ENHANCING MARINE INSURANCE:
FOCUS ON IMPORTATION

September 2019
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CIF</td>
<td>Cost Insurance and Freight</td>
</tr>
<tr>
<td>COO</td>
<td>Chief Operating Officer</td>
</tr>
<tr>
<td>FGD</td>
<td>Focus Group Discussion</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GIA</td>
<td>Ghana Insurers Association</td>
</tr>
<tr>
<td>GRA</td>
<td>Ghana Revenue Authority</td>
</tr>
<tr>
<td>IDF</td>
<td>Import Declaration Form</td>
</tr>
<tr>
<td>MD</td>
<td>Managing Director</td>
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<tr>
<td>NIC</td>
<td>National Insurance Commission</td>
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<td>NLIC</td>
<td>Non-Life Insurance Companies</td>
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<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
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<td>UK</td>
<td>United Kingdom</td>
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SECTION 0: ABSTRACT

The business of insurance is imperative to the progress of any economy. A high insurance penetration shows that people understand the levels of risk they face and have put in place mechanisms to reduce the effect of the risk once it occurs. From the early 20th century, insurance has been commonly practiced in developed countries, but the case is different for emerging and developing countries like Ghana. Specifically, relating to marine insurance; it is one of the oldest forms of insurance practices in most developed countries where imports have been consistently less than exports. With most of our consumption from imports, marine insurance should have increased significantly. For example, in 2017, the value of imports was GH¢60.30 billion and this increased to GH¢62.42 billion in 2018, suggesting that there is a huge potential for marine insurance.

The percentages of marine insurance premium to total premium in 2017 and 2018 were 3.86% and 2.39% attesting to the fact that, marine insurance contribution to total insurance premium remains very low. The contribution of marine insurance premium to total insurance premium was also very low; hovering around GH¢94.31 million in 2017 and decreased to GH¢70.33 million in 2018 whiles total premium was GH¢2.44 billion in 2017 and GH¢2.94 billion in 2018 respectively.

Section 37 of the Insurance Act, 2006 (Act 724) needs to be reassessed to find out its role in enhancing marine insurance penetration. The study finds out, the challenges in both the demand and supply side, and assess the level of losses in revenue in the marine business as a results of the current practice. This study therefore offers an insight into the challenges and strategies to increase marine insurance in Ghana. Specifically, this research sought to identify the challenges encountered by importers in insuring their goods and difficulties faced by insurance companies in the marketing and selling of marine insurance to importers. Also, the study assesses the current insurance law to identify its contribution to marine insurance and lastly analyses how much the industry is losing in terms of marine insurance. The results revealed the following:
From the research conducted, it came to light that, most importers are not even aware of the law and its compulsive nature. Insurance companies also addressed the point that, with the current marine insurance law, a change in the wording can help with the enforcement of the law and this will help improve the marine insurance market.

Insurance companies made it known that, prices of marine insurance policies in Ghana as compared to that of the foreign marine insurance policy is quite expensive. One main difficulty that was being known was who to market the policies to, either the importer or the agent and moreover insurance companies don’t get the ample time to market marine products to importers during their association meetings. It was also revealed that, major concerns of insurance companies had to do with the lack of enforcement of the current marine insurance law. Since the law is not enforced, importers do not feel obliged to purchase marine insurance policies, hence the low market for marine insurance.

Most insurance companies attested to the fact that they do not have personnel who are capable of assessing damages when it comes to marine insurance. They usually employ private loss adjusters. Most insurance companies in this regard, rely on Lloyds agents at the port when it comes to assessing damages relating to Marine Insurance. This is not because the insurance companies have difficulties training their employees but because the marine insurance business doesn’t have a good standing in the country, they do hesitate investing their resources in such areas.
SECTION 1: INTRODUCTION AND BACKGROUND

1.1 Introduction
This research brought to light the challenges encountered by importers in insuring their goods locally although the insurance law stipulates that all imported goods should be insured locally. Also, the research highlights the factors affecting the marketing and selling of marine insurance to importers. Lastly, the study assessed the current insurance law to identify its contributions to marine insurance; as well as solicit the views of key industry players involved in imports.

1.2 Problem envisaged
Ghana’s Insurance Act, Act 724, states in Section 37 that “unless authorized by the Commission, a person shall not enter into a contract of insurance with an offshore insurer in respect of (a) property situate in the country, (b) liabilities arising in the country or (c) goods, other than personal effects, being imported into the country”. This law therefore is aimed at making sure all imported goods are insured locally. The law is intended to protect the Ghanaian importer, although in most cases their exporters cover their goods with offshore insurers. It is important to state that, most of the foreign insurances do not provide inland protection for imported goods. Once the goods get to the port, there is no insurance cover and therefore importers need to ensure that, their goods are transported to the warehouse bearing all the risk. In some cases, the importers need to buy a different policy to get such cover for this. Similarly, for inland insurance to be covered, the importer has to buy an additional policy to ensure the safety of the goods.

The second issue with the present insurance arrangement is that, most of the importers do not even know the offshore insurers and there is a clear limitation in terms of language and communication. There is difficulty in filing for claims if there is an eventuality and in most cases, importers do not know the extent of coverage making it difficult for importers to get the desired results from the filing of claims. In some cases, these difficulties come in the form of underwriting and policy wording and the fact that marine insurance is very technical. This poses a challenge for importers (demand side) for them to understand the terms ascribed in the policy. The marketing of marine insurance is progressive, but the actual uptake of marine insurance has been
very low in Ghana and it is important to examine the challenges local insurers face in the marketing and sale of insurance to importers. Lastly, there is the need to assess the current provision (Section 37 of Insurance Law, 2006 (Act 724)) relating to Marine insurance and find out the flaws and how to fill the gap in order to help local insurance companies to get optimal benefits from the import trade and at the same time provide adequate cover for importers at a competitive cost.

1.3 Background
The insurance market of Ghana is relatively stable with more prospects and opportunities to explore. The market is young with 24 life insurance companies, 28 non-life insurance companies, 81 brokerage companies and 3 insurance loss adjusters competing in the industry as at December, 2017. With insurance premiums as a percentage of GDP in Ghana was below 1.85% at the end of first quarter of 2016 and 1.2% in the last quarter of 2017, there is a general consensus that the sector is underperforming. A key reason for this is that, although importation of goods to Ghana keeps on increasing, the value of marine insurance keeps on dwindling in relation to total insurance premiums.

The value of marine insurance premiums in Ghana is very low as compared to our counterparts in other developing countries (e.g. Kenya and Mauritius) and developed countries (e.g. Japan, France, UK).¹ Precisely, the Gross premium for marine insurance is not only low, but it has become a matter of concern to the public and the insurance regulator due to the persistent low levels. Below is a table showing the levels of marine insurance premium to total insurance premiums and the total values of import trade.

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¹https://iumi.com/images/Berlin2015/Presentations/14_09_seltmann_2.pdf retrieved on 12/05/2019
Table 1: Insurance premium to total values of imports

<table>
<thead>
<tr>
<th>YEAR</th>
<th>MARINE INSURANCE PREMIUM (GH¢000,000)</th>
<th>INSURANCE PREMIUM (GH¢000,000)</th>
<th>TOTAL IMPORT VALUE (GH¢000,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>42.87</td>
<td>1,052.09</td>
<td>25,658.85</td>
</tr>
<tr>
<td>2014</td>
<td>58.26</td>
<td>1,239.85</td>
<td>40,524.13</td>
</tr>
<tr>
<td>2015</td>
<td>62.49</td>
<td>1,560.68</td>
<td>45,463.49</td>
</tr>
<tr>
<td>2016</td>
<td>68.67</td>
<td>1,928.84</td>
<td>42,323.69</td>
</tr>
<tr>
<td>2017</td>
<td>94.31</td>
<td>2,439.00</td>
<td>60,267.34</td>
</tr>
<tr>
<td>2018</td>
<td>70.33</td>
<td>2,937.53</td>
<td>62,422.53</td>
</tr>
</tbody>
</table>

Source: NIC 2016, 2017, GRA, 2018

From the table above, the percentage of marine insurance premium to total premium in 2017 and 2018 were 3.86% and 2.39% attesting to the fact that, marine insurance contribution to total insurance premium remains very low. According to data from the Ghana Revenue Authority, there is an annual increase in the value of goods brought into the country and goods sent out of the country. For example, there was a decrease in rate of growth of marine insurance from 2017 to 2018 by 25.43% whiles percentage growth in total import value increased from 2017 to 2018 by 3.58%.

This clearly suggests that, the increase in marine insurance growth from 2017 to 2018 was lower than the growth in imports for the same period. Insurance companies have not been able to take advantage of and explore the numerous opportunities provided by marine businesses with Ghana’s reliance on imports. There is therefore the need to comprehensively assess the marine business to identify the strategies and make recommendations for growth.
1.4 The objectives of the research
The main objective of the research was to conduct an empirical research aimed at enhancing marine insurance in Ghana. Specifically, this was achieved through:

- Assessing the difficulties faced by insurance companies in the sale and marketing, coverage, products and claims of marine insurance
- Assessing the challenges faced by importers in insuring their goods. That is, if importers have losses, what kind of losses do they experience, how do they make claims and how do they get to make inputs into the kinds of covers and premiums they pay and the scope of coverage.
- Finding out if there are competent staff and expertise in the insurance industry to underwrite and process claims for marine business
- To assess importers level of knowledge regarding marine insurance
- To ascertain an estimate of how much the industry is losing in terms of total premium as a percentage of marine insurance
- Establishing whether the current Insurance Law 2006, (Act 724) has a role in the low marine insurance growth and the role of stakeholders to improve the situation
SECTION 2: SUMMARY REVIEW ON INSURANCE IN GHANA

2.1 Introduction
This section of the study reviews the concept of insurance in the context of Ghana, challenges facing the insurance industry of Ghana, and issues relating to marine insurance.

2.2 Brief review of insurance in Ghana
The insurance industry plays a major role in the economy of Ghana, allowing individuals and firms to transfer risks at a premium. An important benefit of insurance is to reduce uncertainty and worry. The insurance industry contributes immensely to economic growth by converting savings made by individuals into portfolios of assets and smoothing investment returns, as well as allowing individuals to share in the prosperity of the economy. One major challenge in the insurance industry in Ghana is the fact that people are not attracted to the policies insurers have to offer. Some researchers are of the view that, the instability of growth in the insurance industry is as a result of undercutting premium rates, high withdrawal, high surrender rates, high payments of claims and low public awareness about the insurance industry. Ghana’s insurance industry is growing rapidly, comparing its growth to other insurance companies worldwide and not only in Africa. The industry has also experienced the rapid growth in the number of private companies and brokers.

The insurance industry is a small but fast growing sub-sector of the financial market in the Ghanaian economy. The gross premium for life insurance was GH¢1.34 billion in 2018 from GH¢1.08 billion in 2017 representing a growth rate of 24.1%. Also, for non-life insurance, there was a total gross premium increase from GH¢1.56 billion in 2017 to GH¢1.60 billion in 2018. This represents a yearly average growth rate of 2.56%. However, over the years the industry has witnessed a very vigorous activity and tremendous growth.

For instance, total gross premium has increased from GH¢2.27 billion in 2017 to GH¢2.94 billion in 2018. This represents a yearly average growth rate of 29.5%. The contribution of gross

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3 NIC 2017 Annual Report
premium to GDP which measures insurance penetration or demand, even though was lower than the 2 percent benchmark, the industry seems to be doing well. Although insurance penetration was 1.2% in 2017, the NIC asserts that, in the computation of penetration, the Commission takes into consideration only premiums received by traditional insurers domiciled in Ghana. However, health insurance and pension schemes contributions are not included in the computation as pertained in other jurisdictions.

Although gross premium has been rising as shown in Table I, its growth is at a reducing rate. The industry has also recorded growth in industry total assets from GH¢5.4 billion in 2017 to GH¢6.2 billion in 2018. Figures from NIC (2017) also revealed that, the industry recorded an increase in the number of insurance entities. The number of non-life insurance companies increased from 28 to 29 the and brokerage firms (including loss adjusters and Reinsurance Brokers) increased from 81 to 85. In total, the total number of regulated entities increased from 139 in 2017 to 141 in 2018.

2.3 The concept of marine insurance
Marine insurance is one type of general insurance. Marine insurance is mainly concerned with the insurance of maritime business risks and sea perils. Marine insurance is used as a risk management tool aimed at mitigating the effect of loss at sea. In the defining contract of Marine Insurance, The UK Marine Insurance Act 1906, Section asserts that, “A contract of marine insurance is a contract whereby the insurer undertakes to indemnify the assured, in manner and to the extent thereby agreed against marine losses, that is to say, losses incident to marine adventure”. In Africa, Kenya’s Insurance Act CAP 487 (2010) law sees marine business as “Marine insurance business means the business of effecting and carrying out contracts of insurance –(a) upon vessels or upon the machinery, tackle, furniture or equipment of vessels; (b) upon goods, merchandise or property of any description on board of vessels; (c) upon the freight of, or any other interest in or relating to, vessels; (d) against liability arising out of, or in connection with,

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4 NIC 2017 Annual Report
the use of vessels; (e) against risks incidental to construction, repair or docking of vessels, including third-party risks; (f) against transit risks (whether the transit is by sea, inland water, land or air, or partly one and partly another), including risks incidental to the transit insured from the commencement of the transit to the ultimate destination covered by the insurance; or (g) against any other risks insurance against which is customarily undertaken in conjunction with, or as incidental to, the undertaking of such business as falls within this definition.”. This implies that, marine insurance covers not only the risk emanating from sea voyage, but also the transportation of goods from the warehouse of the seller to the warehouse of the buyer. Marine insurance is the policy that provides indemnity to traders against property damage and loss during the transit process of goods. Air, sea, and road are all included in the insurance coverage policy as covered modes of transportation. This helps the traders to mitigate transportation risks and protect their investments. The marine cargo insurance can be procured by importers as well as exporters).

Following from the above, there are two main categories of marine insurance. These are cargo insurance and hull or machinery insurance. Cargo insurance refers to the insurance of goods in transit from one place to another by air, road, rail or specifically inland waterways and the sea, whiles hull insurance involves the insurance of ships or vessels covering loss or damage to the hull or machinery of a vessel as well as the insurance of the ship owners’ various interests and liabilities. When the ship is the subject matter of insurance, it is known as hull insurance. Marine insurance which covers the risk of the loss of cargo is known as cargo insurance. The owner of the ship may insure it against loss on account of any named peril of the sea. Further, where freight is payable by the owner of cargo on safe delivery at the named port of destination, the shipping company may incur the risk of loss of freight if the cargo is damaged or lost. Such marine insurance is known as freight insurance.

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5 http://blog.calculator.co.ke/development-marine-insurance-kenya/ retrieved on 13/05/2019
Marine insurance is concerned with overseas trade. International trade is when goods are transported from one country to another usually on ships. This trade comes with so many risks. The person sending out the goods will want the safe arrival of their goods and the shipping company will obviously want the safety of their ship. Marine insurance is meant to cover the carrier and the cargo owner. It insures the coverage of all types of risks which take place during the transit. It covers the losses or damages of cargo, ships, terminals and any transport by which goods are transferred, acquired, or held between different points of origin and final destination.

In medieval times, to mitigate risk, people used marine insurance (Bill of Lading) as risk hedging instruments. Marine insurance can then be said to be the earliest well developed kind of insurance. Marine insurance is a critical aspect because through policy, carriers and cargo owners can be sure of claiming damages in case of any accident.

One feature of a marine insurance policy is that it offers protection against various types of losses such as total and partial loss of goods. It is also feasible for customization. And this can be done per your business requirement. It also allows a portion of profit to be incorporated in the sum insured (mark-up). The inland marine policy covers the inland movement of a shipment for a specified duration of time, which is generally one year. The policy is suitable for companies which indulge in numerous transactions around the year as it also offers continuous cover. Some types of marine insurance include cargo insurance, hull insurance and freight insurance.

2.4 Implications for underwriting marine insurance in Ghana

In the context of globalization, maritime transport is the backbone of international trade with over 80% of the world merchandise trade by volume being carried by sea. In Ghana, the importation of goods was valued at $12.65 billion in 2017 and $13.09 billion in 2018 with export valued at $13.84 billion in 2017 and $14.87 billion in 2018.\(^7\) In 2017, total imports value accounted for 50.7% of the GDP. This therefore underscores the need for marine insurance in regulating the marine business. Marine transport involves risks related with the liabilities and threats of the sea. To this end, marine insurance is a mechanism that helps to mitigate the risks

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\(^7\) Bank of Ghana (2019)
of financial loss to the property such as ship, goods or other movables, in maritime transport. Insurance is, thus, a necessary component of doing business on an international basis and plays an important role in the international trade. Its purpose is to enable the ship-owner, the buyer and seller of the goods to operate their businesses, while relieving themselves, at least partly, of the burdensome financial consequences of their property being lost or damaged as a result of various risks of the high seas.\(^8\)

Thus, marine insurance adds the necessary element of financial security so that the risk of an accident happening during the transport of goods does not become an inhibiting factor in the conduct of international trade. In this sense, marine insurance is an aid to the conduct of seaborne international trade. Therefore, developing an efficient and competitive insurance market is of key importance for developing countries like India as they integrate into the world economy.\(^9\) We proceed to the relevance of underwriting marine insurance in Ghana and not with offshore insurance companies.

Marine underwriting is one of the lucrative insurance business with potential of contributing immensely to the creation of jobs and growth. Over the past years, marine insurance has been originated outside Ghana by Ghanaian Importers, through their Counter-Parties-Exporters. In the circumstances, the Insurance industry in Ghana suffers the loss of premium income from marine business that would have been insured by the industry. Consequently, it is Ghana that suffers the ultimate loss. The country loses to other countries, tax revenue in the form of corporate and income tax which would have been paid by insurance companies of all marine business insured in Ghana.

With the underwriting of marine insurance in Ghana, specifically by local insurance companies, the country will make significant gains in terms of tax revenue. Insurance companies will be able to generate additional premium income, if they have to underwrite marine risks in Ghana, while using the same number of staff and therefore, without additional staff cost. In the circumstances, all things being equal, these companies will earn higher profits that will be subject to Corporation

\(^8\)https://www.slideshare.net/nazfel/marine-insurance-32657475 / retrieved on 13/05/2019
Tax. Government tax revenue will increase, as a result. This increase in tax revenue is due to the huge volume of imports brought into the country. For example, total imports for 2017 was $12.65 billion whiles in 2018, it was $13.09 billion; and if all these imports were insured locally, tax revenue to the economy would have increased significantly. 10

Insuring imports locally will also lead to reduction in cost of doing business and increase profit for importers. The Customs Division of GRA does not recognize the insurance policies received from offshore insurance companies. The GRA assumes a fixed rate for Insurance (I) for the computation of the CIF (0.875%) on the value of the imported good irrespective of the type of goods) in calculating the required imports levies and duties. This will not be the case if the marine insurance policy was obtained from a local underwriter. When marine insurance is purchased from underwriters in Ghana, the value of the CIF reduces which leads to an improvement in the profit levels and consequently increase in tax revenue for the government.

Depletion of the hard earned foreign exchange is a direct implication for insuring marine business with an offshore insurance company. This is because of the transfer of premiums from the local economy to foreign countries. Payment of offshore insurance premiums constitute high cost to the importer in terms of foreign exchange losses and bank charges. This practice of insuring marine business with an offshore company results in higher import costs. Importers are likely to pass on their CIF costs to the final consumer. Thus, prices of such imported goods will go up. Where raw materials are involved, the cost of production will go up and this will cause an increase in prices of the finished products. This situation can fuel inflation. Originating marine insurance in Ghana will help stabilize exchange rates, since the insurance premiums will be Ghana Cedi denominated. Further, pressure on the Ghana Cedi will reduce.

Additional investible funds available to insurance companies from marine insurance premiums will help generate employment in the country. Those in direct employment in the formal sector will increase tax revenue to the government. Indeed, the multiplier effect arising from the investment of surplus funds generated by the insurance companies will include the enhanced

purchasing power and hence, VAT revenue. Marine insurance, if regulated properly, will serve as an important avenue for job creation. There are numerous types of businesses for the marine insurance which, if, regulated properly, will serve as life line for most insurance companies. Consequently, if there is an increase in employment, it will result in the reduction of crime and other associated benefits. More investments will arguably lead to higher GDP growth, leading to improvement in Ghanaians’ standard of living, if there is equitable distribution of the wealth generated.
3.0 METHODOLOGY AND WORK PLAN

3.1 Introduction
This section of the research will present the proposed methodology and work plan to be used in the collection and analysis of data. A qualitative method approach was adopted incorporating various interviews and focus group discussions.

3.2 Design of the research

![Figure 1: Research framework](image)

Figure 1: Research framework
3.3 Research approach
The study made use of qualitative approaches. In line with this, the instruments of data collection included interviews and focus group discussions with key stakeholders in the marine insurance business. In consultation with key departments at NIC and the Research unit, an interview schedule was designed to reflect the objective of the research. Items in the interview schedules focused on understanding, from the perspective of insurance providers, how to increase the marine insurance business to enable the insurance industry get optimal benefit. Additionally, the views of importers were sought to understand the demand side of the marine insurance business.

Stage 1: Design of interview questions for focus group discussion
The research used exploratory research approach to find out the views, perceptions, experiences and knowledge of the staff of the various insurance entities. The interview schedules were reviewed by the relevant department in collaboration with the Research unit. After conducting the Focus Group Discussions with the insurance companies, importers were also interviewed.

Stage 2: Determination of sample frame and sample size
The research clearly delineates the scope of the research to cover the required target population. The target population includes all insurance service providers listed below:

<table>
<thead>
<tr>
<th>Type of insurance stakeholder</th>
<th>Number of entities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-life insurance companies</td>
<td>10 insurance companies</td>
</tr>
<tr>
<td>Trade associations</td>
<td>5 trade associations</td>
</tr>
</tbody>
</table>

- The sample size was based on expert sampling where organizations were allowed to select their representatives to be part of the research.
- Expert sampling was used to select experienced employees of each of the 10 insurance entities.
- Official letters were sent to each of these insurance entities with details (name, position, contact, email) of the assigned persons provided.
- Focus group discussions involving employees of insurance companies were conducted in different location and at different periods.
Additional interviews were conducted with members of some selected trade associations. This helped to get the views from both the demand and supply side stakeholders.

**Stage 3: Information to target respondents**

Official letters were sent to all the insurance entities clearly stating the purpose of the research and the need to appoint employees and persons with high level of knowledge of the marine insurance business to respond to the assessment instruments. The management of insurance companies had the responsibility of nominating knowledgeable respondents to take part in the research.

**Stage 4: Data collection**

The two main types of instruments used were interviews and Focus Group Discussions (FGDs). The FGDs were conducted with insurance companies whiles interviews were conducted with importers.

**Stage 5: Data analysis and reporting**

To ensure correctness in the qualitative instrument, the transcripts for the focus group discussions went through rigorous proof reading and editing to ensure that the data is cleaned. For the qualitative data, there was data cleaning to ensure that there are no missing or incomplete data. Assigned codes were also checked to ensure that, the codes are in line with the items in the assessment tool. Thematic content analysis was used to analyze the data in addition to NVIVO statistical package.
4.0 MARKET RESULT AND FINDINGS FOR INSURERS

4.1 Profile of Insurance companies
The respondents interviewed were employees of ten (10) non-life insurance companies (80% of insurance companies are in the top 10 category of insurance companies in terms of performance).

<table>
<thead>
<tr>
<th>INSURANCE COMPANIES</th>
<th>INTERVIEWS</th>
<th>NUMBER OF RESPONDENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUNU INSURANCE</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>HOLLARD INSURANCE</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>STAR INSURANCE</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>DONEWELL INSURANCE</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>VANGUARD INSURANCE</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>SAHAM INSURANCE</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>ACTIVA INSURANCE</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>SIC INSURANCE</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>ENTERPRISE INSURANCE</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>REGENCY-NEM INSURANCE</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>10</strong></td>
<td><strong>40</strong></td>
</tr>
</tbody>
</table>

Table 3: Respondents from insurance companies

A total of 40 top executives from the 10 insurance companies consisting of 17.5% females and 82.5% males. About 92% were above the ages of 40 years. Some of the products sold by the non-life companies include Burglary insurance, cash-in-transit, consequential loss insurance, fire and special peril insurance, group personal accident insurance, householder comprehensive insurance, motor insurance, marine insurance, workmen compensation insurance, personal accident (group and individual insurance), Fidelity guarantee, money insurance, professional indemnity, liability insurance, bond insurance, oil and gas insurance, goods in transit, travel insurance, assets all Risk Insurance, Engineering Insurance, Stevedore and Shore Handling, other home and electronic equipment insurance among others.
The figure below shows a summary of the non-life insurance products using NVIVO analysis;

Figure 2: Insurance products

4.2 Knowledge levels of employees of insurance companies

The respondents occupied various roles including Chief Executive Officers, Managing Directors, Senior Managements, Head of Departments (Marketing, Corporate Affairs and Legal) and other heads of units. In terms of the experience levels of the respondents, insurance companies ensured that respondents who took part in the interviews and Focus Group Discussions (FGDs) had in-depth knowledge and experience in insurance and more importantly marine insurance business.

Figure 3: Category of respondents
For example, in the assertion of a Chief Operating Officer of a top insurance company, he was of the view that:

“Everyone present for this discussion has been here for more than 15 years and have risen through the ranks to become Leaders. In terms of their competence and experience, you cannot match them anywhere in the industry” (COO, Insurance Company)

To understand the knowledge levels of respondents concerning the insurance law and more specifically the provision for marine insurance, interviews and FGDs were conducted. From the responses received from insurers, it came out that, they were knowledgeable of the fact that, the Insurance law 2006, (Act 724) section 37 is one of the basis for marine insurance in Ghana. They were further asked about possible gaps and issues with the current insurance law. During the FGDs, insurance companies were asked of their views on the current marine insurance law and these were their responses;

- “The present insurance ACT is not clear and not conclusive” *(Head of Marketing, Non-life insurance company- NLIC)*
- “There are a lot of gaps; one gap is about the issue of compulsory insurance.” *(Legal officer, NLIC)*

Some respondents also said that:
- “The current law does not suit the market.” *(Head of Underwriting, NLIC)*
- “The law is not very clear on imports because it doesn’t state that, all imports need to be insured locally” *(CEO, NLIC)*
- With the current law, you are free to import without insuring and that’s the problem” *(Senior management official, NLIC)*

It is worth noting that, all the respondents have some levels of knowledge regarding the insurance law and issues relating to marine insurance. Some of the respondents went further to stress that the current marine insurance provision does not make insurance of imports compulsory and therefore the need to review.
The researcher went ahead to ask insurance companies on how to address the current flaws in the marine insurance laws and these were some of the responses by insurance companies.

- “NIC certainly has a role to play together with the parliament, they may have to go as our lobbying group and since NIC do not make laws, they can be the mouth piece.” (Legal Officer, NLIC)
- “National Insurance Commission should adapt and learn one or two things on how Nigeria make marine insurance compulsory to their importers and use the same strategies.” (Head of Finance, NLIC)
- “There should be massive overhaul in the current insurance law and particularly marine insurance because we are losing big” (Head of Reinsurance, NLIC)
- “Enforce the law by corroborating with the security agencies in charge” (Head of Research, NLIC)
- The regulator need to enforce the laid down tariffs to discourage undercutting and other unethical business practices in the insurance industry” (Finance Officer, NLIC)
- A unit in NIC needs to be set up to deal with marine insurance tariffs and related problem

Some respondents also maintained that, insurance companies also have a role to play in helping the regulator to address some of the flaws in the insurance law.

- “We in the industry should constantly partner with the NIC to deliver on its mandate and by doing that, they will be able to provide us with tailor made regulations which will ensure our growth. We cannot leave everything to the NIC” (Deputy MD, NLIC)

### 4.3 Difficulties faced by Insurance Companies in the Selling and Marketing, Coverage, Products and Claims of Marine Insurance

From the responses gathered from insurers, the type of marine insurance product that was commonly sold was cargo insurance, where all insurance companies have the capacity and treaty available. During the FGD, it was made clear that most of our insurance companies do not sell or market hull insurance, about 10 percent of insurance companies interviewed were into hull insurance but do not take on the risk fully. There was reinsurance arrangement in place and this was in line with the specification of the regulator. The reason is to take excess risk since the insurance of hull has major financial implications. With the cargo insurance policy, there are three general clauses which have specified risks each clause cover. The clauses are namely A, B and C.
About 90 percent of insurance companies interviewed saw no need to design new product because there is:

- “Low market for marine insurance and no request for new product.” (Chief Commercial Officer, NLIC)
- “Because marine insurance policies are international in nature so they find it difficult designing product of their own.” (Head of Broker Relations, NLIC)

In addition, about 15% of insurance companies made some statements about coming up with some marine insurance policies soon and that policy will be designed based on what was already available by just adding some benefits to make it more acceptable.

Basically all insurance companies cover risk associated with the three cargo clauses A, B, C and everything relating to cargo transport. Some of these risks are; **Damage to items (breakage, spoilage, sinking etc.), perils of the sea, fire, theft, Accidents, land risk and war risk.**

Also, all risks that are not covered by insurance companies are the exceptions to the clauses and a few made rules to protect the insurer because of the likelihood of such an event happening due to the nature of goods being imported. These are some of the risks insurance companies might not cover;

- **Inhering vices, that is; goods that can easily be broken or damaged**
- **Perishable foods like beverages, evaporation is excluded.**
- **Hazardous goods, Low risk marine policies and Packaging of item is considered**
- **General exclusion such as war, Radioactive contamination and Willful misconduct.**
- **When it is machinery, denting, rusting etc., it is excluded. (All respondents, NLIC)**

Relating to the risks pertaining to hull insurance, most insurance companies interviewed, did not have reinsurance cover because they don’t do business relating to hull insurance reasons being;

- “It is voluminous nature. It’s very huge”. (Head of Technical, NLIC)
- “There is less or no demand for hull insurance in the market” (General Manager, NLIC)
- “It very risky and there are no treaty for them. Another issue is, we don’t even get such businesses here in Ghana” (Underwriting Official, NLIC)
As part of the research process, respondents were also asked about their target market.

The target market for marine insurance was basically importers and exporters. Some insurance companies went ahead to state some businesses they deal with or provide marine insurance to. Some of these businesses are consumable products, electrical, automobile, constructions companies, corporate businesses, manufacturers and engineering companies.

It is interesting to note that, insurance companies did not focus on individual importers such as importers of cars, general goods and other commercial items. They normally deal with executives of the various associations.

- “We do not normally deal with the individual importers because they seem not be well organised” (Underwriting Official, NLIC)
- “We mostly deal with corporate importers because they have the volumes to insure” (Legal Officer, NLIC)
- If you get one import like engineering goods, it is more than fifty of these small car dealers” (Managing Director, NLIC)

The insurers recognised that they are not doing much in terms of reaching out to some segment of importers.

- “I think with the information that most of the importers are not aware of the legal aspect of marine insurance, we need to do more to educate them” (Research Officer, NLIC)
- “We are going to start serious outreach to these associations, especially those in Abossey-Okai and Kankamanto” (Customer Service Manager, NLIC)

Again, the research sought to find out the nature of selling and marketing for insurers. It is important to state that, all insurance companies had their own strategies of marketing marine insurance to potential client. Mostly, insurance companies make use of insurance intermediaries such as brokers and agents.

During the focus group discussion, some insurance companies shared some ways on how they market marine insurance, these are;

- “We go for the list of importers from GRA, then ask our marketing team to look for these clients then they market our products to them.” (Head of Technical, NLIC)
Even though insurance companies get access to some of these clients, they tend to face some difficulties in selling and marketing marine insurance. Some of these difficulties is as result of importers importing using the CIF (COST, INSURANCE & FREIGHT) basis to import their consignment into the country. They stress that, this arrangement also does not really make insurance compulsory because importers are able to clear their goods without patronizing the insurance locally.

“The use of CIF for calculating duties should be stopped. We should look at the case of Nigeria. The law permits an importer to use the CF and then, insurance is taken locally”

-Head of Technical, NLIC

The insurers stressed that, the National Insurance Commission need to collaborate with the Custom Division of Ghana Revenue Authority to resolve such anomaly. They said, until this is done, marine insurance premium will continue to dwindle because we are losing more as an industry.

4.4 Revenue loss for marine insurance
In addition to the above, an analysis was done relating to data available from 2015 to 2018 to find out the ratio of marine insurance premium to total insurance premium. This result was not different from the assertions of respondents on the percentage of their marine insurance portfolio.

![Figure 4: Marine insurance premiums versus total insurance premium](image-url)
All the respondents agreed that, their portfolio for marine insurance was very low as compared to their other lines of businesses. They maintained that, there has been less emphasis on marine insurance because of the limited prospects currently available and the fact that regulation is not very strong to enforce the marine insurance provisions in the insurance law. The research computed revenue losses as a result of the non-insurance of cargo locally. The result is depicted in the table below.

Table 4: Revenue loss from marine trade

<table>
<thead>
<tr>
<th>Variables</th>
<th>Total amount (GHc 000,000)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Gross Premium written for Marine &amp; Aviation in 2018</td>
<td>70.33</td>
<td></td>
</tr>
<tr>
<td>Total Sum Insured for marine &amp; Aviation in 2018</td>
<td>8,300.00</td>
<td></td>
</tr>
<tr>
<td>Total Trade imports to Ghana in 2018</td>
<td>62,419.76</td>
<td></td>
</tr>
<tr>
<td>Sum Insured for Cargo in 2018</td>
<td>4,150.00</td>
<td>6.60</td>
</tr>
<tr>
<td>Sum not Insured for Cargo in Ghana in 2018</td>
<td>58,269.76</td>
<td>93.40</td>
</tr>
</tbody>
</table>

Source: NIC, Ghana Shippers Authority

This table depicts a disturbing picture of how much the industry is losing as a result of non-insurance of cargo imports. Only 6.65% of goods imported into the country were insured, with more than 93% either not insured or had offshore insurance arrangement with suppliers. The table depicts how much the industry is losing and the need for stakeholders to collaborate in order to end this worrying trend. It is clear from the above that marine business has the potential of transforming the insurance sector with its huge volumes. It was therefore imperative to find out from insurance providers the challenges they face in the marketing and selling of marine insurance. During the focus group discussion, insurance companies were asked about the difficulties they face when marketing marine insurance to potential clients.

Some of the challenges and difficulties are stated below:

- “Prices of the marine insurance policies in Ghana as compared to foreign marine insurance policies are quite expensive” *(Marketing Officer, NLIC)*
- “Not getting enough time to be able to market marine products to importers during their association meetings.” *(Marketing Officer, NLIC)*
- Insurance companies not having any clue as to who imported into the country, because most importers deal with agents now. This has led to the point where the insurance company don’t know whether to market their product to the agent or the unknown importer *(Head of Reinsurance- NLIC)*
• “Unhealthy competition among insurance companies and the fact that, the marine insurance law is not being enforced.” (Underwriting Official, NLIC)
• “A lot of illiteracy from the public about marine insurance policies.” (Legal Officer, NLIC)
• “Importers unable to relate to the issues of risk on sea.” (Claims Officer, NLIC)

4.5 Staff and experts in the insurance industry to underwrite and process claims for marine business

Throughout the interviews and FGD with insurance companies, payment of claims was not much of an issue to insurance companies. All insurance companies confirmed that, there have been no instance where they have not been able to execute their duties as an insurer. Even though there are zero to no claims most of the time, when it comes to marine insurance. They ascribed this to the current regulation of NIC. They maintained that, the NIC is very strict on payment of claims to beneficiaries and have procedures of resolving misunderstanding relating to claim payment between the insurer and the insured.

Most insurance companies attested to the fact that, they do not have personnel who are capable of assessing damages when it comes to marine insurance. They usually employ private loss adjusters. During the FGDs, most of the insurance companies seem to have one or two employees who are able to assess the simple cargo claims, whenever there is damage or risk. From insurance companies, this adds up to the fact that there are not enough adjusters to help in the assessing of damages to help pay claims for marine insurance because of its technical nature.

The study sought to also find out if there are enough personnel who can underwrite marine insurance. About 75% of insurance companies asserted to the fact they can underwrite marine insurance successfully. The others stated they will need expertise because of the technicalities and the international nature of marine insurance.

Furthermore, the research went ahead to assess if insurance companies were facing difficulty in training their employees on how to underwrite marine insurance; they made it clear they do not face any difficulties and went ahead to add that, they see no need to train individuals on how to underwrite a product that has no market but will rather spend their resources on other moving and selling products. About 40% of insurance companies stated that, training of their employees is being organized by the reinsurers.

Some of the challenges are stated below.
• “The cost of training their employees on marine insurance whenever they go for training outside the country” (Reinsurance Officer, NLIC)
• “Some of these trainings are being organized by NIC and other Associations and the challenge they face is the time these trainings are being organized” (Marketing Officer, NLIC)
• “When two or more people in a unit or department have to go for external training, it becomes a challenge for us” (Underwriting Official, NLIC)
• “There are not enough expert in the system to train our employees. We need information from experts in the industry” (General Manager, NLIC)

4.5 General Recommendations from insurers
The research asked the respondents for suggestions or recommendations to help enhance marine insurance in the country and as a matter of fact insurance in general. Some responses collated are stated below:

• Ghana Insurance Association should set up a good committee to engage the NIC on how to develop the marine insurance sector in the country, this will enable the NIC make appropriate provisions in the new Insurance bill to enforce them.
• Marine insurance certificates should be made a compulsory requirement, to get letters of credit from Banks.
• The law of capital requirement should not be compulsory since insurance companies are operating on risk basis and they write what they can handle.
• Publicity about Insurance companies are very low and perceptions about Insurance is very bad. If done, it should be made in both international and local languages to be able to reach to the total populace.
• There should be emphasis on the training of manpower. This is because there is inadequate expertise in this market so the underwriters have to be worked through. The policy most of the insurance company sell are all tailor made, which needs more renovations.
• Marine insurance policies tariffs should be in line with international standards.
• More research should be done into the area of marine insurance.
• There should be a department in NIC that would be permanently responsible for implementing the law passed and take actions on those who violate it.
• There should be a collaboration between the National Insurance Commission, the Customs Division of GRA and the insurance companies to reduce the occurrence of fraud and other trade practices which will result in revenue losses.

4.6 Recommendations on the role of the regulator
During the FGD, the researcher wanted to know some roles the National Insurance Commission could play to help address the challenges faced by insurance companies when it comes to the training of their employees to underwrite marine insurance. The roles of the NIC is stated below:

- “NIC should have public education to increase the awareness of Insurance operations” *(Claims Officer, NLIC)*

- “NIC should partner with other financial institutions like the banks to promote Insurance companies” *(Reinsurance Officer, NLIC)*

- “NIC should regulate with government agencies like Ghana Revenue Authority (GRA) for the Insurance law to be fully effective.” *(Technical Officer, NLIC)*

- “The NIC is supposed to have marine insurance programs on consultative basis” *(Customer Service Officer, NLIC)*

- “The regulator should have annual insurance education not only at conferences but also on the media as well to reach the majority” *(Legal Officer, NLIC)*

- “I think the regulator should collaborate with port authorities and charge 2% as fine. 1% comes to NIC, 1% goes to the port authorities when one fails to insure locally” *(Reinsurance Officer, NLIC)*
4.7 General recommendations

1. The revision or the amendment of the Insurance Law 2006 (ACT 724): The section on compulsory marine insurance of imports in Ghana. This is because the current law does not really make all imports compulsory to be insured; but once it is insured, it should be with a local insurance company.

2. The need for a collaboration between the NIC, the shippers Authority, Custom Division of GRA to effectively enforce the law on compulsory marine insurance.

3. With the pivotal role of Custom Division of GRA, their staff and officers should be educated on issues relating to local marine insurance in order to make enforcement effective.

4. Fines for non-insurance of imports should be higher than the average premium paid on insuring imports.

5. Players in the insurances industry – especially NIC and GIA, should collaborate to conduct regular training and capacity building initiatives to produce a younger generation of marine insurance experts; as well as sustainable marine insurance business in Ghana.
5 MARKET RESULT AND FINDINGS FOR IMPORTERS

5.1 Profile of respondents
Personal interviews were used as the means of collecting information from importers. During the interviews, importers stated the kind of items they import and from which country. Countries that were stated and what is being imported from there is stated below;

Table 5: Countries and items imported

<table>
<thead>
<tr>
<th>Country</th>
<th>Goods imported</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea</td>
<td>Auto spare parts, Used &amp; new Cars, tricycles, protective clothing,</td>
</tr>
<tr>
<td>America</td>
<td>Auto spare parts, Used &amp; new cars, mattresses, Air conditions and Toiletries</td>
</tr>
<tr>
<td></td>
<td>and General goods</td>
</tr>
<tr>
<td>China</td>
<td>Auto spare parts.</td>
</tr>
<tr>
<td>Canada</td>
<td>Toiletries, Used cars and General goods</td>
</tr>
<tr>
<td>Egypt</td>
<td>Air conditioners and Electricals</td>
</tr>
<tr>
<td>Japan</td>
<td>New cars and Spare parts</td>
</tr>
<tr>
<td>Mexico</td>
<td>New cars</td>
</tr>
<tr>
<td>South Africa</td>
<td>New cars</td>
</tr>
<tr>
<td>Europe</td>
<td>Poultry and frozen foods</td>
</tr>
<tr>
<td>Turkey</td>
<td>Air Conditioners.</td>
</tr>
</tbody>
</table>

From the interview, it can be said that, most of the cars imported into the country are from Korea and America. The research went further to ask importers on the processes involved in importing into the country, the follow responses were obtained.

**Member- New Car Dealers association**
“There are many processes involved when it comes to importing into the country. Mainly, we import using the letter of credit (L.C) from the banks. Sometimes we place the order, get the invoice, and we pay through a bank or opt for the letter of credit which serves as source of guarantee that we will pay them as soon as the cars are received and sold.”

**Member- Abossey-Okai Spare Parts Dealers Association**
“After you buy the goods, the shippers will come for them and ship the goods to the country, we call them agents. We don’t face problems with shipping from overseas because everything is well structured”

**Member- Used Cars Dealers association**
“After we buy the goods, we give the goods to an agent and pay the agent. The agent does all the necessary documentation and ships the goods to Ghana.”

**Member-AGI**
“You first of all have to obtain a permit from veterinary and then obtain another permit from the port. You bring in your invoices, the pro forma invoice, the bill of lading. You apply for an IDF (Import Declaration Form) and custom will value your goods. You know the import duties you will pay before you get to the port and clear the goods.”

**Member-AGI**
“We deal with our suppliers; our suppliers are in Lebanon. They place all our orders for us. We send them our order and they make the request for us based on the availability and qualifications you want.”
Most of these responses were short and most of the importers seem to be very satisfied with the process of shipment from these foreign countries whenever they import into the country. There were challenges faced by an importer in terms of not knowing if he was dealing with a manufacturer or a supplier, during the interview this was what he said;

<table>
<thead>
<tr>
<th>Members-AGI</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Some challenges we face are the specifications. You know, we are here and they are there, we don’t know whether it’s really a manufacturing company or a supplier company, that will also contact a manufacturing company. So we try as much as possible to deal with the manufacturers.”</td>
</tr>
<tr>
<td>“The foreign exchange issues is a challenge; our rates are always changing. By the time the things get here, the prices get very high.”</td>
</tr>
<tr>
<td>“We also have situations where we have to go to the manufacturer to inspect the goods before they come here. This is because bringing something that’s not what I asked for and taking it back is also another cost and even if the supplier will accept it, is another problem.”</td>
</tr>
<tr>
<td>“Then at times, they will give you an estimated time of arrival, you check with the shipping line and the ship is en route somewhere else before getting to Tema.”</td>
</tr>
</tbody>
</table>

There are several challenges importers face when their consignment gets to Ghana. These challenges occur as a result of clearing goods, some of these challenges are lack of space at the port, estimated time of arrival, birthing at the port and changes that occur in cost of clearing the same goods all of the time.

5.2 Managing losses in the import trade

“It is part of the business to expect some losses, we can’t pass all the loss to the customers, we have competitors in the system. So sometimes we just swallow our loss.”- Member- New car dealers Association.

During the interview the researcher went ahead to ask importers if they have faced any loss and how they managed those losses whenever they import. When the question of loss was asked, about 90% of them said they incur no losses but when the researcher kept probing into the question on losses they tend to have one or two events which indicates losses incurred when importing. It appeared that importers face some losses and some of this losses are;
And how they cope with this loss was the same across. They manage these losses by transferring it to their clients in terms of prices while a few try to bear the cost themselves.

5.3 Knowledge about marine insurance
During the interviews, the researcher posed a question to respondents so as to know the knowledge level of importers about marine insurance. Below is an assertion raised by a car dealer:

“Marine insurance is insurance where we insure our vehicle. With marine transport anything can happen so we insure our vehicle in case something happens, we can be cushioned. The reason why I know about it is because, we transport items into Ghana through air and sea, but we mostly transport by sea and insurance can be seen in the bill of lading as CIF where “I” stands for insurance or sometimes in the invoice. Customs also have their way of calculating it”

. – Member-New Car Dealers Association.

Some of the responses obtained are presented below:

Member- Abossey-Okai Spare Parts Dealers Association

“I have never heard of it before”

“I have never heard about it before, but what I know is that, it is insurance related to the sea.”

Members- AGI

“I don’t know anything about marine insurance.”

“Yes. I know it’s about insuring goods on sea.”
“Not really. I know it has to do with the sea”

From information gathered, views of respondents relating to knowledge in marine insurance was mixed. There were contrasting views from respondents, but in general, few of them who knew about marine insurance and those who were awareness, didn’t have much knowledge as to how it works and what it really entails. There were few exceptions through as some of the importers knew what it entails and this was what one said about marine insurance.

The researcher went ahead to ask if importers had any idea of insurance companies that sell marine insurance locally, responses provided by importers are presented below;

“I do not know of any insurance company like that. I have not made any enquiries about it” – Abossey-Okai Spare Parts Dealers Association

“No I don’t know of any insurance company in Ghana that offers Marine insurance”. – AGI

“Yes, almost all insurance company do”- AGI

“Yes, almost all insurance companies do provide marine insurance in Ghana. Oh yes. I know of GLICO insurance company.”- AGI

“I know some of these companies, just that I can’t recall their names. I usually see their signboards around Tema.” – Abossey-Okai Spare Parts Dealers Association

Importers knowledge about marine insurance was also assessed by quantifying some responses during the interviews. The criterion for this was based on the following questions;

Table 6: Knowledge levels of importers

<table>
<thead>
<tr>
<th>KNOWLEDGE ABOUT MARINE INSURANCE(Importers)</th>
<th>Do you know about marine insurance? (Yes/No)</th>
<th>What is marine insurance. (definition)</th>
<th>Do you know of any insurance company? (Yes/No)</th>
<th>Name some of them.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members- Abossey-Okai Spare parts Association</td>
<td>X</td>
<td>X</td>
<td>√</td>
<td>X</td>
</tr>
<tr>
<td>Members- Abossey-Okai Spare parts Association</td>
<td>X</td>
<td>X</td>
<td>√</td>
<td>X</td>
</tr>
<tr>
<td>Members- General merchandise</td>
<td>√</td>
<td>√</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Members- AGI</td>
<td>√</td>
<td>√</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Members- AGI</td>
<td>X</td>
<td>X</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Members- Used Car Dealers Association</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Members- AGI</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
</tbody>
</table>
From the table below, the following assessment was made on the rate of knowledge of importers.

Table 7: Rating of knowledge on marine insurance

<table>
<thead>
<tr>
<th>Rating of Knowledge on marine Insurance</th>
<th>Importers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good knowledge</td>
<td>29%</td>
</tr>
<tr>
<td>Some knowledge</td>
<td>43%</td>
</tr>
<tr>
<td>Little knowledge</td>
<td>28%</td>
</tr>
<tr>
<td>No knowledge</td>
<td>0%</td>
</tr>
</tbody>
</table>

5.3 Reasons why importers don’t insure locally

One objective of the research was to identify the reasons why importers don’t insure locally and would prefer to do offshore insurance. Most of the responses were based on the supplier being responsible for insuring their goods. Most of the importers think it would be best if their suppliers take all the risk. Some importers also think marine insurance in the foreign countries is much better than the local ones.

These are the reasons why most importers don’t insure locally.

- Most importers usually purchase on CIF basis, they are used to how the insurance abroad works and not how the insurance locally works.
- Some importers also insisted that insurance in foreign countries are much better than in Ghana.
- Some importers also stated that “taking insurance locally is costly and taking it locally will increase their price baseline. This will cause a decrease in sales”
- Some importers said their suppliers do the insurance for them so they don’t insure their goods.
- Some of these importers purchase their insurance off shore because they think it’s better to put all the risk on the supplier.
- Some importers are quite sure their goods will arrive safely that is why they don’t insure them.

5.4 Awareness on marine insurance

One objective of the research was to know how well importers knew the marine insurance law, their rights and duties as policy holders, the right and responsibilities of insurance companies relating to marine insurance.

During the interview, the researcher asked the importers if they are aware it is illegal to insure your imports with an offshore insurance company and GRA customs does not recognize the marine insurance policy obtained from offshore insurers. About 95% of importers interviewed made it clear that they are not aware of this law and CIF has been a common term used in their importing business. There was an exception who knew the law and this was what he said;

“Yes, I am aware of this law, but insurance on our goods is part of everything that the supplier ships to us so we don’t have to take any insurance again.” - Member-AGI
The reason why they are not aware is because, most importers import on the CIF basis not even knowing what is about, all they know and do is to pay their duties for the goods to be cleared.

The next question on awareness was to assess if they know their rights and duties as policy holders. Surprisingly enough, they tend to know about their duties and rights as policy holders and this was based on the fact that, they have purchased other insurance product and know how it works. The interviewer went ahead to ask them to state some of their rights and duties as a policy holder. Most importers were able to give at least one major rights (claims) and duty (payment of premium) which indicates they understand their rights and duties as policy holders. Also, some importers said no but after further explanations, they were able to state some of their rights and duties as policy holders.

These are their response to the question during the interview.

Members asserted that:

“I do not know my rights. Even if I do, they are of no use to me. But in other countries I have witnessed people receive their claims whenever they have had to face a risk.”- Member-Abossey-Okai Spare Parts Association

“I know my rights but they are of no help to me. I know claims can be made if you have insured your goods and they get damaged.”- Member-Used Cars Dealers Association

“No I actually don’t know my rights legally, but if anything, the insurance company is supposed to sort me out.”- Member-AGI

“Yes, we take insurance against risk, so I know in case of anything I am supposed to be compensated”- Member-AGI

“Yes, I can’t tell you all. We know it’s our right to claim whenever there is a risk. So far, we have not had any issues for us to go for claims.”- Member-AGI

“Those things are mostly stated in the policy documentation. And every policy has its own rules and regulations and it states what we are supposed to do.”- Member-AGI

“We have to make sure we pay premiums.”- Member- New Car Dealers Association

Furthermore, the research assessed the awareness on the rights and responsibilities of insurance companies. About 45% of these importers answered well enough with the following responses which demonstrated that they understood and know the rights and responsibilities of insurance companies. There was an importer that answered the question on rights and responsibilities of insurance companies by saying that;

“It depends on the type of insurance you take, whether it is fire, burglary of shipment, in case the goods sink into the sea, you have to refund me”- Member-AGI
“Everybody that insures expect to get some comfort, basically you should know what you are getting from the insurance company.” - Member-AGI

This was an indirect way of saying, they knew of the insurance companies’ rights and responsibilities but Insurance companies are failing on their responsibilities.

“Insurance in Ghana is of no use. After you buy a policy and there is an accident, and it is time to go for a claim they put down long procedures and even ask you to get a lawyer for yourself.” - Member-Abossey-Okai Spare Parts Association

There was also a similar way to assess the awareness level of importers.

Table 8: Awareness level of respondents on marine insurance

<table>
<thead>
<tr>
<th>Awareness on marine insurance (Importers)</th>
<th>Are you aware of the marine insurance law?</th>
<th>Are you aware it is illegal to insure your imports with an offshore insurance company?</th>
<th>Are you aware GRA customs does not recognise the marine insurance policy obtained from offshore insurers?</th>
<th>Do you know your rights as an insurance policy holder?</th>
<th>Mention some of these rights?</th>
<th>Do you know the rights and responsibilities of the insurance companies relating to marine insurance?</th>
<th>Mention some of these rights and responsibilities?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members- Abossey-Okai Spare parts Association</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Members- Abossey-Okai Spare parts Association</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>✓</td>
</tr>
<tr>
<td>Members- General merchandise</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>✓</td>
<td>✓</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Members-AGI</td>
<td>✓</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>✓</td>
<td>✓</td>
<td>X</td>
</tr>
<tr>
<td>Members-AGI</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Members- Used Car Dealers Association</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Members- AGI</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
5.5 Interview with importer with local marine insurance Experience

The interviewee is an importer who have previous experience in marine insurance. The importer imports raw materials such as aluminium, copper, PVC, steel, machinery and spare parts. The country of origin of his imports included France, Oman, Turkey, Cote D’Ivoire and mostly Europe. The importer maintained that, the process of importing into the country depends on what they are importing and the need to get the right documents.

Documents for clearing goods at the port include invoice, packing list, bill of lading and some other documents when necessary. Relating to the process of clearing goods, the importer shows all these documents and the Customs Division of Ghana Revenue Authority generates the IDF (Import Declaration Form). Sometimes, some of their consignment requires Environmental Protection Agency (EPA) testing before they are allowed out of the port. At the port, it is all about fulfilling and paying the right duties.

The respondent did mention that, the process of clearing goods at the port is quite slow. One of the challenges the importer outlined they face was, the time spent in generating services entry to make payment and clearing of the goods. The queue and time it takes for a ship to dock before items was offloaded, too much movement of the goods from one point to another at the port are all some of the challenges they face at the port. In their line of business, he asserted that, they base their prices on time, hence the shorter the time, the better for the importers.

The importer asserted that, they face no losses whenever they import into the country. Basically, they insure their goods locally in case any disaster happens on the high sea or anything that could be a hindrance in getting their goods. The importer maintained that, their insurance policy is from a local broker. He opined that:

“We bought our policy through an insurance broker and we are satisfied with our local insurers. The reason for that, is because, we have had no issues or call from them to pay anything extra after we have paid our premiums”

When they buy insurance from local insurers, he said their operations run smooth and successful. This is because to him, his company trusts the insurance company they deal with and as for claims, their company haven’t had any reasons for claims but believe if there is to be any, the insurance company will pay.
One major reason for going for local insurance is that, it is a requirement and also with a local insurer, you can always locate and resolve any issue when the need arises. He also said, he believed when there is an issue, they will be compensated. Further to the above, the importer said although, the company insures locally, they are not aware that buying marine insurance policy offshore is illegal. Their decision to sign on to a marine policy is a prudent decision which they believe will protect the company’s interest. The reason for signing up for local insurance is that, it is their organizational culture and that, patronizing local marine insurance has been the practice of the company since inception. In coordinating with a local broker, he said the broker made them aware of the terms and conditions of the policy, their rights and duties and rights and responsibilities of the insurance company. If there are changes in the insurance industry, change in policy or change in premiums, the broker makes them aware of that. The broker does well to explain all technical wordings and legal constructions in the policy. Although they have purchased marine insurance locally for so long and have never made claims, he thinks there should be a form of rebate for importers who have bought marine insurance for quite some time and haven’t made claims, to motivate other importers to insure locally.

5.6 Key insights from insurance companies
- All insurance companies seem to have perfect knowledge about marine insurance and are all conversant with the general and international clauses.
- With marine cargo insurance, all the companies sell the three (3) general clauses, that is, Clause A, B and C.
- Insurance companies do not have a special marketing strategy for Marine Insurance Products.
- Insurance companies as a matter of fact don’t know their prospective clients; they don’t know if they are to market to agents who handle the clearing of goods or to the importers themselves.
- All insurance companies rely on Lloyds agents at the port when it comes to assessing damages relating to Marine Insurance.
- Only a few insurance companies have treaties set aside for Marine Hull Insurance, they said it is very expensive and one claim in case of any loss could run the company bankrupt.
- All insurance companies have treaties in place for marine cargo insurance.
• Insurance companies don’t have issues when it comes to training their employers with subjects relating to marine insurance, but because marine insurance business doesn’t have a good standing in the country, they do hesitate investing their resources in such areas.

• With the current marine insurance law, all insurance companies clearly stated that, it hasn’t been well structured and that is the major cause of low marine insurance premiums in the country. They insisted that, if some wordings could be changed and the law could be rephrased, then proper enforcement could be done to ensure an increase in marine insurance premiums.

5.7 Key Insights from Importers

• The general level of knowledge about marine insurance among importers seem to be very low. They just have the basic idea that it has to do with insuring your goods on sea but don’t really know what goes into that and what it really entails.

• The knowledge level of importers is very low as they are not aware of the requirement of insuring commercial goods locally.

• There is general level of mistrust among importers for insurance companies though they haven’t done business relating to marine insurance with our local insurers. They make this claim based on the compulsory motor insurance policy purchased by all.

• Importers believe that foreign insurers offer better services than local insurers.

• Importers believe that buying on CIF basis is relative cheaper as compared to buying on CF basis and taking the insurance locally.

• Importers believe it is better to put all risks on the company abroad they are buying from, hence reason why they buy on CIF basis.

• The importers believe the ‘insurance’ component on the import duty is part of the fees and charges by Ghana Revenue Authority
5.8 Recommendations
Based on the results obtained, the following is recommended:

1. There should be awareness creation to importers through the Ghana Freight Forwarders Association and the Clearing Agents since most of the importers do not clear goods themselves and they do not know the requirement of marine insurance.

2. There is the need for the National Insurance Commission (NIC) to organize sensitization programmes for importers on the need to take local marine insurance. There is the need to highlight the importance of insuring locally.

3. The insurance companies maintained that the NIC should organize training on marine insurance. The NIC is therefore tasked to frequently organize workshops and training session on marine insurance. This is likely to create awareness to both the trade associations and the insurance companies.

4. The premiums for marine insurance should be competitive and in line with international systems in order to encourage importers to insure locally.

5. A customized IT portal could be used as a way of facilitating marine insurance locally before the goods get to the ports to be cleared.