necessary co-operation from insurance companies and petitioners during the year under review.

Letters were sometimes written to the Bureau by companies and petitioners expressing appreciation for the Commission's mediation efforts.

THE INSURANCE MARKET

ECONOMIC PERFORMANCE REVIEW – 2005

Generally, the economy performed well in the year under review. Inflation remained relatively stable despite a nearly 50 percent increase in petroleum prices in early 2005 and a further 5 per cent increase late in the year. The increases in petroleum price prevented the government from achieving its target of single-digit inflation. Inflation stood at 12.6 percent in 2004 and it was expected to have remained around the same range in 2005.

The easing of inflationary expectations and declining public sector borrowing has led to a continued decline in interest rates. In the face of the fall in inflation in 2004 and relative exchange-rate stability, the Bank of Ghana cautiously lowered its prime rate from 20 percent in February 2004 to 15.5 percent in November 2005. Short-term rates have declined correspondingly, with the yield on 91-day Treasury bill falling from 36 per cent in June 2003 to 18 per cent in May 2004. By the end of September 2005, the rate had dropped further to 13.34 percent. Although declining much faster than deposit rates, lending rates remained high at 27.75 percent at the end of September 2005.

Higher levels of remittances, steady donor inflows and stronger earnings from cocoa helped to offset the effects of higher oil prices on the current account balance, with the Cedi consequently depreciating only slightly in 2005 by 2.1 per cent. This recent stability stands in contrast to the extreme volatility seen in the past, particularly the sharp depreciation of 57 percent in 2000.

In 2005, the government focused on encouraging the financial sector to shift away from lending to the government in favour of commercial lending that will support economic development. To this end, the monetary authorities introduced several changes designed to reduce the costs of financial intermediation.

These changes were executed through significant reduction in bank reserve requirements, the introduction of Real Time Gross Settlement System (RTGS), which provides a standard platform for electronic payments at the retail level, and the establishment of the central security depository system which provides an electronic registry for holdings of government securities and equities. The system also enhances secondary marketing trading.

The policies and changes in 2005 have been largely successful with the domestic debt to Gross Domestic Product (GDP) ratio falling from about 21 percent in 2004 to 19.3 percent in 2005. The ratio of domestic debt service to total revenue fell from 45.1 percent in 2003 to 28.4 percent in 2004 and was estimated at 27 percent in 2005.

The overall fiscal deficit, which fell from 3.3 percent of GDP in 2003 to 3.1 percent in 2004, was estimated to have risen to 4.4 percent in 2005. Increasing revenues remains a key objective of fiscal policy. Improved tax administration, as well as new taxes led to an increase in the fiscal revenue to GDP ratio from 20.2 percent in 2003 to 22.3 percent in 2004 and an estimated 22.4 percent in 2005.

GDP of ¢97 trillion at the end of 2005, grew by 5.9% over the 2004 figures. Gross Insurance Premium on the other hand grew by 32% in 2005 over the 2004 figure. Total Gross Insurance Premium was ¢1,222.3 billion in 2005. This represents insurance penetration (Gross Insurance Premium to GDP Ratio) of 1.26%. (See table below for details).

Year	GDP Growth Rate (%)	Gross Insurance Premium Growth Rate (%)	Gross Insurance Premium to GDP Ratio (%)
2000	3.74	51	0.94
2001	4.2	26	0.85
2002	4.5	45	0.95
2003	5.2	52	1.08
2004	5.8	29	1.16
2005	5.9	32	1.26

Insurance penetration increased from 1.16% to 1.26 %. The trend has been consistent for the past four years. Growth rates in the industry continue to float. With the growing competition in the industry it is expected that the industry would record better growth figures and improvements in penetration.

Three new insurance companies were registered in 2005. Star Assurance Company Limited separated its life business from the non-life in anticipation of the enactment of the new Insurance Law. Gemini Life Insurance Company Limited set up a non-life subsidiary and was licensed in August along with Global Alliance Company Limited, also a non-life company. The total number of registered insurance companies in 2005 was 20 with two (2) reinsurance companies. Three (3) new brokers were registered, bringing the total number to 37. There were 4100 registered agents.

INDUSTRY PERFORMANCE

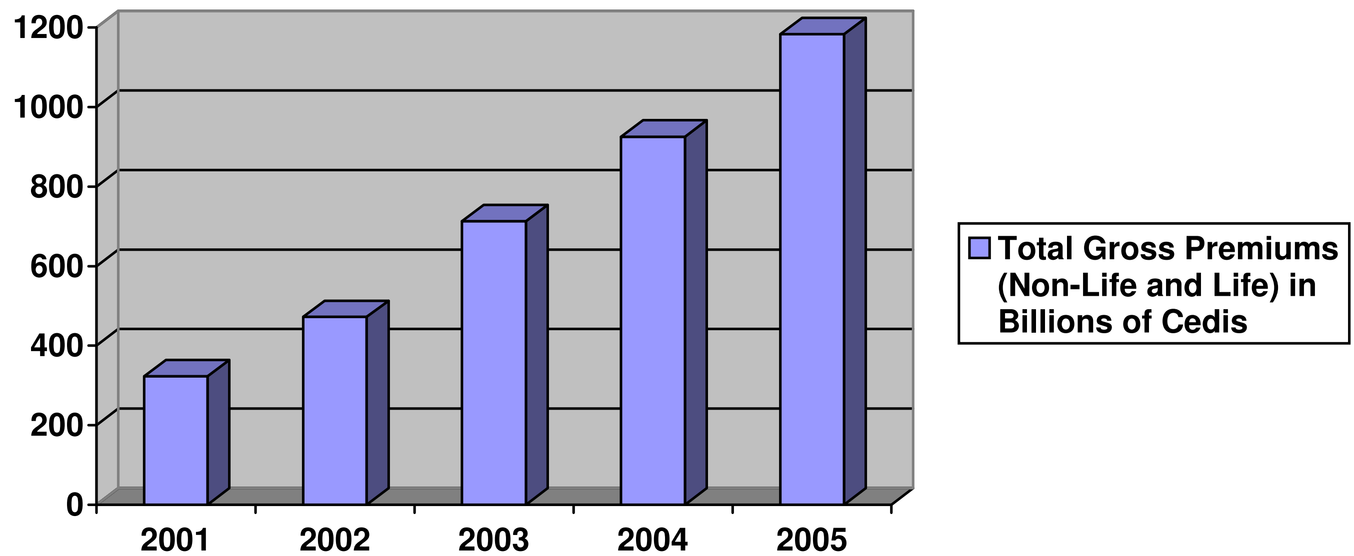
The performance of the industry within the period 2001 and 2005 was characterised by a general increase in premium income. Gross premium income for all businesses increased from ¢322.5 billion in 2001 to ¢1.222 trillion in 2005. This represents a yearly average growth rate of 39.7% (See table 1 and Figure 1).

Growth in Gross Premium Income (Non-Life and Life) 2001 – 2005

Table 1

Year	Premium Income (¢)	Growth Rate %
2001	322,516,001,800	-
2002	472,059,898,632	46.3
2003	712,839,785,000	51.0
2004	925,831,458,000	29.8
2005	1,222,335,956,000	32.0

Figure 1



Premium income for non-life business increased immensely over the five-year period, showing a yearly average growth rate of 35.7%, although the yearly percentage growth rates showed marked fluctuations.

Premium income increased from ¢270.3 billion to ¢909.8 billion in 2001 and 2005 respectively. The figure rose to ¢382.1 billion in 2002, representing a growth rate of 41.3%. In 2003, the premium income further increased to ¢571.1 billion, representing a growth rate of 49.4%. At the end of 2004, the gross premium figure was to ¢702.7 billion. This increase however, represented a fall in growth rate of 26.3%. There was however an increase in growth of 6.4% between 2004 and 2005. (See table 2).

Growth in Gross Premium Income (Non-Life)

2001-2005

Table 2

Year	Premium Income (¢)	Growth Rate %
2001	270,387,005,000	-
2002	382,175,356,107	41.3
2003	571,109,249,000	49.4
2004	702,779,970,000	23.1
2005	909,824,330,000	29.5

The National Insurance Commission in consultation with the Ghana Insurers Association has embarked on a series of educational programmes both on the print and electronic media to make insurance known to the public. The yearly increases in performance are mainly due to increased awareness of insurance products. Business activities have generally improved due to the government's 'golden age of business' campaign. Motor business continues to be the highest contributor to premium income.

Figure 2

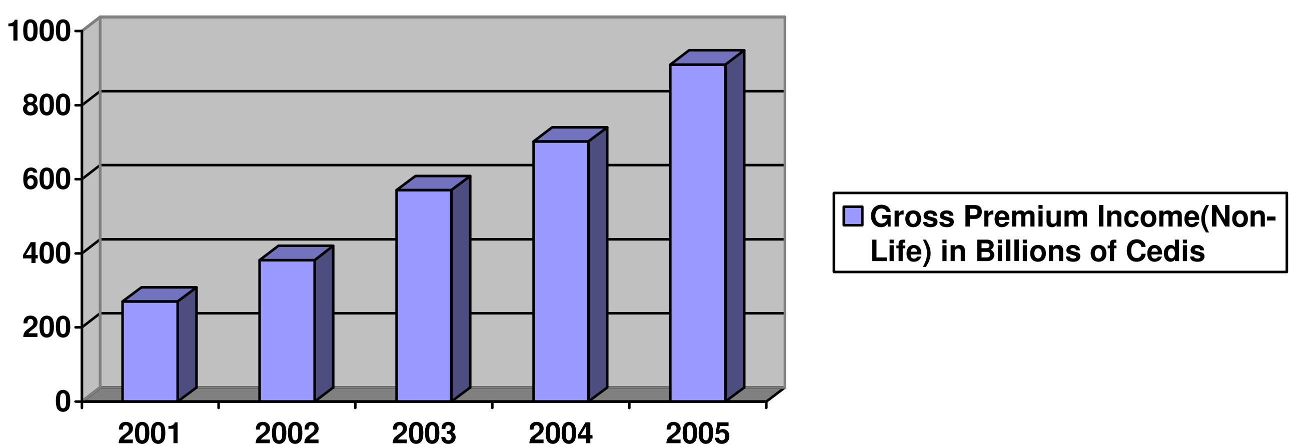


Table 3 shows individual company performance. The observation is that almost all the individual companies earned a fair increase in premium incomes.

Table 3

Total Gross Premiums (Non-Life)

COMPANY	1998	1999	2000	2001	2002	2003	2004	2005
1. State Ins.	59,945,466,000	74,564,797,000	100,200,000,000	101,744,000,000	147,822,000,000	214,470,000,000	254,416,000,000	363,887,000,000
2. Enterprise Ins.	11,119,147,000	13,975,115,000	21,833,158,695	38,299,651,000	54,826,647,000	91,314,140,000	104,600,000,000	138,469,933,000
3. Ghana Union	7,961,005,000	9,653,825,000	16,172,232,000	19,469,352,000	25,667,351,000	30,605,125,000	37,653,909,000	47,234,926,000
4. Network Ass.	733,601,000	2,016,408,000	2,949,244,000	3,144,465,000	4,218,214,000	9,284,759,000	9,696,696,000	10,766,283,000
5. Vanguard Ass.	10,179,802,960	13,790,555,830	20,554,954,000	26,528,709,000	30,719,265,000	44,329,517,000	59,729,518,000	69,904,617,000
6. Provident Ins.	4,529,070,000	6,378,359,000	7,070,871,000	8,753,058,000	12,504,579,000	20,294,314,000	22,569,782,000	25,411,696,000
7. Star Assurance	2,624,698,000	6,531,093,000	9,892,589,000	10,133,040,000	17,000,647,000	30,170,251,000	49,761,469,000	59,326,000,000
8. CDH Insurance	0	0	805,897,000	2,586,824,000	5204235000	7,761,026,000	12,667,386,000	11,856,720,000
9. Benefits Ins.	156,818,090	249,156,233	273,185,718	301,433,000	352,916,376	329,726,000	795,917,000	622,242,000
10. Beacon Ins.	550,945,940	710,436,252	606,102,000	851,328,000	429,879,000	939,175,000	1,530,666,000	1,398,816,000
11. Unique Ins.	0	0	2,529,192,815	4,340,470,000	9,002,154,731	16,609,451,000	26,662,090,000	26,192,717,000
12. Donewell Ins.	1,633,337,000	2,395,715,000	4,408,192,000	6,783,027,000	11,087,290,000	19,553,775,000	28,549,043,000	34,099,857,000
13. Metropolitan Ins.	13,412,705,000	15,277,898,000	30,878,617,000	38,553,470,000	53,303,916,000	69,014,841,000	73,111,415,000	91,855,386,000
14. Phoenix Ins.	1,529,920,000	2,144,676,000	5,842,192,000	6,203,040,000	5,632,244,000	7,495,915,000	9,406,585,000	10,889,878,000
15. Quality Ins.	787,308,978	1,427,765,966	1,785,885,000	2,695,138,000	4,404,018,000	8,937,234,000	14,666,791,000	17,908,059,000
TOTALS	115,163,824,968	149,115,800,281	225,802,312,228	270,387,005,000	382,175,356,107	571,109,249,000	702,779,970,000	909,824,330,000
REINSURERS								
Ghana Reins. Co.	31,755,432,000	35,488,895,000	65,820,730,000	82,815,171,000	122,851,433,000	170,340,000,000	189,728,542,000	214,652,939,000
Mainstream Reins. Co.	3,793,826,000	5,416,161,000	11,682,542,000	18,525,200,000	18,525,200,000	21,740,007,000	24,803,818,000	24,947,306,000
TOTALS	35,549,258,000	40,905,056,000	77,503,272,000	101,340,371,000	141,376,633,000	192,080,007,000	214,532,360,000	239,600,245,000

The life sector experienced a steady rise in premium income, increasing from ¢52.1 billion in 2001 to ¢312.5 billion in 2005 (See table 4).

The continuous increase in growth in this sector is an indication of the increase in public awareness and confidence. The continuous decrease in interest rates and inflation has also contributed to this growth. Companies have developed varied universal life products which come along with some form of investment. This takes care of inflation and ensures that the policyholders' contributions are cushioned. The most recent addition is funeral insurance which has received a very favourable response due to our cultural values where the dead is revered. The life business however, experienced a sharp decline in growth rate between 2002/3 and 2004/5. This could be attributed to a shift to other investment opportunities which showed high levels of return in the investment market.

Growth in Gross Premium Income (Life)

2001-2005

Table 4

Year	Premium Income ¢	Growth Rate %
2001	52,128,996,800	-
2002	89,884,542,525	72.4
2003	141,730,536,000	57.7
2004	223,051,488,000	57.4
2005	312,511,626,000	40.1

Figure 4

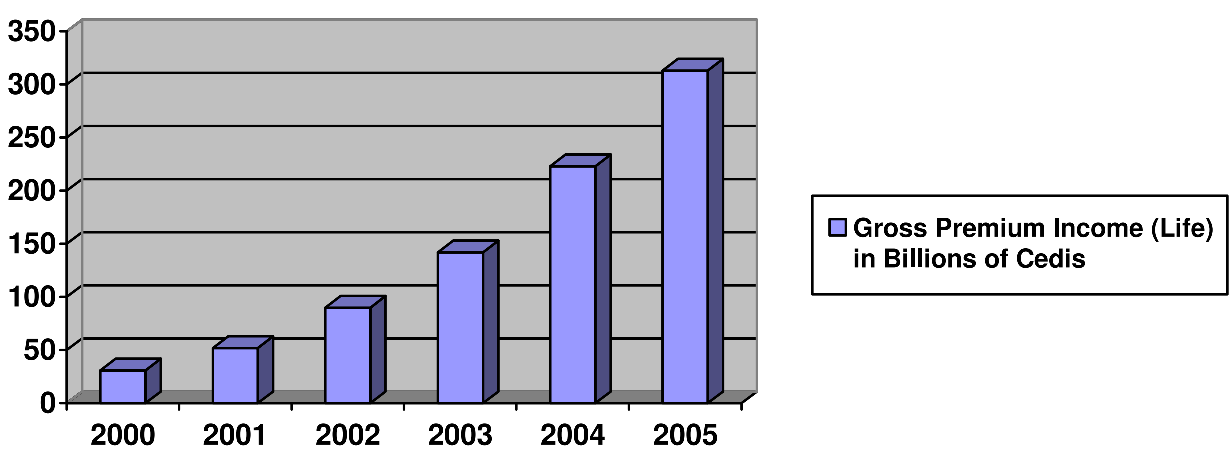
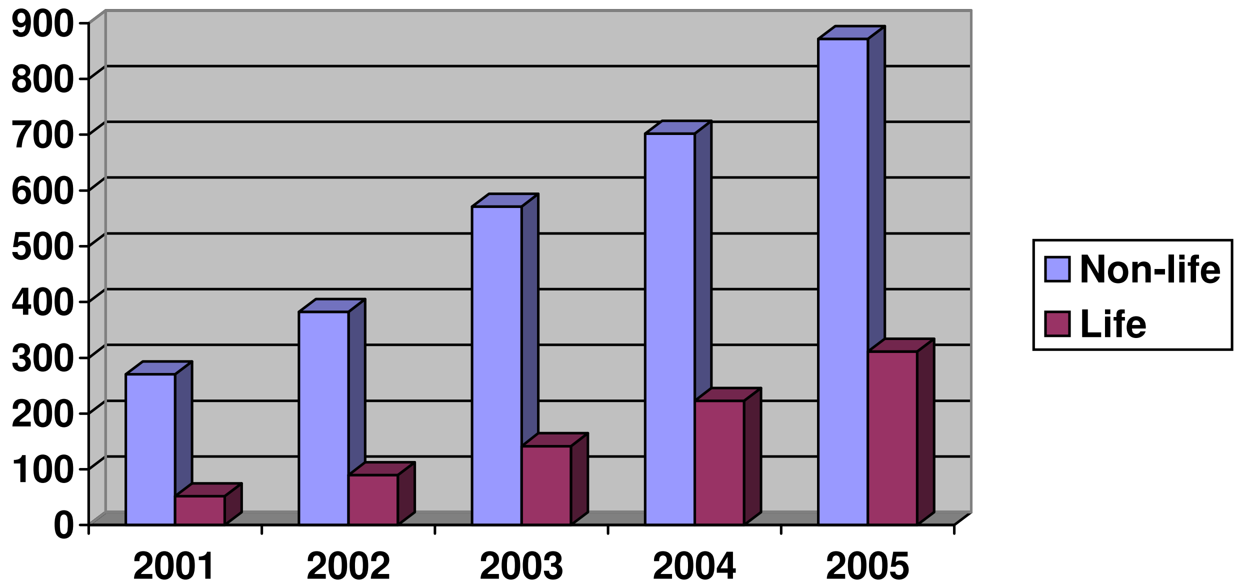


Table 5 - Total Gross Premium (Life only)

COMPANY	1998	1999	2000	2001	2002	2003	2004	2005
1. State Insurance Co.	7,718,131,000	8,018,952,000	10,679,000,000	14,870,000,000	21,051,000,000	28,845,000,000	51,310,000,000	82,044,000,000
2. Vanguard Ass. Co.	939,127,780	519,676,455	1,068,574,660	2,344,707,000	2,756,176,000	8,582,768,000	18,171,163,000	13,058,542,000
3. Provident Ins. Co.	119,525,000	541,293,000	1,199,743,000	2,640,804,000	3,523,480,000	5,999,434,000	11,078,722,000	16,051,639,000
4. Starlife Ass. Co.	51,994,000	202,403,000	956,932,000	3,850,110,000	11,245,000,000	17,113,999,000	22,602,761,000	29,146,752,000
5. CDH Insurance Co.	0	4,382,000	13,249,000	250,642,000	1,017,440,000	1,864,711,000	2,303,209,000	2,400,672,000
6. Benefits Ins.	1,619,500	9,478,025	8,013,800	8,288,800	10,147,000	2,212,000	-	12,355,000
7. Beacon Insurance Co.	291,618,599	447,706,127	781,554,000	811,754,000	1,216,748,000	1,582,691,000	1,529,097,000	1,347,777,000
8. Unique Insurance Co.	0	0	35,098,100	199,810,000	1,081,101,525	2,058,370,000	3,663,960,000	5,214,006,000
9. Donewell Ins. Co.	78,890,000	367,865,000	1,023,606,000	1,986,545,000	5,167,393,000	8,189,297,000	12,443,880,000	18,341,290,000
10. Metropolitan Ins.	1,335,579,000	4,017,034,000	5,831,057,000	10,163,543,000	16,059,287,000	14,902,339,000	21,262,646,000	27,250,356,000
11.Gemini Life Ins.	2,577,329,000	4,363,382,000	6,531,208,000	10,369,985,000	16,250,316,000	24,579,651,000	34,643,559,000	48,267,144,000
12. Phoenix Insurance Co.	0	0	190,455,000	451,520,000	919,117,000	953,036,000	2,437,713,000	4,233,664,000
13.Quality Insurance Co.	35,707,224	94,511,672	70,147,734	107,983,000	263,830,000	1,336,805,000	3,946,194,000	6,907,348,000
14. Ghana Life Insurance	1,134,589,000	2,131,223,000	3,007,911,000	3,894,555,000	6,332,630,000	6,332,630,000	14,508,885,000	18,859,168,000
15. Enterprise Life Ass.				135,473,000	2,980,004,000	10,080,149,000	20,770,114,000	38,126,059,000
16. Network Assurance				43,277,000	10,873,000	9,284,759,000	551,177,000	707,556,000
17. Ghana Union Ass. Co.						22,685,000	307,889,000	543,298,000
TOTALS	14,284,110,103	20,717,906,279	31,396,549,294	52,128,996,800	89,884,542,525	141,730,536,000	223,051,488,000	312,511,626,000
REINSURERS								
Ghana Reins. Co.	85,813,000	163,955,000	415,569,000	800,827,000	1,258,864,000	2,720,000,000	5,570,475,000	4,583,365,000
Mainstream Reins. Co.	592,676,000	1,751,966,000	977,362,000	596,404,000	624,550,000	0	0	0
TOTAL	678,489,000	1,915,921,000	1,392,931,000	1,397,231,000	1,883,414,000	2,720,000,000	5,570,475,000	4,583,365,000

Figure 5 below shows annual comparison of life and non-life businesses within the period under review.

Figure 5



The market still had only two reinsurance companies: Ghana Reinsurance Company Limited, the state-owned and major reinsurer and Mainstream Reinsurance Company Limited, a privately-owned reinsurer.

Premium income for non-life reinsurance business improved from ¢101.3 billion in 2001 to ¢239.6 billion in 2005 whilst life premiums increased from ¢1.3 billion to ¢5.5 billion in 2001 and 2004 respectively. However, premium income for life reinsurance business fell by almost a billion Cedis between 2004 and 2005 and hence a negative growth rate of 17.7%. Non-life reinsurance business on the other hand recorded an increase in gross premium of ¢25 billion but this was not enough to effect an improvement in growth rate.

The above could be attributed to less reinsurance from the direct companies as well as retrocessions from other reinsurance companies. The introduction of Universal Life products makes it imperative for direct companies to mobilize funds for investment in order to meet their commitments on universal life policies. (See tables 4 & 6).

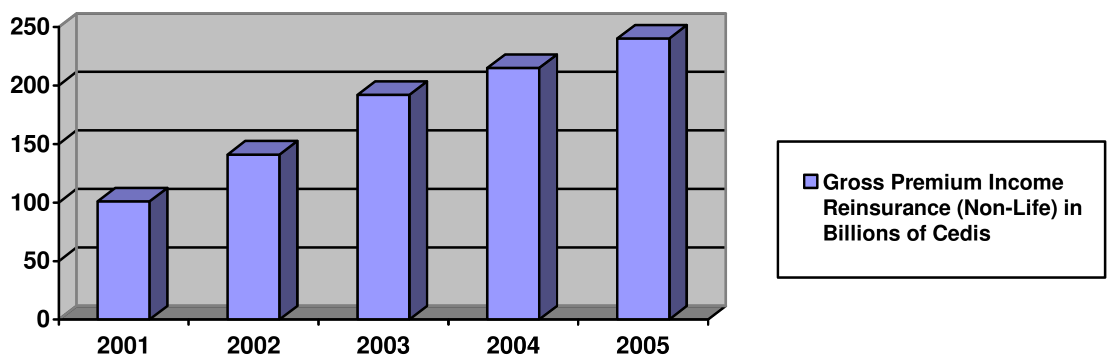
Growth in Gross Premium Income

Reinsurance (Non-Life) 2001 – 2005

Table 6

Year	Premium Income (¢)	Growth Rate %
2001	101,340,371,000	-
2002	141,376,633,000	39.5
2003	192,080,007,000	35.8
2004	214,532,360,000	11.7
2005	239,600,245,000	11.7

Figure 6



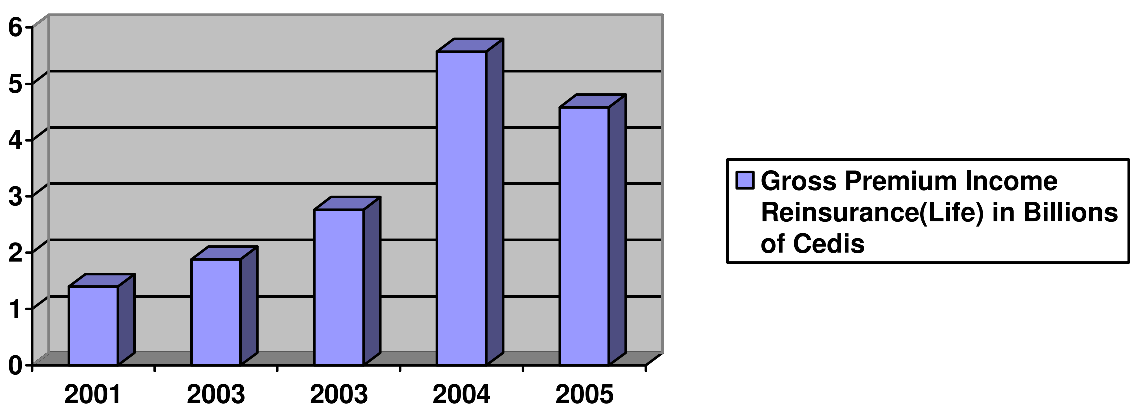
Growth in Gross Premium Income

<u>Reinsurance (Life) 2001 – 2005</u>

Table 7

Year	Premium Income (¢)	Growth Rate %
2001	1,397,231,000	-
2002	1,883,414,000	34.7
2003	2,762,860,000	46.6
2004	5,570,475,000	101.6
2005	4,583,365,000	- 17.7

Figure 7



The trend of the non-life growth rates confirms the fact that reinsurers follow the fortunes of the companies they reinsure. Annual growth rates of the life reinsurance business, however, showed an inverse relationship. Whilst the direct insurers experienced a decrease in annual growth rate, reinsurers saw an increase in growth rate throughout the period. As direct life business experienced a fall in annual growth rate, reinsurance showed an increase. This could be as a result of the 20% compulsory legal cession of all non-life businesses in Ghana. The growth in annual growth rates of the reinsurance companies could be attributed to an increase in overseas retrocessions.

Premium Income by Class of Business

The class of business which recorded the highest premium income over the whole 5-year period was Motor insurance. It recorded a gross premium income of ¢486.3 billion in 2005 from an amount of ¢128.6 billion in 2001, an increase of almost 400%. Motor insurance contributed 39.8% of the total gross premium in year 2005 for both non-life and life businesses, which represented an increase of 1.5% over the previous year's figure of 38.3%. (Refer to Table 6 below)

Accident insurance experienced some fluctuations within the period under review. It was the second highest non-life premium earner in 2001 contributing ¢64.3 billion and a market share of 19.9% for both non-life and life. Premium income increased to ¢70.5 billion in 2002 but in terms of market share, there was a fall of 5% from the previous year's figure and also the third highest non-life income earner. In 2003, premium income further improved to ¢120.3 billion. This amount improved market share by only 2%. Between 2003 and 2004, although income increased by nearly ¢30 billion, market share fell by 0.8%. There was a further decline in market share of 1.5% in 2005, an indication that other lines of business had also improved.

Fire insurance recorded a gross income of ¢152.7 billion in 2005 and a market share of 12.5%, a decrease of 1.2% from 2004. Fire insurance has experienced an increase in premium income but market share has dwindled since 2003. This line of business will see a lot of growth if the insurance of public places against fire becomes compulsory with the passage of the new insurance law.

The insurance market is yet to implement fully section (63) of the Insurance Law of 1989, which requires all imports into the country to be insured. This has somewhat negatively affected the growth of Marine Insurance business. Marine insurance has experienced a very slow growth recording a premium income of ¢29 billion in 2001 and increasing to ¢92.8 billion in 2005. Market share has hovered around 7% since 2003.

Life business, on the other hand, experienced a steady growth in premium income, recording an income of ¢52.1 billion in 2001, ¢141.7 billion in 2003 and more than doubled two years later in 2005 making an income of ¢312.5 billion. The corresponding market shares were 16.2%, 19.1% and 25.6% respectively.

The above picture indicates that the insuring public is gradually gaining confidence in the newly developed universal life products which have been introduced unto the Ghanaian market. These products are investment related and make up for the effects of inflation.

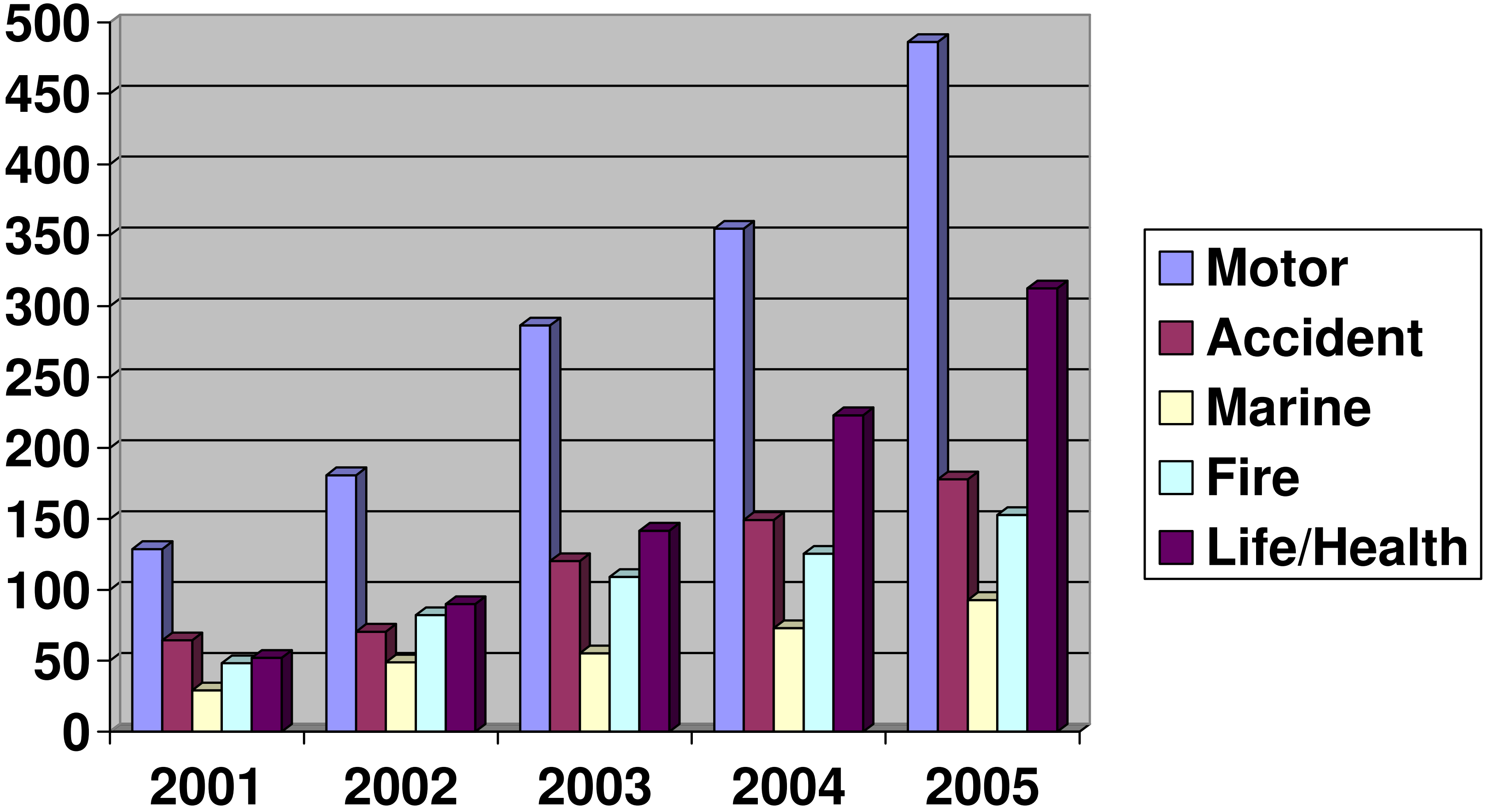
The life business has shown a great deal of potential and could still do better if policyholders are able to claim their tax rebates with ease.

Premium Income distribution by class of Business 2001 -2005

Table 8

Class	**2001 (¢)**	%	**2002 (¢)**	%	**2003 (¢)**	%	**2004 (¢)**	%	**2005 (¢)**	%
Motor	128,654,713,000	40.0	180,781,823,215	38.3	286,383,987,161	40.2	354,570,175,000	38.3	486,348,082,340	39.8
Accident	64,376,544,000	19.9	70,531,177,130	14.9	120,375,257,825	16.9	149,259,047,000	16.1	177,910,204,832	14.6
Marine	29,072,393,000	9.01	48,788,560,176	10.3	55,197,862,000	7.7	72,970,349,000	7.9	92,848,984,647	7.6
Fire	48,283,355,000	14.9	82,073,795,586	17.4	109,152,142,014	15.3	125,388,908,000	13.6	152,717,058,181	12.5
Life/Health	52,128,996,800	16.2	89,884,542,525	19.1	141,730,536,000	19.9	223,053,700,000	24.1	312,511,626,000	25.6
Total	**322,516,001,800**	**100**	**472,059,898,632**	**100**	**712,839,785,000**	**100**	**925,242,179,000**	**100**	**1,222,335,956,000**	**100**

Figure 8 Premium Income Distributions by Class of Business (2001 - 2005)



THE BROKER MARKET

Three (3) new brokers, namely: Prudent Consult Limited, Allied Insurance Brokers Limited and JeRock Insurance Brokers Limited were registered during the period. This brought the total number of registered brokers as at 31st December, 2005 to thirty-seven (37).

1. Prudent Consult Limited

   Prudent Consult Limited was licensed in January, 2005. The office is located at Jones Nelson Street, Adabraka behind the Catholic Bookshop. The company's Managing Director is Miss Adelaide Aboagye, a Chartered Insurer.

2. Allied Insurance Brokers Limited

   Allied Insurance Company Limited was licensed in January, 2005. The office is located at Accra New Town, near the Mallam Atta Market. The company's Managing Director is Mr. Mensah-Gadu.

3. JeRock Insurance Company Limited

   JeRock was licensed in August, 2005. The office is located at Achimota on the Nsawam Road. The company's Managing Director is Mrs. Mercy Eunice Kyei, a chartered insurer.

Insurance Broking Companies Registered from 2003 - 2005

Name of Company	Year of Registration
1. Dynamic Insurance Brokers Limited	2003
2. First Anchor Risk Management Limited	2003
3. Horizon Insurance Company Limited	2004
4. Progressive Insurance Services Limited	2004
5. Prudent Consult Limited	2005
6. Allied Insurance Brokers Limited	2005
7. Jerock Insurance Brokers Limited	2005

PERFORMANCE OF THE BROKING COMPANIES

Brokerage Earned by Broking Companies

Company	2003 (¢'000)	2004 (¢'000)	2005 (¢'000)
1. KEK	17,871,776	16,543,284	22,019,401
2. Edward Mensah, Wood & Associates	5.012,250	6,062,151	6,807,802
3. Insurance Consultancies	905,081	2,651,721	3,021,594
4. Tri-Star	1,561,962	1,967,447	2,509,680
5. CLAIM	1,555,009	1,666,167	2,331,548
6. Danniads	1,177,959	1,529,803	1,913,588
7. All Risks Consultancy	1,544,793	1,753,148	1,585,711
8. Crown	477,336	1,260,214	1,415,991
9. Alliance	323,585	795,895	1,204,960
10. Marine & General	460,580	1,000,069	1,078,035
11. Trans-National	518,752	623,312	975,976
12. Universal	721,831	837,592	959,273
13. Horizon		247,321	921,352
14. Akoto Risk Management	418,448	611,704	905,818
Total	**32,549,362**	**37,549,828**	**47,650,729**
15. Others	**2,578,600**	**3,848,457**	**2,831,351**
Total Brokerage	**35,127,962**	**41,398,285**	**50,482,080**

Out of a total of 33 broking companies only 26 submitted their audited accounts in year 2003, 27 in 2004 and 23 in 2005.

Total gross commissions recorded for the above companies over the 3-year period was ¢35.1 billion, ¢41.3 billion and ¢50.4 billion respectively. Out of these amounts, the five top companies namely:

KEK; Edward Mensah; Wood & Associates; Insurance Consultancies International; Tri-Star and CLAIM Limited together contributed 76.5%, 69.7% and 72.6% respectively. KEK Insurance Brokers Limited alone controls over 40% of the broking market.

It may also be observed from the table above that, only 14 companies out of those who submitted their audited accounts contributed over 90% of the total commissions earned within the period under review.

Commission increased at a growth rate of 4.1% between 2004 and 2005

Growth in Commissions Earned

Year	Commission Earned (¢'000)	Growth Rate %
2003	35,127,962	-
2004	41,398,285	17.8
2005	50,482,080	21.9

Compliance

On-site inspections were conducted on 6 broking companies in 2004 whilst 8 were inspected in 2005 to ensure compliance with the Insurance Law.

PERFORMANCE INDICATORS

Market Share By Gross Premium
(Non - Life)

COMPANY	MARKET SHARE (%) 2001	2002	2003	2004	2005
State Insurance	38	40	38	37	40
Metropolitan	14	13	12	10	10
Enterprise	14	15	16	14	15
Ghana Union	7	7	5	5	5
Vanguard	10	8	8	9	8
Star	4	4	5	7	7
Provident	3	3	4	3	3
Unique	2	2	3	4	3
Donewell	2	3	3	3	4
Others	6	5	6	8	5
Totals	**100**	**100**	**100**	**100**	**100**

The distribution of the Non-Life market share did not change much from that of 2004. Apart from State Insurance which increased its share to 40% from the 2004 level of 37%, all the other changes were rather marginal.

Market Share By Gross Premium
(Life)

COMPANY	MARKET SHARE (%) 2001	2002	2003	2004	2005
State Insurance	29	24	22	24	26
Gemini Life	20	18	18	16	15
Enterprise Life	-	3	8	10	12
Star	7	13	13	10	10
Metropolitan	20	18	14	10	9
Ghana Life	7	7	7	7	6
Vanguard	4	3	6	8	4
Provident	5	4	4	5	5
Donewell	4	6	6	4	6
Others	4	4	2	6	7
Totals	**100**	**100**	**100**	**100**	**100**

In terms of Life market share, State Insurance, Enterprise Life and Donewell made some gains. Whereas Gemini Life and Metropolitan recorded marginal losses, Vanguard took a steep dip from 8% to 4%. State Insurance however seems to be regaining its market share lost over the past three or four years.

CLAIMS RATIO (%)

COMPANY	2001	2002	2003	2004	2005
Industry Average	**21**	**19**	**18**	**20**	**23**
1. State Insurance	35	25	22	19	28
2. Enterprise Insurance	15	15	13	17	18
3. Ghana Union Assurance	19	21	20	23	24
4. Network Assurance	9	10	9	3	23
5. Vanguard Assurance	11	12	12	23	15
6. Provident Insurance	27	19	29	11	23
7. Star Assurance	26	14	17	21	20
8. CDH Insurance	7	12	12	15	27
9. Beacon Insurance	13	37	42	42	38
10. Unique Insurance	16	8	19	23	18
11. Donewell Insurance	10	13	11	11	13
12. Metropolitan Insurance	19	22	20	20	19
13. Phoenix Insurance	10	12	3	9	6
14. Quality Insurance	23	21	8	8	14
15. Inter-Life & General	35				
16. Gemini Life	22	23	28	33	32
17. Ghana Life	43	33	42	41	35
18.Enterprise Life	-	2	3	26	10
19. Ghana Reinsurance	24	21	25	20	35
20. Mainstream Reinsurance	32	39	23	25	29
21.Star Life Assurance				19	31

The Claims ratio which is the percentage of claims incurred to gross premiums, measures underwriting efficiency. The lower the ratio, the better the underwriting efficiency.

The industry average claims ratio fell from about 30% in the late nineties to 18% in 2003 but it has since been rising steadily. It rose to 20% in 2004 and to 23% in 2005. The possible causes for this trend include high rate of motor accidents and rising cost of spare parts. It may also well be that premiums charged are not adequate or commensurate with the current claims trends.

Although Vanguard, Unique and Phoenix recorded marginal decreases, this was more than offset by the very significant increases made by State Insurance, Network, Provident, CDH, Ghana Re and Starlife

EXPENSE RATIO (%)

COMPANY	2001	2002	2003	2004	2005
Industry Average	**35**	**36**	**34**	**34**	**36**
1. State Insurance	41	45	41	44	32
2. Enterprise Insurance	16	18	15	17	18
3. Ghana Union Assurance	13	14	15	22	21
4. Network Assurance	44	59	54	41	56
5. Vanguard Assurance	34	35	32	26	42
6. Provident Insurance	36	33	31	34	35
7. Star Assurance	32	34	30	32	37
8. CDH Insurance	83	43	75	49	80
9. Beacon Insurance	34	56	43	43	42
10. Unique Insurance	58	38	34	29	37
11. Donewell Insurance	49	37	43	43	42
12. Metropolitan Insurance	21	17	22	25	24
13. Phoenix Insurance	39	52	56	59	42
114. Quality Insurance	50	54	49	45	46
15. Inter-Life & General	0				
16. Gemini Life	34	32	33	30	30
17. Ghana Life	26	24	23	21	29
18.Enterprise Life	-	84	46	41	34
19. Ghana Reinsurance	38	20	20	24	16
20. Mainstream Reinsurance	28	13	15	17	18
21.Star Life Assurance	0	0	0	30	33

The Expense ratio is the percentage of total management expenses to gross premiums. The lower the ratio, the better in terms of management efficiency.

The industry average expense ratio rose to 36% from 34% in both 2003 and 2004.

State Insurance and Phoenix recorded the best improvements from 44% and 59% in 2004 to 32% and 42% respectively in 2005.

Enterprise Life's ratio continues to improve as the volume of business improves.

Enterprise, Mainstream and Ghana Re showed the most impressive expense ratios for 2005. The expense ratio for each of these companies was less than half of the industry average. Although very impressive, the ratios of Enterprise and Mainstream seem to be on a gradual but consistent rise over the last four years.

Whereas most companies generally recorded some increases in their expense ratios, the increases were very significant for Network, Vanguard, Star and Ghana Life.

CDH appears to have the most unstable expense ratio experience over the five year period under review.

COMBINED RATIO (%)

COMPANY	2001	2002	2003	2004	2005
Industry Average	**56**	**57**	**50**	**50**	**58**
1. State Insurance	76	70	63	63	60
2. Enterprise Insurance	31	33	28	35	36
3. Ghana Union Assurance	32	35	35	45	45
4. Network Assurance	53	69	63	44	79
5. Vanguard Assurance	45	47	44	49	56
6. Provident Insurance	63	52	60	45	58
7. Star Assurance	58	48	47	53	57
8. CDH Insurance	90	55	87	64	107
9. Beacon Insurance	47	93	85	85	80
10. Unique Insurance	74	46	53	52	55
11. Donewell Insurance	59	50	54	54	54
12. Metropolitan Insurance	40	39	42	45	39
13. Phoenix Insurance	49	64	59	68	48
14. Quality Insurance	73	75	57	53	59
15. Inter-Life & General	35				
16. Gemini Life	56	66	61	63	62
17. Ghana Life	69	57	65	62	64
18. Enterprise Life	-	86	49	67	44
19. Ghana Reinsurance	62	41	45	44	55
20. Mainstream Reinsurance	60	52	38	42	46
21.Star Life Assurance				49	64

This is calculated as Total Claims + Management Expenses/Gross Premium. It is combination of the claims and management ratios.

The industry average combined ratio followed the trends of the expense and claims ratios thereby rising to 58% from 50% in 2004. This is quite significant as it borders directly on the profitability of the companies.

Ghana Union, Enterprise Life, Mainstream, Metropolitan and Enterprise all showed very good combined ratio with Enterprise being the most impressive.

Network, CDH, Gemini Life, Ghana Life, Beacon and StarLife all show combined ratios well above the industry average.

RETURN ON EQUITY (%)

COMPANY	2001	2002	2003	2004	2005
Industry Average	**23**	**18**	**19**	**16**	**20**
1. State Insurance	8	5	5	5	7
2. Enterprise Insurance	27	22	16	8	22
3. Ghana Union Assurance	33	24	24	8	6
4. Network Assurance	32	-7	-32	44	-19
5. Vanguard Assurance	16	21	28	8	15
6. Provident Insurance	21	20	12	12	7
7. Star Assurance	20	5	11	6	31
8. CDH Insurance	3	6	-11	-5	-19
9. Beacon Insurance	20	-60	-106	-106	-42
10. Unique Insurance	-16	53	41	54	44
11. Donewell Insurance	15	10	2	2	26
12. Metropolitan Insurance	22	28	3		164
13. Phoenix Insurance	11	11	11	-100	42
14. Quality Insurance	29	8	8	13	17
15. Inter-Life & General	11				
16. Gemini Life	46	34	17	20	23
17. Ghana Life	24	23	86	47	39
18.Enterprise Life	-	7	15	14	20
19. Ghana Reinsurance	23	23	19	21	9
20. Mainstream Reinsurance	86	-24	38	31	14
21. StarLife					3

Return on Equity is the Net Profit after tax as a percentage of Shareholders' Funds (Equity). It measures the profitability of the companies; the higher the percentage, the more profitable the company.

The industry average return on equity has been falling since 2001. It fell from 23% in that year to 13% in 2005. This is due to the rising claims and expense ratios over the recent years. It is therefore not surprising that all the companies that showed very high combined ratios for 2005 posted either negative or very insignificant return on equity.

Whereas Enterprise and Star made marked improvements, Ghana Re, Provident and Mainstream took steep dips.
The huge returns on equity posted by Metropolitan, Unique, Phoenix and Ghana Life were all more due to inadequate capitalisation than exceptional performance.

RETENTION RATIO (%)

COMPANY	2001	2002	2003	2004	2005
Industry Average	**67**	**67**	**70**	**71**	**70**
1. State Insurance	71	77	74	77	80
2. Enterprise Insurance	37	35	35	43	38
3. Ghana Union Assurance	41	39	41	40	38
4. Network Assurance	66	72	76	77	76
5. Vanguard Assurance	50	54	58	66	65
6. Provident Insurance	76	83	79	84	85
7. Star Assurance	82	85	84	73	63
8. CDH Insurance	79	77	75	84	76
9. Beacon Insurance	96	91	86	86	90
10. Unique Insurance	78	66	81	79	78
11. Donewell Insurance	82	77	81	81	87
12. Metropolitan Insurance	41	52	55	49	51
13. Phoenix Insurance	46	65	77	79	68
14. Quality Insurance	79	79	82	84	82
15. Inter-Life & General	90				
16. Ghana Reinsurance	76	67	75	73	81
17. Mainstream Reinsurance	52	56	58	60	63

The retention ratio is calculated as the percentage of net premiums to gross premiums. It indicates the portion of the underwritten risks that have not been pased on to reinsurers.

The industry average retention ratio has been quite stable over the past three years. Apart from Ghana Re and Phoenix, all the other companies recorded just marginal changes in the retention ratios.
The consistency in the ratios of the various companies give an indication of good risk management.

On the whole, Enterprise and Ghana Union have the lowest retentions whiles Provident, Beacon and Donewell show the highest retentions.

INVESTMENT INCOME AS A % OF TOTAL INVESTMENT

COMPANY	2001	2002	2003	2004	2005
Industry Average	**22**	**16**	**17**	**11**	**11**
1. State Insurance	19	10	11	8	7
2. Enterprise Insurance	15	8	6	5	13
3. Ghana Union Assurance	21	7	9	10	7
4. Network Assurance	14	17	18	13	18
5. Vanguard Assurance	17	12	11	15	11
6. Provident Insurance	34	19	23	15	17
7. Star Assurance	14	5	8	2	2
8. CDH Insurance	16	12	10	6	8
9. Beacon Insurance	20	21	23		16
10. Unique Insurance	37	19	17	17	14
11. Donewell Insurance	30	13	30		12
12. Metropolitan Insurance	17	18	18	26	11
13. Phoenix Insurance	27	24	27	5	9
14. Quality Insurance	25	23	21	12	11
15. Inter-Life & General	12				
16. Gemini Life	28	26	18	17	15
17. Ghana Life	36	20	26	16	16
18. Enterprise Life	-	21	15	8	7
19. Ghana Reinsurance	16	14	14	11	9
20. Mainstream Reinsurance	16	14	14	14	14
21. Star Life Assurance				3	4

Investment income as a percentage of total investments measures the rate of return on investments. In a way, it gives an indication of the quality of the investments made and held by the various companies.

The industry average of investment income as a percentage of total investments remained at the 2004 level of 11% due to falling interest rates.

Enterprise, Network and Provident made significant improvements on their investment returns. Ghana Union, Vanguard and Metropolitan on the other hand had worse returns than the previous year.

Star and its subsidiary, StarLife recorded the worst returns on investments of 2% and 4% respectively for the second time running.

INVESTMENT INCOME AS A % OF PREMIUMS

COMPANY	2001	2002	2003	2004	2005
Industry Average	**18**	**12**	**13**	**9**	**9**
1. State Insurance	16	11	13	10	7
2. Enterprise Insurance	8	4	3	4	8
3. Ghana Union Assurance	18	6	8	7	8
4. Network Assurance	8	9	6	6	6
5. Vanguard Assurance	4	3	3	4	3
6. Provident Insurance	33	20	22	14	14
7. Star Assurance	13	7	10	2	1
8. CDH Insurance	52	23	15	7	11
9. Beacon Insurance	16	23	21		11
10. Unique Insurance	12	7	9	7	9
11. Donewell Insurance	12	8	8	8	5
12. Metropolitan Insurance	7	6	6	5	4
13. Phoenix Insurance	5	5	2	1	4
14. Quality Insurance	38	22	14	9	11
15. Inter-Life & General	5				
16. Gemini Life	34	25	17	15	15
17. Ghana Life	54	33	46	26	27
18. Enterprise Life	-	57	22	7	7
19. Ghana Reinsurance	21	14	13	11	9
20. Mainstream Reinsurance	9	8	9	10	10
21. Star Life Assurance				4	5

Investment income as a percentage of premiums tries to compare a company's income from investments to its premium income. This ratio measures the extent of support from investment income. This is very relevant considering the fact that most companies make underwriting losses and have to depend on income from investments to make profits.

The trend in 2005 was not much different from 2004. Provident, Gemini Life and Ghana Life showed very impressive ratios well above the industry average. The ratios of Star, Vanguard, Metropolitan and Phoenix however call for concern.

GROSS PREMIUM TO EQUITY RATIO

COMPANY	2001	2002	2003	2004	2005
Industry Average	**2.1**	**1.9**	**2.5**	**2.5**	**2.5**
1. State Insurance	1.3	0.7	0.9	0.8	1.1
2. Enterprise Insurance	2.6	2.3	2.3	1.1	2
3. Ghana Union Assurance	1.2	1.5	1.7	2.2	2.6
4. Network Assurance	1.6	3.1	7.56	3.8	4.7
5. Vanguard Assurance	4.6	4.5	5.6	7.6	4.3
6. Provident Insurance	1	1.2	2	0.7	0.9
7. Star Assurance	0.9	1.8	2	1.8	2.1
8. CDH Insurance	0.3	0.5	0.7	1.2	1.2
9. Beacon Insurance	2.3	6.7	19.6	19.6	-1.5
10. Unique Insurance	3.3	3.4	4.4	4.8	3.3
11. Donewell Insurance	2.3	1.8	3	3	3.2
12. Metropolitan Insurance	4.2	4	5.1	184.4	37.5
13. Phoenix Insurance	3.2	2.8	3	9	5
14. Quality Insurance	1.4	1.2	1.9	2.7	2.8
15. Inter-Life & General	1				
16. Gemini Life	1.4	1.4	1.5	1.6	1.9
17. Ghana Life	18.5	23.1	4.6	2.6	2.1
18.Enterprise Life	-	0.4	1.1	1.2	2.1
19. Ghana Reinsurance	0.8	0.9	1	1	1
20. Mainstream Reinsurance	6	10.2	7.2	5.7	2
21. Star Life Assurance	0	0	0	2.2	2.2

The Premium Equity ratios try to assess the capital adequacy of insurance companies. The ratios measure how much capital is available to support the premiums underwritten by a company. So for an example, a Gross Premium to Equity ratio of 3.5 means that ¢1 of capital supports as much as ¢3.5 of gross premium.

The industry average Gross Premium to Equity ratio has remained at 2.5 since 2003. The benchmark or industry best practice is however pegged at 2 This means that a ratio significantly above two indicates the company may be overtrading whiles a ratio which is well below 2 means that the company is not making adequate use of its capital.

On the basis of the above State Insurance, CDH and Ghana Re do not seem to be making adequate use of their capital base.
The ratios also show that Vanguard, Unique, Donewell, Network, and Phoenix are certainly undercapitalised as far as their level of business is concerned. On a more serious note, Metropolitan and Beacon need

immediate capital injections.

The rather very low ratio recorded by Provident is mainly due to huge revaluation surpluses.

NET PREMIUM TO EQUITY RATIO

COMPANY	2001	2002	2003	2004	2005
Industry Average	**1.1**	**1.21**	**1.43**	**1.62**	**1.64**
1. State Insurance	0.95	0.55	0.63	0.61	0.9
2. Enterprise Insurance	0.95	0.81	0.79	0.48	0.7
3. Ghana Union Assurance	0.51	0.58	0.67	0.88	1
4. Network Assurance	0	2.3	5.7	2.92	3.7
5. Vanguard Assurance	2.32	2.43	3.26	4.97	2.8
6. Provident Insurance	0.75	1.01	1.56	0.62	0.6
7. Star Assurance	0.71	1.5	1.65	1.32	1.3
8. CDH Insurance	0.22	0.38	0.52	1.01	0.9
9. Beacon Insurance	0	6.1	16.9	16.92	-1.4
10. Unique Insurance	2.59	2.24	3.54	3.78	2.5
11. Donewell Insurance	1.85	1.42	2.47	2.47	2.7
12. Metropolitan Insurance	1.75	2.11	2.79	90.93	19
13. Phoenix Insurance	1.5	1.86	2.27	7.13	2.9
14. Quality Insurance	1.13	0.93	1.6	2.26	2.3
15. Inter-Life & General	0		0		
16. Gemini Life	1.35	1.4	1.5	1.6	1.9
17. Ghana Life	18.48	23.1	4.6	2.58	2.1
18. Enterprise Life	-	0.37	1.06	1.18	2.1
19. Ghana Reinsurance	0.59	0.61	0.8	0.7	0.85
20. Mainstream Reinsurance	3.08	5.67	4.2	3.39	1.2
21. Star Life Assurance				2.2	2.2

The Net Premium to Equity ratio does the same function as the Gross Premium to Equity ratio. The only difference is that the Net Premium to Equity ratio measures the relation of the Net and not the Gross Premium of a company to its capital. The industry average rose slightly from 1.62 in 2004 to 1.64 in 2005.

CAPITAL TO LIABILITIES (LEVERAGE) RATIO

COMPANY	2001	2002	2003	2004	2005
Industry Average	**1.5**	**1.6**	**1.9**	**2.5**	**2.3**
1. State Insurance	1.9	1.0	1.1	1.0	1
2. Enterprise Insurance	1.4	1.3	1.0	0.6	1.1
3. Ghana Union Assurance	1.1	1.4	1.7	2.4	3.3
4. Network Assurance	0	2.8	4.5	3.1	3.5
5. Vanguard Assurance	3.2	4.4	4.0	4.9	3
6. Provident Insurance	1.3	1.5	2.5	0.8	1.1
7. Star Assurance	1.2	2.2	2.5	2	2.2
8. CDH Insurance	0.3	0.4	0.6	0.9	1.3
9. Beacon Insurance	0	13.4	23.9	23.9	-1.4
10. Unique Insurance	2.5	2.2	3.0	3.7	3.1
11. Donewell Insurance	1.6	1.1	2.3	2.3	2.8
12. Metropolitan Insurance	2.2	1.8	3.4	151.5	33.1
13. Phoenix Insurance	1.5	1.7	1.9	5.1	3.8
14. Quality Insurance	1.9	1.1	1.5	2.2	3.1
15. Inter-Life & General	0				
16. Gemini Life	1.7	2.1	2.0	2.3	2.6
17. Ghana Life	40	45.8	8.8	3.9	3.1
18. Enterprise Life	-	0.2	0.2	0.8	1.5
19. Ghana Reinsurance	0.8	0.9	1.1	1.1	1.3
20. Mainstream Reinsurance	5.5	9.9	6.6	4.7	1.9
21.Star Life Assurance				3.5	3.7

The Capital to Liabilities ratio compares the liabilities of the company to its capital. The assets of a company are financed by a combination of equity and debt (liabilities). The leverage ratio therefore tries to measure the effects on both assets and equity of a demand by the creditors.

A Capital to Liabilities ratio of 2 for an example means that for every cedi of equity, the company has two cedis of liabilities. It also means that the assets of the company are financed 33% from equity and 67% from debt.

The industry average Capital to Liabilities ratio rose steadily from 1:1.5 in 2000 to 1: 2.5 in 2004. This indicates that generally, the equity of insurance companies are not growing enough to match the growth in their operations. It however dropped slightly to 1;2.3 in 2005.

Again, the ratios of Metropolitan and Beacon clearly indicate their need of immediate additional capital injection.

OUTSTANDING PREMIUMS AS A % OF GROSS PREMIUMS

COMPANY	2001	2002	2003	2004	2005
Industry Average	**35**	**28**	**25**	**26**	**26**
1. State Insurance	29	13	10	16	14
2. Enterprise Insurance	12	16	13	12	15
3. Ghana Union Assurance	37	33	27	21	30
4. Network Assurance	0	20	9	12	18
5. Vanguard Assurance	50	41	32	23	21
6. Provident Insurance	28	26	26	16	22
7. Star Assurance	22	19	11	28	29
8. CDH Insurance	41	37	19	20	16
9. Beacon Insurance	0	27	21	21	9
10. Unique Insurance	24	27	20	20	19
11. Donewell Insurance	32	15	53	53	23
12. Metropolitan Insurance	25	18	12	15	19
13. Phoenix Insurance	30	51	47	33	27
14. Quality Insurance	5	2	1	10	14
15. Inter-Life & General	0				
16. Ghana Reinsurance	92	72	74	87	90
17. Mainstream Reinsurance	31	29	31	35	53

Outstanding Premiums as a percentage of Gross Premiums compares out-standing premiums as at the end of the year to the total premiums written during the year. This is an efficiency ratio which tries to assess how well management make use of the company's assets. Specifically, the objective is to find out how long it takes management to collect premium debts and put such funds into use.

The industry average Outstanding Premiums to Gross Premiums earned ratio fell from about 36% in 2000 to about 25% in 2003. It has however risen to and remained at 26% in both 2004 and 2005.

It must however be noted that the Premium Debtors of most companies are net of provisions for Bad and Doubtful debts some of which are quite substantial. The issue of bad debts appears to be the biggest problem of most insurance companies.

This reflects the growing significance of the Credit Risk faced by insurance companies which need to be well managed to avoid any shocks in the future. The ratios of the two reinsurers, Ghana Re and Mainstream are clearly out of range and need some urgent attention.

INDUSTRY BALANCE SHEET

AGGREGATED INDUSTRY BALANCE SHEET AS AT 31ST DECEMBER 2004 AND 2005

		2005	2004
	NOTE	¢'000	¢'000
Stated Capital		221,274,264.00	180,816,403
Capital Surplus		437,522,259.00	464,260,156
Income Surplus		35,706,980.00	31,721,516
Contingency Reserve		239,604,632.00	200,659,302
Shareholders' Funds		**934,108,135.00**	**877,457,377**
Represented by			
Non Current Assets			
Fixed Assets	1	389,867,743.00	365,058,415
Investment Properties		31,223,513.00	27,238,112
Long Term Investments	2	437,853,744.00	406,955,961
Investment in Subsidiaries		51,499,388.00	43,863,198
		910,444,388.00	**843,115,686**
Current Assets			
Outstanding Premiums		406,670,451.00	332,582,556
Other Debtors/Loans		131,093,425.00	141,189,123
Amount due from re-insurers		39,473,948.00	21,017,686
Taxation		5,732,190.00	5,035,794
Short term investments	3	640,205,930.00	561,935,129
Cash funds/resources		243,398,700.00	130,872,121
		1,466,574,644.00	**1,192,632,409**
Current Liabilities			
Provision for Unearned Premiums		362,205,515.00	282,906,307
Provision for Claims		155,762,200.00	135,725,553
Amount due to re-insurers		261,751,597.00	213,881,483
Bank Overdraft		5,971,012.00	2,220,188
Creditors		154,085,302.00	135,385,692
Taxation		10,861,938.00	17,904,042
Proposed Dividends		29,031,889.00	18,180,465
		979,669,453.00	**806,203,730**
Net Current Assets		486,905,191.00	386,428,679
Life Fund		435,168,444.00	307,316,282
Other Long Term Liabilities		28,073,000.00	44,770,706
		463,241,444.00	**352,086,988**
Net Assets		**934,108,135.00**	**877,457,377**

NOTES TO THE AGGREGATED INDUSTRY BALANCE SHEET

	2005	2004
	¢'000	¢'000
NOTE 1 – FIXED ASSETS		
Land and Buildings	276,190,016.00	257,925,514
Furniture, Fittings and Equipment	34,427,360.00	31,816,673
Motor Vehicles	15,256,788.00	12,363,665
Work in Progress	43,399,223.00	48,273,512
Intangibles	1,382,664.00	1,295,480
Computer Equipment and Software	19,211,692.00	12,932,231
	389,867,743.00	**364,607,075**
NOTE 2 – LONG TERM INVESTMENTS		
Quoted Shares	113,512,882.00	291,756,626
Unquoted Shares	257,046,092.00	82,107,259
Government Bonds	1,148,199.00	-
Corporate Bonds	44,835,206.00	12,073,119
Others	21,311,365.00	21,018,957
	437,853,744.00	**406,955,961**
NOTE 3 – SHORT TERM INVESTMENTS		
Treasury Bills	439,256,593.00	286,616,363
Fixed Deposits	187,302,918.00	264,969,130
Call Accounts	285,240.00	4,761,374
Unit Trusts	141,907.00	141,908
Government Bonds	13,219,272.00	5,446,354
	640,205,930.00	**561,935,129**

COMMENTS ON THE AGGREGATED INDUSTRY BALANCE SHEET

The total industry capitalisation grew by 6% from ¢877 billion in 2004 to ¢934 billion in 2005.

The industry's total assets grew by 17% from ¢2 trillion in 2004 to ¢2.4 trillion in 2005. The main causes were increase in Amounts due from Reinsurance and Cash Funds.

An analysis of the composition of the industry's total assets as at the two relevant dates is presented in the table below;

Asset Type	**Percentage of Total Assets**	
	2005 (%)	**2004 (%)**
Short term investments	27	28
Long term investments	22	23
Fixed Assets	17	18
Outstanding Premiums	17	16
Cash	10	6
Other Debtors	7	9
TOTAL	**100**	**100**

Total industry liabilities grew from ¢1.15 trillion in 2004 to ¢1.44 trillion in 2005. A very significant feature was the 42% growth in Life policyholder liabilities from ¢307 billion to ¢435 billion. This reflects the gradual but steady growth in the Life portfolio.

CONCLUSION

For the past four years statistics indicate that the Insurance Industry in Ghana has been recording very significant growth in both general and life business.

In terms of penetration, the Industry has contributed more than 1% of the GDP for the past five years.

Life business continues to show great potential by recording an average growth rate of 56.85% for the past four years. It is the hope of the National Insurance Commission (NIC) that this trend will continue in the future.

The NIC will continue its public education so that this growth can be sustained. General business also recorded an average growth rate of 35.7% for the past four years.

The NIC is hopeful that after the passage of the New Insurance Law, its supervisory role will be strengthened in order to move the industry forward. The NIC will do more on-site inspections in accordance with the core principles of the International Association of Insurance Supervisors (IAIS).