

# THE UNDERWRITER



Volume: 001 Issue: 001

April 2023

## CYBER CRIMES, CYBER SECURITY AND CYBER INSURANCE: MATTERS ARISING

*"There are, as with any good plan, a few pillars, five of them," Blinken said. "We will build our capacity and expertise in the areas that will be critical to our national security in the years ahead, particularly climate, global health, cybersecurity in emerging technologies, economics, and multilateral diplomacy."*

The establishment of the Cyber Security Authority demonstrates Ghana's commitment to the protection of critical information infrastructure and the need to prevent, manage, and respond to cyber crimes and threats, and foster Ghana's growing digital economy. Ransomware targeting individuals and organisations is a growing threat to the global economy, including Ghana. As more businesses moved online during the last year and a half, so did criminals. We must remind ourselves that criminals and their online techniques have no borders, and they have no morals. Without robust cybersecurity, there are no limits to the negative impact cyber-criminal activities can have on Ghana's economy as they target individuals, businesses and governments.

We are much aware that various central banks around the world are looking into the possibility of an e-currency or digital version of their physical currency. The Bank of Ghana (BoG) has also announced the possible introduction of e-cedi shortly. Ghana has also been pushing for digitisation and the introduction of new technologies in the economic space. There are risks associated with digitisation. These include environmental risks, operational risks, third-party liability risks, etc.

Cyber risk could have a great impact on third parties who have given out their private information to institutions. Micro, Small and Medium Enterprises (MSMEs) that would not have the financial capacity to secure their software and other equipment to protect themselves against these cyber attacks, could be similarly impacted negatively.

As the global economy becomes increasingly dependent on Information Technology (IT) systems and digital networks, cyber risk has become a great threat. Global annual losses caused by cybercrime have been estimated as high as U.S.\$445 billion (McAfee 2014). According to the World Economic Forum (WEF 2014), there is a 10% probability of a critical information infrastructure breakdown within the next 10 years that might cost about U.S.\$250 billion. In response, insurance companies have started to develop policies to protect against these emerging risks.

Cyber security, as noted by many experts and also WEF, is too big a job for governments or businesses to handle alone. This makes Cyber Insurance Plan a must for all companies that store customers' data. Among the threats to our cyberspace, according to the WEF, is the danger of .digital mistrust which has the potential to hinder full cooperation from many people, hence limiting the potential benefits to us.

To reassure all stakeholders in the digital space, there is the need for a robust cyber-insurance market. This can promote public good by reducing the country's vulnerability to cyber-attacks and minimising its effects. Governments are compelled to play direct roles in the cybersecurity ecosystem because they are prone to these challenges themselves. It is therefore in the interest of governments to provide a conducive environment to ensure a robust cyber insurance market.

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Currently, the infrastructure and services offered in information systems and networks as well as users, encounter a wide variety of cyber risks. These are caused by different threats such as distributed denial of service (DDoS) attacks, persistent threats from insiders, worms, and viruses. A typical and effective approach to control these risks is self-protection. Self-protection is a cyber-defence strategy that combines both technical and operational methods to secure the users' systems directly and reduce the likelihood of losses.

It is generally recognised that an effective and efficient cyber-defence strategy extends beyond technical and operational procedures. It should include cyber risk management to control security risks in information systems and networks. According to CISCO (an American-based multinational digital communic-



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ations technology conglomerate), cyber insurance is an insurance product designed to help businesses hedge against potentially devastating effects of cybercrimes such as malware, ransomware, DDoS attacks, or any other method used to compromise a network and sensitive data.

Several authors, including myself, have written articles and publications to justify the need for businesses in Ghana to have a minimum compulsory cyber insurance in place, following the recent digitisation drive by the government. Mr Thomas Cook Jefferson-Dankwah (a renowned Cyber-Insurance expert) said in an interview with the Business and Financial Times (B&FT) newspaper that, Insurance companies handle all matters relating to cyber-risk transfer. It must also be noted that Technology and Insurance Industries go hand in hand to mitigate cyber risk, which is part of the overall strategy of cyber-security. Let me add that there is a need for coordination of the cyber-insurance ecosystem.

Insurance experts argue that cyber insurance policies are still in their infancy, and a lot of work needs to be done in terms of standardising coverage and making sure that insurance carriers can support the needs of modern businesses. It is further suggested that education is important for businesses to understand the threat of cyber attacks and the seriousness of their impact. A major concern is that cyber criminals are always a step ahead leaving a nagging question: *Would cyber crimes increase when these bad people know that insurance has made provisions to pay for the loss due to their attack?*

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# CLAIMS PAYMENT: OUR BUSINESS

Insurance is a financial risk management mechanism by which the insured transfers the potential financial consequence of a loss to an insurance company in exchange for monetary consideration known as premium.

The value of insurance in any country cannot be overemphasised as it contributes to the Gross Domestic Product (GDP) of several nations. The contribution of insurance to a country's GDP (known as insurance penetration) is used as an indicator of the development of the insurance sector within the country. It is calculated as the ratio of total insurance premiums to the GDP in a given year. The Fig. 1 below shows some of the countries with the highest insurance penetration rates in the world.

Insurance penetration in Ghana as at end of 2021 stood at approximately 1% according to the National Insurance Commission (NIC). This stems from the activities of retail insurance (life, non-life and micro-insurance). In jurisdictions such as Kenya and South Africa, Health Insurance and Pensions are

also considered in the determination of the penetration rate. If Ghana's measure of the penetration rate is adjusted to include these streams, the penetration is estimated to be 3%.

Insurance may have suffered greatly because of the perception of non-payment of claims. Insurance is a technical subject that needs to be broken down thoroughly for buyers. Invariably, claimant dissatisfaction arises from the fact that they did not understand the policies they purchased or did not receive a full complement of policy benefits at the inception of the insurance policy. One very common phrase you hear from an angry claimant is "When it was time to collect your money, you were quiet, now that it's time to pay my claim, you are talking about policy conditions." This seeming information gap has created the erroneous impression that insurers do not pay claims whereas, in actual sense, insurance continues to act as the fuel that keeps the engine of the economy running, through claims payment.

**Table 1 shows figures from the NIC on the average amount of policy claims or benefits paid annually by the insurance industry in Ghana from 2019 to 2021.**



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The essence of insurance becomes evident when there is a claim. An insurance claim is a formal request to the insurer (insurance company) for reimbursement against losses covered under the policy for which the premiums have been duly paid. In fact, a claim is one of the important mechanisms for assessing the strength and financial health of an insurance company.

There are various forms of insurance policies. However, the litmus test of an insurance policy is claims payment. The insurance industry has been plagued with a few bad experiences by claimants. Unfortunately, these experiences have been ingrained in the minds of unhappy claimants resulting in the general perception that insurance companies in Ghana do not pay claims. This perception may have contributed to the stifled growth of the industry and affected the rate of insurance uptake.

Aside from the compulsory classes of insurance and the National Health Insurance Scheme (NHIS), the general uptake of insur-

**Table 1: Average Policy Claims and Benefits**

YEAR	TOTAL GROSS ANNUAL PREMIUMS COLLECTED	AVERAGE CLAIMS/BENEFITS PAID ANNUALLY	% OF CLAIMS TO PREMIUMS
2019	GH¢3.6 BILLION	Gh¢720 MILLION	24.69%
2020	GH¢4.2 BILLION	Gh¢864 MILLION	24.52%
2021	GH¢5.2 BILLION	GH¢1.02 BILLION	28.84%

This table shows that insurance companies are paying huge sums of money annually to policyholders in fulfilment of their mandate. Also, the industry creates direct and indirect employment opportunities for over 13,000 people.

In a country where insurance uptake (lives covered) stands at about 32% of the country's population, these claims payment figures emphasise the contribution of insurance to the economy and drum home its importance. To buttress this further, the President of the Ghana Insurers Association (GIA), Mr. Seth Aklasi in a media engagement at the relaunch of the insurance awareness month in June 2022, dispelled the notion that insurance companies do not pay claims.

He stated that a report by the NIC indicates that the industry pays about Gh¢4.2



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million in claims or benefits to policyholders daily. According to Mr. Aklasi, "Considering the amount of money the industry pays as claims, it is obvious the industry has not been able to tell its story well enough for Ghanaians to have confidence in us."

All these figures point to the fact that the industry is delivering on its mandate of paying legitimate claims when they fall due. From these figures, one can see that the perception out there about insurance companies not paying claims is factually inaccurate, to say the least. Insurance companies remain committed to paying all legitimate claims promptly and the regulator holds companies to these responsibilities. One major Key Performance Indicator (KPI) in assessing Claims Managers in the industry is their ability to promptly settle legitimate claims with minimal agitations from claimants. This signifies the importance insurance companies place on claims payment. Thus contrary to the negative public perception, insurance companies pay huge sums of money in

claims/policy benefits and is ever committed to paying legitimate claims promptly. After the 2015 June 3rd twin flood-fire disaster, all the automobile and other companies on the Graphic Road returned to normal business because of insurance recoveries, these companies received. According to records available to the GIA, about GH¢332 million was paid as claims to individuals and businesses after the disaster.

It behoves insurance companies to take up the challenge of selling themselves based on the claims they pay out to their clients. They should also take steps to manage their claimants anytime disputes arise during the claims process. The industry must tell its claims payment story, tell it well and give assurance to policyholders. By doing this, insurance companies can confidently boast and say claims payment: our business.

# TITBITS ON THE NEW INSURANCE ACT, 2021 (ACT 1061)

## THE NEW PENALTY REGIME



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The Insurance Act, 2021 (Act 1061) was passed by the Parliament of the Republic of Ghana and assented to by the President on 5<sup>th</sup> January 2021. Act 1061 replaced the Insurance Act, 2006 (Act 724) with the objective of ensuring that the insurance sector in Ghana is regulated in accordance with international regulatory and supervisory standards, in a bid to increase the competitiveness of the insurance sector of the country in the international insurance market.

The new penalty regime under Act 1061 is deterrent in nature because the associated quantum (penalty units) and monetary values for infractions are high as illustrated by the following sections:

### Minimum Premium Rates and Maximum Levels of Commission or Remuneration

Section 256 deals with undercutting of premiums and overpayment of commissions/remuneration. The National Insurance Commission (NIC) is tasked with the responsibility of specifying minimum premiums and maximum levels of commission for specified classes, subclasses of insurance business and/or contracts of specified type or description. These rates apply to all licensed insurers and intermediaries (brokers, agents, etc.). A licensed insurer cannot enter into an insurance contract for a premium lower than the specified premium.

This phenomenon of charging lower than the agreed /approved premium by the NIC is called UNDERCUTTING. A licensed insurer and a licensed intermediary who contribute to undercutting are each liable to pay to NIC an administrative penalty of FIVE THOUSAND PENALTY UNITS (which currently translates into GH¢60,000.00).

Similarly, a licensed insurer is not allowed to pay commission higher than the amount specified by the NIC and a licensed intermediary cannot accept a commission higher than the amount so specified. A licensed insurer who contravenes this provision and a licensed intermediary who contributes to the contravention of same are each liable to pay an administrative penalty of FIVE THOUSAND PENALTY UNITS (currently at GH¢60,000.00) to NIC.

### 'NO PREMIUM, NO COVER' (SALES OF INSURANCE ON CREDIT)

Section 258 of Act 1061 stipulates that an insurance-regulated entity shall not issue insurance to a policyholder on credit. A person who fails to pay the premium on an insurance product shall have no cover in respect of that insurance risk. In other words, licensed insurers are to collect premiums for risks covered. A contravention of this provision attracts an administrative penalty of FIVE THOUSAND PENALTY UNITS (currently at GH¢ 60,000) payable to NIC.

Please be guided.



### At the US Embassy for VISA

**Officer:** Where in the US are you visiting?

**Yaw:** San Jose

**Officer:** It's pronounced "San Hosey". J is pronounced as H in the US.

**Yaw:** Oh Okay!

**Officer:** So how long do you intend staying in the US?

**Yaw:** 7 months, from Hanuary to Huly. Lol!

### The Burglar and the Insurance Agent

A burglar who was afraid of losing his job walked into an insurance company to buy a policy that would protect him while committing theft. Here is the conversation that ensued between the burglar and the Insurance Agent:

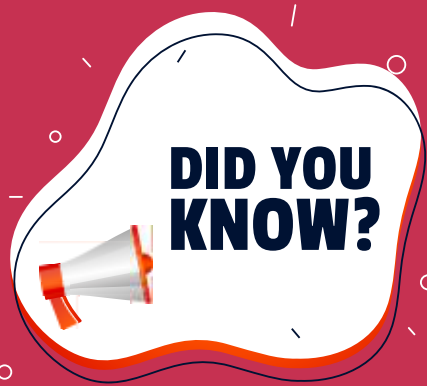
**Burglar:** "Excuse me, do you offer any insurance policies that cover me in case of any mishaps while stealing?"

**Insurance agent:** "I'm sorry, sir, but we don't offer insurance for illegal activities."

**Burglar:** "Well, that's unfortunate. I was hoping to secure my career in the theft business."

**Insurance agent:** "I'm afraid we can't help you with that. Perhaps you should consider a career change?"

**Burglar:** "I suppose you're right. I'll have to think about that. Thanks anyway!"



## A RANDOM INTERVIEW ON THE STREETS OF ACCRA

### Interview 1

Q: What is your name?

A: Alex

Q: Do you have any insurance?

A: Yes. I have insured my car

Q: How many years have you insured your car?

A: 12 years

Q: Have you ever made a claim?

A: No. I know my insurers won't pay so I won't bother to request

Q: What motivates you to continue insuring every year

A: I wouldn't have but for the fact that it's compulsory

Q: Do you know the benefits of insuring your properties?

A: Not really. All I know is I have to do insurance for my car.

Q: Do you know the difference between Comprehensive and Third Party Insurance?

A: No. All I know is insurance is compulsory so I must insure else the police will arrest me.

### Interview 2

Q: What's your name Sir?

A: I don't want to mention my name.

Q: What do you know about insurance?

A: I know about Car and Investment insurance

Q: Do you have any of the insurance type mentioned?

A: Yes. I have for both mentioned.

Q: Any experience with your insurers that you think you want to share with me?

A: Insurers are all the same. Not even a year ends that they will call you for a hamper or a diary. I have insured for over 22 years but I have never been called by my insurers for anything.

Q: What were some of the things you expected your insurers to do?

A: My expectation was that, over a period of time, if I haven't requested for claim, the insurer could give me a brand new tire so I know they appreciate me.

Q: So what motivates you to still do insurance?

A: It is for a simple reason that the police will arrest me. If not, I wouldn't have bothered to do insurance. They are all the same and don't have anything for us the insured.

**Insurance education is a must to correct these negative impressions**

# WATCH OUT!

**INSURANCE AWARENESS MONTH JULY 2023**

**THE UNDERWRITER MAGAZINE JUNE 2023**

**INTERNATIONAL CONFERENCE ON INCLUSIVE INSURANCE (ICII) 2023 OCTOBER, 2023**

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