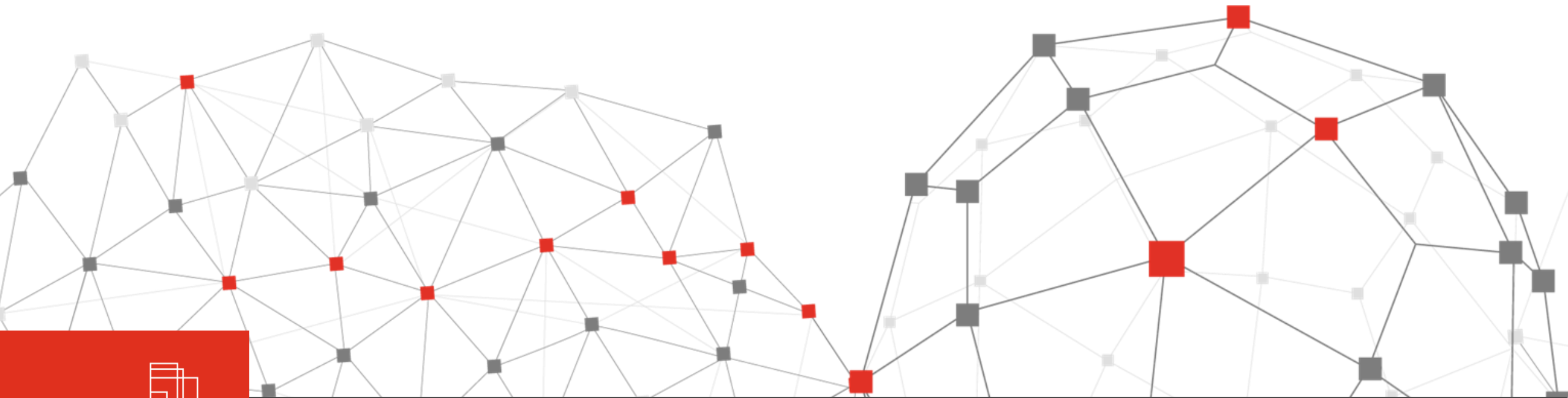


COVID-19

COVID-19 and the Ghanaian insurance industry



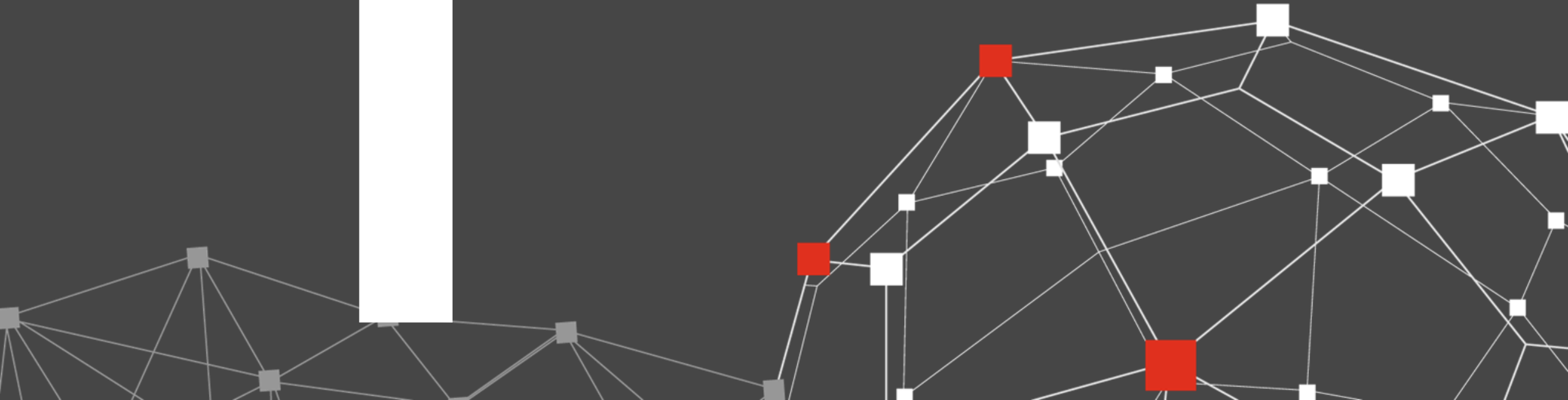
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2. Global policy responses to the COVID-19 pandemic
3. Impact on the Ghanaian insurance industry
4. Coming through when it matters most
5. Immediate priorities for insurers



Risks from COVID-19 and its impact on the global economy



COVID-19 pandemic: Global risks and its impact on the global economy

Global risks

Recession and financial crises

Global economic recession and financial crises due to debt overhang

Capital

Slowdown in capital investment and mass lay-off of workers leading to increased unemployment further dampening economic growth

Supply chain

Rerouting, delays, disputes and knock-on impact on customers

Sales

Decline in sales leading to cash flow and covenant issues

Operations

Reduced resilience in key functions, infrastructure and services or unavailability of locations

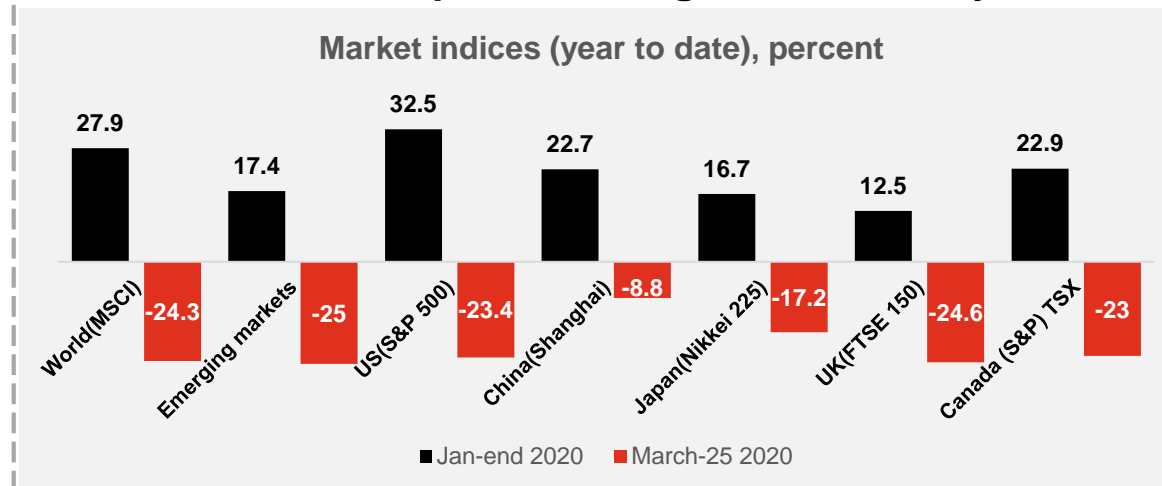
Travel

Restricted or prohibited travel to some locations impacting business and leisure demand

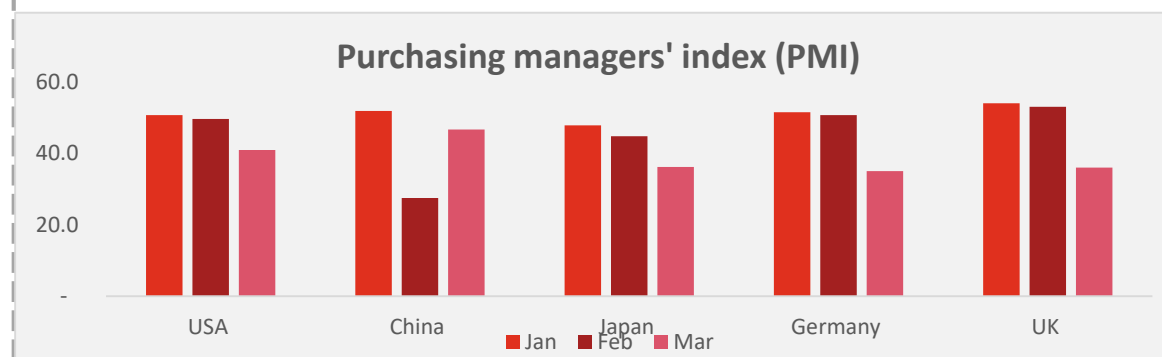
Regulation

Compliance challenges in certain sectors

Direct impact on the global economy



Source: *The Economist*, PwC analysis



Source: Trading economics, PwC analysis

Oil price crash

Oil prices dipped by over 60% to USD22.87 per barrel for Brent crude as at 29 April, 2020 from about USD67.05 in 2 January, 2020

COVID-19 pandemic: Global risks and impact on the global insurance industry

Global insurance risks

Consumers & companies

Consumers and companies are at risk from the costs of business and social disruptions related to the virus.

Health insurance

Health Insurers will be impacted by illness, impairment and disability claims, especially from consumers and their dependents affected by the pandemic.

Events insurance

The events industry has been significantly susceptible due to cancellations and postponements. This is one insurance segment liable to suffer losses.

Travel insurance

Travel insurance companies will be vulnerable particularly to customers who took out additional disruption cover for their travel insurance.

Credit insurance

The biggest potential risk to credit insurers from the pandemic would be from any bankruptcies spurred by the virus's spread.

Reinsurance

If the death toll rises more than ten times the current levels, the contingency losses for reinsurers would be sizeable.

Financial markets

Due to policy holders' investments made by insurers in the financial markets, insurance funds are at risk due to volatility in the global financial markets.



Source: [insurancejournal.com](https://www.insurancejournal.com), PwC

COVID-19 and the Ghanaian insurance industry
PwC

April 2020

5

PwC's COVID-19 CFO Pulse Survey

Recent findings of this biweekly survey of international CFOs highlighted global recession, reducing consumer confidence and consumptions as key concerns with respect to the pandemic

71%

Global recession

39%

Decrease in consumer confidence, reducing consumption

70%

Financial impact

30%

Effects on our workforce/reduction in productivity

31%

Supply chain issues

15%

Not having enough information to make good decisions

6%

Impacts on tax, trade, or immigration

18%

Difficulties with funding

6%

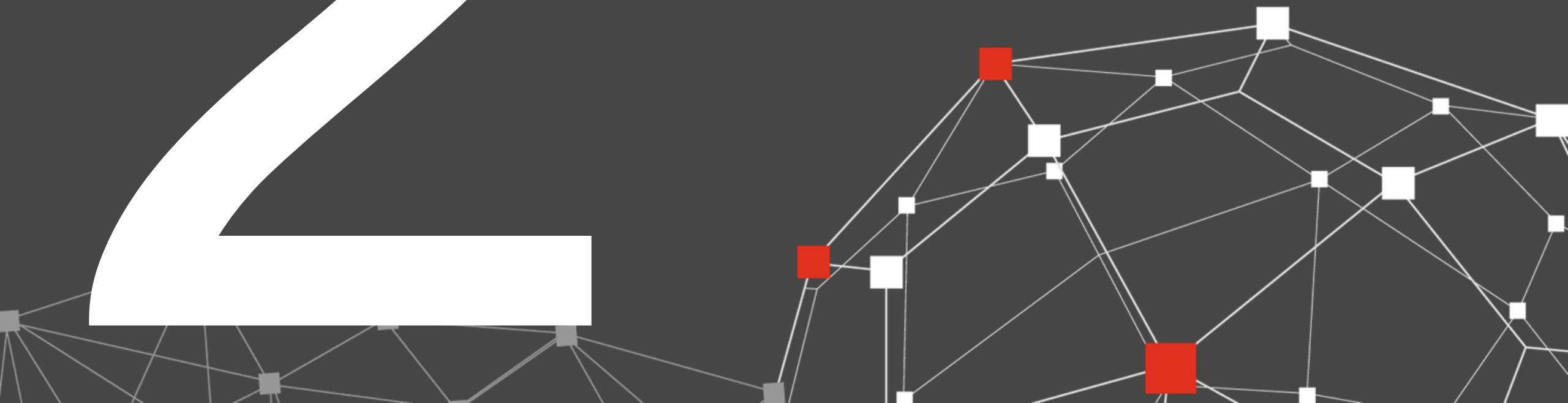
Cybersecurity risk

3%

Fraud risk

2

Global policy responses to the COVID-19 pandemic



COVID-19 Pandemic- Key policy responses from selected countries



United states of America

- Lowered Federal funds rate by 150bp to 0-0.25%
- Purchase of Treasury and agency securities in the amount as needed.
- Expanded overnight and term repos. Lowered cost of discount window lending. Reduced existing cost of swap lines with major central banks and extended the maturity of FX operations; broadened US dollar swap lines to more central banks.
- Authorized up to USD10b from the treasury Exchange Stabilization Fund to ease loan losses; among other key measures.



United Kingdom

- Reduced Bank Rate by 65 basis points to 0.1%
- Expanded the central bank's holding of UK government bonds and non-financial corporate bonds by GBP200b (USD250b).
- Launched the joint HM Treasury–Bank of England COVID-19 Corporate Financing Facility which, together with the Coronavirus Business Loans Interruption Scheme, makes GBP330b (USD413b) of loans and guarantees available to businesses (15% of GDP); among other key measures.



European union

- Established a Corona Response Investment Initiative to support public investment in hospitals, SMEs, etc., and stressed regions, with a view to mobilising funds (if needed) for the hardest-hit EU member states (up to EUR800m (USD873m) is available in 2020).
- Redirecting EUR1b (USD1.1b) from the EU Budget as a guarantee to the European Investment Fund to incentivise banks to provide liquidity to hard-hit SMEs among other key measures.



China

- An estimated RMB1.3t (USD184b) (or 1.2% of GDP) of fiscal measures have been approved and are being implemented.
- Liquidity injection into the banking system, including RMB3t (USD425b) in the first half of February.
- Expansion of relending by RMB800b (USD113b) to support manufacturers of medical supplies and daily necessities (RMB300b or USD43b) as well as MSME firms (RMB300b or USD43b) and the agricultural sector (RMB100b or USD14b) at low interest rates, among other key measures.



India

- An additional INR150b (USD2b) (about 0.1 percent of GDP) will be devoted to health infrastructure, including COVID-19 testing facilities, personal protective equipment, isolation beds, ICU beds and ventilators.
- Some stimulus measures have been announced at the state level, the largest — a INR200b (USD2.6b) package in Kerala (2.5% of state GDP; 0.1% of India-wide GDP), which includes some direct transfers to poor households, among other key measures.

COVID-19 Pandemic- Key policy responses from selected SSA countries



Kenya

- Offered 100% tax relief to persons earning less than KES24,000 (USD227); income tax reduced from 30% to 25%.
- The central bank lowered its policy rate by 100 bps to 7.25%; lowered banks' cash reserve ratio by 100 bps to 4.25%; increased the maximum tenor of repurchase agreements from 28 to 91 days; and announced flexibility to banks regarding loan classification and provisioning for loans that were performing on 2 March 2020, but were restructured due to the pandemic, among other key policy measures.



Nigeria

- Contingency funds of NGN984m (USD2.6m) released to Nigeria's Centre for Disease Control and an additional NGN6.5b (USD17m) is planned.
- NGN15b (USD39m) grant from Federal Government to Lagos state government.
- Government to cut/delay non-essential capital spending by NGN1.5t (USD3.9b) (close to 1% of GDP).
- Three-month repayment moratorium on various classes of loans.
- Central Bank of Nigeria (CBN) has reduced interest rates on all applicable CBN interventions from 9% to 5% and introduced a one-year moratorium on CBN intervention facilities.



South Africa

- The government will assist companies facing distress through the Unemployment Insurance Fund and special programmes from the Industrial Development Corporation.
- Within the realm of the budget, workers with an income below a certain threshold will receive a small monthly payment during the next four months.
- Funds will be available to assist SMEs under stress, mainly in the tourism and hospitality sectors.
- The central bank reduced the policy rate by 100 bps to 5.25% on 19 March, among other key policy measures.



Sub-Saharan Africa

- The African Export-Import Bank (Afreximbank) has announced a USD3b facility, named Pandemic Trade Impact Mitigation Facility (PATIMFA), to help African countries deal with the economic/health impacts of the pandemic.
- The World Bank has also suspended debt repayment for some sub-Saharan African countries.
- IFC and World Bank, will increase COVID-19 related financing availability to USD8b as part of a USD14b package, up from an earlier USD6b, to support private companies and their employees hurt by the economic downturn caused by the spread of COVID-19.

COVID-19 pandemic: Some policy measures taken by the Ghanaian government

Monetary policy	Fiscal policy
<p>In March 2020, the Bank of Ghana announced a number of monetary policy interventions, including:</p> <ul style="list-style-type: none">• Cut in policy rate by 150 basis points to 14.5% on 18 March by the Monetary Policy Committee (MPC)• Reduced primary reserve requirement from 10% to 8%• Reduced capital conservation buffer from 3% to 1.5% revising provisioning and classification rules for specific loan categories, among other key policy measures• Reduction of provisions for loans in the “Other Loans Especially Mentioned” (OLEM) category from 10% to 5% for all banks and Special Deposit Institutions (SDIs) as a policy response to loans that may experience difficulty in repayments due to slowdown in economic activity• Loan repayments that are past due for Microfinance Institutions for up to 30 days shall be considered as “Current” as is the case for all other SDIs• Suspension of distribution of dividends for the financial years 2019 and 2020	<ul style="list-style-type: none">• Government has announced a USD100m financial commitment/ fund to help manage the socio-economic impact of COVID-19.• Lower the cap on the Ghana Stabilisation Fund (GSF) from the current USD300 million to USD100 million in accordance with 16 Section 23 (3) of the Petroleum Revenue Management Act (PRMA).• Arrange with Bank of Ghana to defer interest payments on non-marketable instruments estimated at GH¢1,222.8m to 2022 and beyond• Adjust expenditures on Goods & Services and Capex downwards by GH¢1,248m• Secure the World Bank DPO of GH¢1,716m• Secure the International Monetary Fund Rapid Credit Facility of GH¢3,145m• Secure syndicated facility of GH¢3.0m from commercial banks in Ghana to support industry, especially pharmaceutical, hospitality, service and manufacturing sectors.• Reduce the proportion of Net Carried and Participating Interest due Ghana National Petroleum Corporation from 30% to 15%• Amend the Petroleum Revenue Management Act to allow a withdrawal from the Ghana Heritage Fund to undertake urgent expenditures in relation to the Coronavirus pandemic

COVID-19 Pandemic: Some policy measures by the Ghanaian government (Continued)

Some relief policies

Government has instituted the Coronavirus Alleviation Programme (CAP), with the objective to protect households and livelihoods, support micro, small, and medium-sized businesses, minimise job losses, and source additional funding for promotion of industries to shore up and expand industrial output for domestic consumption and exports.

Government, in collaboration with the National Board for Small Scale Industries (NBSSI), business & trade associations and selected commercial and rural banks, to roll out a soft loan scheme up to GHC600 million. The loan scheme will have a one-year moratorium and two-year repayment period for micro, small and medium scale businesses.

Government to absorb water bills of all Ghanaians from April to June 2020.

An insurance package, with an assured sum of GHC350,000 (USD60,000) for each health personnel and allied professional at the forefront of the fight.

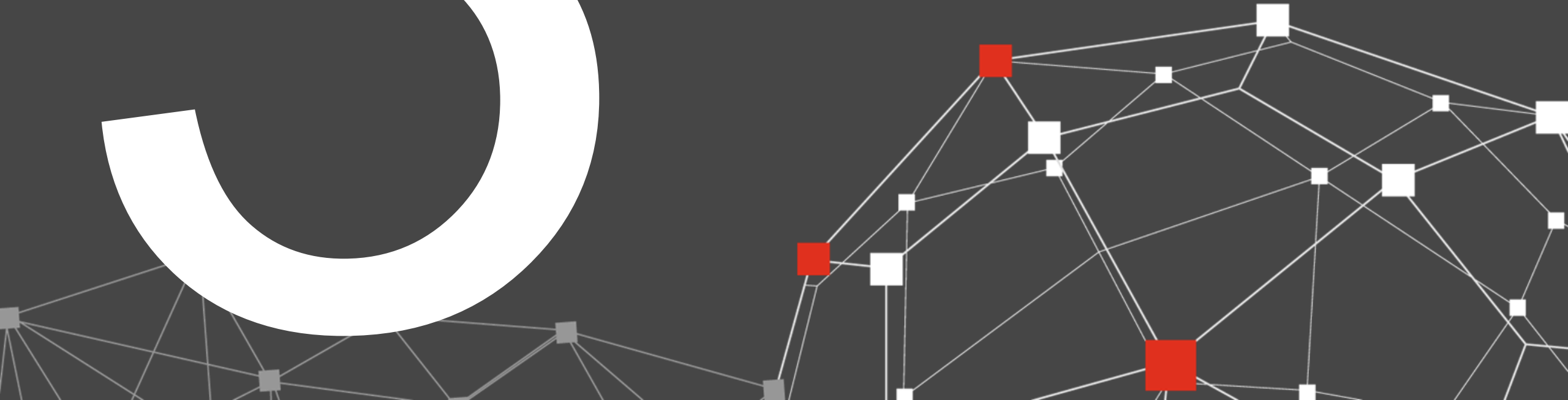
Frontline health workers to receive an additional allowance of fifty percent (50%) of their basic salary per month from March to June 2020.

Restriction on movements and border controls

- On 17 March 2020, Ghana's parliament passed the Imposition of Restrictions Bill which gives the President of Ghana the power to impose restrictions on the movement of people reasonably required in the interest of defence, public safety, public health or the running of essential services. This was put in place in anticipation of the need to enforce restrictions to help control the spread of COVID-19 within Ghana.
- Effective 22 March 2020, the government closed the country's borders to incoming human/ passenger traffic for two weeks. This was extended for an additional two weeks, effective 05 April 2020.
- Effective 27 March 2020, the government further announced restrictions of movement within the Greater Accra and Greater Kumasi Metropolitan Areas, effective Monday, 30 March. The restrictions, expected to last two weeks, demand that all residents of the areas to remain home and only leave their houses for essential services (food, medicine, etc.). Workers in certain categories are exempt from the restrictions, including medical staff and health workers and providers of other essential services. This lockdown was extended for an additional week, effective 13 April 2020.

3

Impact on the
Ghanaian insurance
industry



Risks and challenges facing the insurance industry

24 life
insurance
companies

29 non-Life
insurance
companies

85 insurance
brokers and
loss adjusters

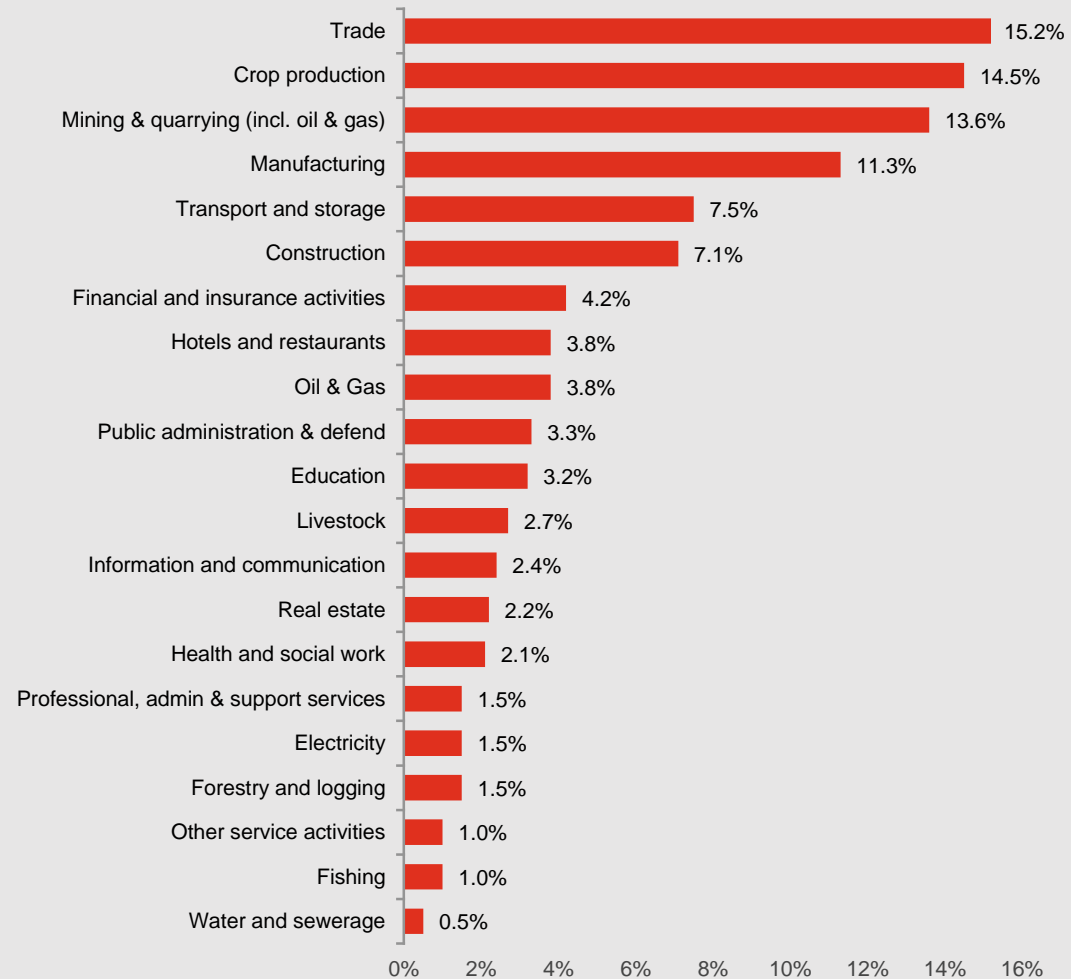
3
reinsurance
companies

Total gross premium, 2018: GHC3,000m

Total assets, 2018: GHC6,200m

Source: National Insurance Commission

Top 20 contributors to Real GDP by sectors



Most vulnerable sectors

- Trade and commerce
- Hospitality/Leisure
- Construction
- Oil and gas
- Education
- Transport and storage
- Financial and insurance activities

Risks and challenges facing the insurance industry

With most businesses in uncharted territories, there is a heightened risk of:

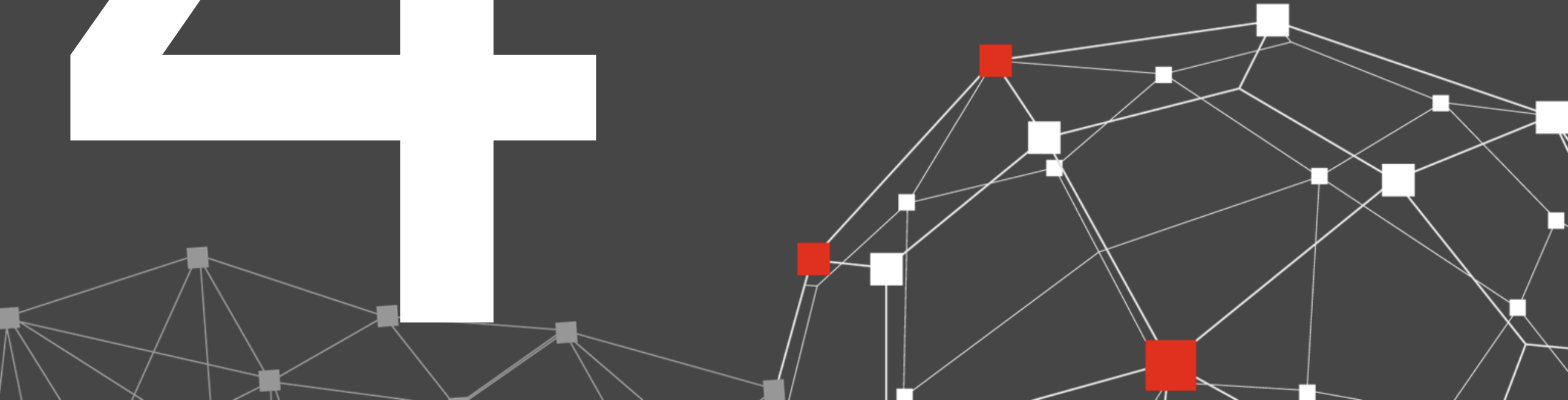
- A surge in health, travel and business interruptions, supply chain and event cancellation claims
- Pressure on sales from reduced business activity
- Less use of face-to-face channels. Web and phone traffic may surge, creating operational constraints or disruptions
- IT and other support services may deteriorate because of internal challenges or vendor problems

Implications for insurance the sector

- Driving interest rates even lower.
- Increasing credit risk exposures from businesses facing possible default.
- Possibility of regulators asking for extraordinary solvency tests to ensure insurers can withstand the immediate and knock-on impacts.

4

Coming through
when it matters most



COVID-19 could be a turning point for the insurance industry, enabling insurers to demonstrate their higher purpose and value to society

Overview of how the industry has responded across geographies

We have seen in previous crises, such as the 2011 earthquake and tsunami in Japan, that a positive and decisive response by insurers can permanently reshape perceptions, cement customer loyalty and renew trust within society as a whole.

China



- A leading insurer has set up an emergency fund to help tackle the outbreak
- Further steps include an easier and fast-tracked claims process
- Insurer also extended assessment of inability to work, to include medical isolation, or advice of a doctor or government authority, in response to direct or probable contact with COVID-19

Singapore



- A leading insurer has doubled the benefits for frontline healthcare workers who are hospitalised due to COVID-19, in recognition of their selfless contribution in treating patients

USA



- An insurer's announcement that its customers will have access to medically advised coronavirus testing
- An insurer's announcement that it intends to waive copayments, and other forms of cost sharing

Insurers are also bringing their technological expertise to bear, including the development by one of a smart image-reading system to help speed up diagnosis of suspected COVID-19 cases.

COVID-19 could be a turning point for the insurance industry, enabling insurers to demonstrate their higher purpose and value to society

Overview of how the industry has responded across geographies

We have seen in previous crises, such as the 2011 earthquake and tsunami in Japan, that a positive and decisive response by insurers can permanently reshape perceptions, cement customer loyalty and renew trust within society as a whole.

South Africa



- A leading insurer is providing cover for any illness, impairment or disability where these conditions are caused as a result of complications linked to infection by any bacteria or virus. The virus can be COVID-19 or another virus.

This includes claims for temporary or permanent inability to work, severe illness or even death

A fast-track claims process and waiver for any deductibles

Kenya



- The insurance industry association has said that its members will cover coronavirus-related conditions though pandemics are usually exempted from cover

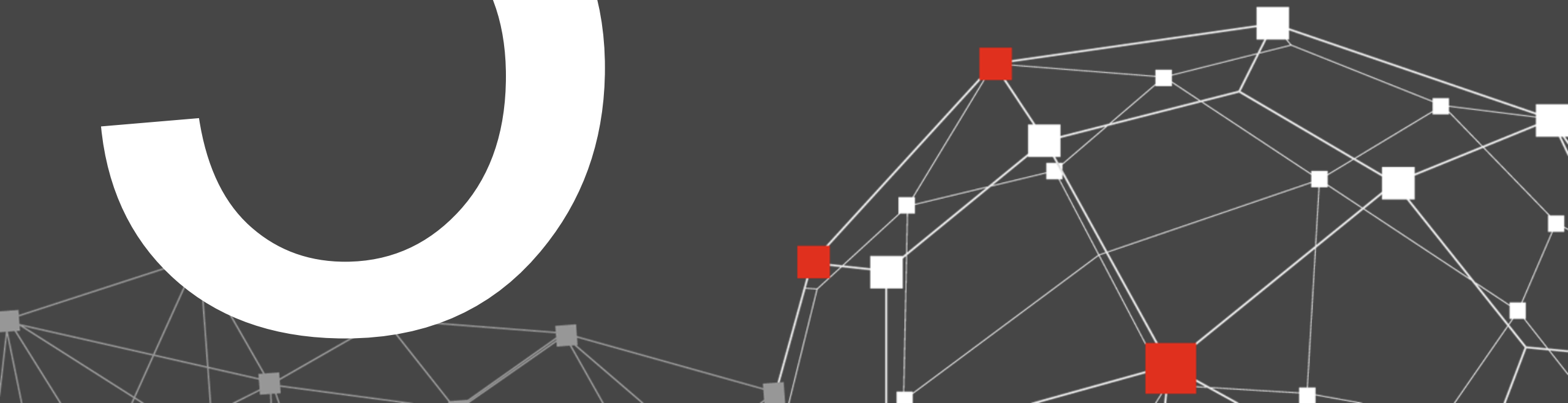
Ghana



- The National Insurance Commission has encourage its members to institute the required protocols to protect staff
- Government has acquired an insurance package, with an assured sum of GHC350,000 (USD60,000) for each health personnel and allied professional at the forefront of the fight

5

Immediate priorities
for insurers



Leveraging insight from the PwC network, we have identified some immediate priorities for insurers...

Setting up a COVID-19 response: Considerations

Purpose-driven culture

The true purpose of an insurer in times of crisis and stress is to provide peace of mind.

Being there when it matters most for the insured requires insurers to devise strategies for handling this crisis from a customer and wider stakeholder perspective.

From waivers of deductibles to pre-approval of claims or setting up funds for frontline employers, insurers are demonstrating their empathy.

Active within a health ecosystem

Online health platforms can provide real support

While life insurance sales are down, insurers with a broader engagement in the healthcare ecosystem in areas such as online health platforms are attracting new customers. Prominent examples include Ping An and Prudential plc with their online health consultation services in Asia.

Notwithstanding the current crisis, life insurers with a well-executed health ecosystem strategy will win the long game.

Digital distribution capability

Digital customer engagement has become the new normal

While face-to-face interaction has been limited by social distancing measures, insurers who have built digitally assisted distribution and sales capabilities are still able to engage with customers and service their needs.

This crisis may prove to be a catalyst for product simplification and accelerating the development of direct digital channels.

Leveraging insight from the PwC network, we have identified some immediate priorities for insurers...

Setting up a COVID-19 response: Considerations

Self-service enabled claims and customer service

Digital channels may improve the customer experience and speed to serve

As the number of enquiries and claims increase, insurers need a cost-effective yet customer-friendly way to handle these requests.

Directing customers to self-service channels and the automated processing of straightforward claims are proving effective.

Operational agility

Digital capabilities and maturity are evident in the ability of teams to still deliver on their mandate

Whether working remotely, managing workforce demand dynamically or bringing new products to markets quickly, a crisis like this is a good test of organisational agility.

Insurers that have invested in the development of a connected digital enterprise will most readily be able to adapt, flex and execute.

Informed and proactive capital management

Proactive scenario analysis will reduce unpleasant surprises and mitigate risks

A sharp economic downturn could have serious implications for solvency ratios. Insurers' ability to handle the impact will depend, to a large extent, on advance systematic scenario planning and capital management capabilities.

In addition, there is a need to assess asset impairment and expected credit losses and loss recognition testing models to include current market data and best-estimate assumptions.

Also, reach out to regulators to flag problems and risks, and proactively shape any regulatory guidance.

How PwC can help

We can work alongside you to tackle the challenges you face in responding to COVID-19

Crisis response and management	<ul style="list-style-type: none"> Establish a crisis response structure with established workstreams, clear responsibilities and accountabilities. Develop likely, reasonable and worst case scenarios and their potential impact, to support crisis and response planning. 		
Workforce	<ul style="list-style-type: none"> Assess potential impact and develop options to identify and move labour with key skills to support the P&L of the organisation. Proactively manage where, when and how disruption will impact the availability and effective utilisation of skills in the business. 	Operations and supply chain	<ul style="list-style-type: none"> Perform an operational risk assessment, consider and plan for the impact of disruption on critical business functions. Understand your COVID-19 supply chain risks and impacts, including third party suppliers.
Communication strategy	<ul style="list-style-type: none"> Develop a rapid communications plan and approach to build and maintain trust and reputation during the crisis for key stakeholders. Tailor best practice templates and communications materials such as emails, FAQs and intranet. 	Focus on data	<ul style="list-style-type: none"> Identify data needs and develop protocols for data extraction, preparation and analysis. Model the impact of scenarios on industry sector or business-level commercial performance and stress test commercial revenues against downside economic scenarios.
Customers and revenue	<ul style="list-style-type: none"> Revise your sales strategy to deal with evolving customer behaviour and competitive environment (risks and opportunities). Prioritise actions to protect customer relationships and commercial interests. Model customer behavioural change. 	Head office functions	<ul style="list-style-type: none"> Legal, IT, commercial and insurance: Review existing insurance coverage, IT infrastructure and resilience, force majeure, contract clauses. Finance, treasury and tax: Financing (private or government), restructuring and cash flow. Investor relations: Market disclosure.

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PwC COVID-19 CFO Pulse survey

<https://www.pwc.com/us/en/library/COVID-19/pwc-COVID-19-cfo-pulse-survey.html>

PwC Insurance and COVID-19: What it takes to deliver in a moment that really matters

Government of Ghana Communique



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Thank you

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