

BANK OF GHANA



BANCASSURANCE DIRECTIVE

**FOR BANKS, SAVINGS AND LOANS COMPANIES AND
FINANCE HOUSES**

DECEMBER 2024



EXPOSURE DRAFT

The Bank of Ghana (BOG) has issued the **Bancassurance Directive** as an **Exposure Draft** to solicit comments and inputs from the banking industry and the general public, in line with the BOG's Procedures for Issuance of Directives, 2020.

In light of this, the Exposure Draft shall be made available on the BOG's website at www.bog.gov.gh for a period of not less than fourteen (14) days from the date of the publication of the Exposure Draft, for comments.

All comments shall be sent to the Bank of Ghana via email at bsdletters@bog.gov.gh by 31st January 2025. The Bank of Ghana shall consider all material comments received and provide a written explanation for comments that were incorporated into the final directive or otherwise.

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Preamble

Bancassurance has notably grown in Africa and around the world since the 1980's by offering banks and other financial institutions (BOFIs), an opportunity to provide more diversified products to their customers whilst earning additional income by providing their distribution channels and other platforms to insurance companies.

Insurance companies on the other hand, can have an increased reach to a broader audience and achieve more sales by leveraging on the BOFIs' distribution channels. For customers, there is convenience, as BOFIs provide a one-stop-shop for all their financial needs including insurance products. In the case of Ghana, insurance companies have resorted to entering into partnership agreements with banks for the provision of Bancassurance products through the distribution channels of the latter.

The Bank of Ghana's (BOG) approved model for Bancassurance as emphasised in this Directive is the Distribution Partnership Model. The model allows Regulated Financial Institutions (RFIs) to sell insurance products to their customers on behalf of an insurer using an RFI's distribution network. This model permits an RFI to contract one life and one general insurance company and allows for individual or retail customers to choose their desired product and insurer. The model ensures that there is no sharing of risk between the RFI and the insurer. It also aligns with the Bancassurance model as adopted by the National Insurance Commission (NIC).

This Directive is therefore being issued to provide BOG's regulatory expectations to the banking industry to ensure that inherent risks associated with the product is adequately managed by RFIs as well as to further smoothen and ensure a seamless implementation of the business of Bancassurance in Ghana between the banking and insurance sectors of the economy.



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PART I – PRELIMINARY PROVISIONS

Title

1. This Directive shall be cited as the **Bank of Ghana Bancassurance Directive, 2024**.

Authorisation

2. This Directive is issued pursuant to sections 18 and 92(1) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).
3. This Directive shall be read in conjunction with the Insurance Act, 2021 (Act 1061) and the National Insurance Commission Guidelines for Corporate Agents.

Application

4. This Directive shall apply to all Banks, Savings and Loans Companies and Finance Houses collectively referred to in this document as “Regulated Financial Institutions (RFIs)”.

Interpretation

5. In this Directive, unless the context otherwise requires, words used have the same meaning as that assigned to them in the applicable law or as follows:

“**Act 930**” means the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

“**Act 1061**” means the Insurance Act, 2021 (Act 1061).

“**Regulated Financial Institution (RFI)**” means a bank or specialised deposit-taking institution regulated under Act 930.

“**Bancassurance**” means an agency arrangement between an insurance company (as the principal) and an RFI (as the agent) by which the RFI distributes and sells the insurer’s insurance product(s) to customers of the RFI.

“**Bancassurance Agreement**” means a contract duly executed between



an RFI and an insurance company where the RFI shall act as a corporate agent to engage in the distribution and marketing of Bancassurance product(s) in accordance with the provisions of this Directive, Act 1061, the National Insurance Commission Guidelines for Corporate Agents as well as other relevant laws and regulations.

“Bancassurance Business” means provision of insurance products by an RFI that is licensed as a corporate agent on behalf of an insurance company.

“Bancassurance Policy” means the insurance policy underlying the agreement between the insurance company and the RFI’s retail/individual customer for the Bancassurance Product.

“Bancassurance Product” means an insurance product (General or Life) which is marketed and sold to RFI’s customers on behalf of an insurance company under a Bancassurance Agreement.

“BOG” means the Bank of Ghana.

“Commission” means fee payable to an RFI by an insurance company in line with the commissions approved by the NIC.

“Bancassurance Agent” means an RFI who has been licensed by the NIC to be an agent of an insurance company and sell insurance products of the insurance company.

“Customer” means a natural person and excludes artificial persons (corporate customers) of an RFI.

“Distribution Partnership Model” means a model where an RFI operates strictly as an intermediary by selling products of insurance companies to its customers. The product development is done by only the insurance company and the insurer bears the underwriting risks associated with the product.

“Insurance company (insurer)” means a company licensed by the National insurance Commission to undertake liability under an insurance contract in exchange for a premium’.

“NIC” means National Insurance Commission.

“Related Party” means a company/ entity in which:

- a. The RFI or any of its shareholders, directors or Key Management



- Personnel have equity interest of at least 5%;*
- b. *A director of the RFI also serves as a director of the company/ entity;*
- c. *A director or Key Management Personnel of the RFI has influence in the company/ entity.*

Objectives

6. The objectives of this Directive are to:
- (i) provide a framework for the regulation and supervision of Bancassurance business in the banking sector;
 - (ii) set out minimum prudential and information requirements that RFIs must satisfy regarding Bancassurance business;
 - (iii) ensure that RFIs have in place adequate Governance and Risk Management framework/ system to support their Bancassurance business;
 - (iv) promote awareness and enhance transparency of BOG's expectations, requirements and considerations in relation to Bancassurance business; and
 - (v) enhance financial inclusion and consumer protection within a stable and sound financial system environment.

Transitional Arrangements and Effective Implementation

7. The effective implementation date of this Directive shall be 2nd June 2025.
8. An RFI with an existing Bancassurance agreement/ arrangement in place that does not meet the requirements in this Directive shall review such an agreement/ arrangement and ensure compliance with this Directive on the earlier of either the renewal date of the agreement or by 30th May 2025.



PART II – GOVERNANCE FRAMEWORK FOR BANCASSURANCE ARRANGEMENTS

9. The Board of an RFI shall have the ultimate responsibility in all matters regarding the Bancassurance business.
10. The Board shall ensure that the governance arrangements for the management of its Bancassurance business (including internal governance structures, policies, procedures, controls and risk management) are consistent with the provisions of this Directive, BOG Risk Management Directive and NIC regulations.
11. The Board shall approve the RFI's internal governance policies, procedures and controls with regards to:
 - a. formulation of the Bancassurance arrangements;
 - b. implementation, maintenance and monitoring of Bancassurance arrangements; and
 - c. develop a scheme that would enable the distribution of Bancassurance products.
12. An RFI shall ensure internal policies, procedures and controls around their Bancassurance business include the following:
 - a. Establishment of quantifiable parameters and key performance indicators relevant to the specific risks presented by the introduction of the Bancassurance business; and
 - b. An outline of clear roles, responsibilities and accountabilities of the RFI and the insurance company as well as persons designated within the RFI.
13. The Board of an RFI shall provide adequate oversight on the implementation of the internal policies, procedures and controls by the Senior Management in respect of Bancassurance business.



14. The Board and Senior Management of an RFI shall be accountable in ensuring that the Bancassurance products sold, and Bancassurance arrangements entered into, do not threaten the safety and soundness of the RFI as well as ensure that the interests of customers of the RFI are adequately protected.

15. Senior Management of an RFI shall ensure that the assessment, management and control of risks associated with the Bancassurance business aligns with the requirements in their internal policies.

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PART III – REGULATING BANCASSURANCE BUSINESS

Permissible Business

16. An RFI shall not engage in any other model of Bancassurance other than the “**Distributive Partnership Model**”, as provided in this Directive.
17. An RFI that intends to engage in a Bancassurance business shall obtain licence as a corporate agent from the NIC and also adhere to the provisions stipulated in the NIC Guidelines for Corporate Agents.

Prohibited Activities

18. An RFI shall not be involved in the design, development and cost-related marketing of a Bancassurance product.
19. An RFI shall not under any circumstance co-brand an insurance product or promotional materials with its logo, name or any other information.
20. An RFI is not permitted to participate in the risk-taking aspect of a Bancassurance transaction.
21. An RFI shall not undertake or engage in the actual business of underwriting of risks or give the impression of being the underwriter of the insurance products to its customers.
22. An RFI shall not provide the Bancassurance product to its customers in a manner that contravenes any law or regulation that applies to or affects the business of Bancassurance.
23. An RFI shall sell insurance products to only customers who are natural persons, for that customer’s own benefit. An RFI is not permitted to sell commercial lines insurance to corporate customers.



24. An RFI shall ensure that only insurance products approved by National Insurance Commission (NIC) are offered by their principal insurance companies to their customers.
25. An RFI shall not enter into Bancassurance agreement with insurance companies that do not hold a valid operational licence from NIC.
26. An RFI shall ensure that no risk is transferred to it and shall not assume any fiduciary responsibility or liability for any consequences, financial or otherwise, arising from the purchase of Bancassurance products by its customers.
27. Where an RFI is a member of a Financial Holding Company or Group, the RFI shall not be the agent for its affiliate or subsidiary's insurance products.

Distribution Channels

28. RFIs shall offer Bancassurance products to their customers through any of the following distribution channels:
 - a. Branches and Agencies;
 - b. Sales Networks;
 - c. Digital Platforms.



PART IV – APPLICATION PROCESS

Prior Approval Requirement

29. An RFI shall not engage in a Bancassurance business without the written prior approval of BOG and a corporate agency licence from the NIC in accordance with section 111 of the Insurance Act, 2021 (Act 1061).

Supporting Documentation

30. Any RFI that applies to sell Bancassurance products shall submit the following minimum documentation to the BOG:

- a. An application letter co-signed by the Chief Executive Officer and any other Senior Management member;
- b. Extract of Board resolution approving the rollout of Bancassurance business;
- c. A copy of the Bancassurance agreement between the RFI and the insurance company which shall include the following and in line with NIC Guidelines for Corporate Agents:
 - i. Types of Bancassurance products offered by the insurance company to be sold by the RFI under the agreement;
 - ii. Duties and responsibilities of each of the parties during and upon termination of the agreement;
 - iii. Conditions for termination of the agreement;
 - iv. Frequency of remittance of premiums collected by the RFI to the insurance company;
 - v. Commission and to be charged for the service;
 - vi. Duration of the contract and whether it is renewable;
 - vii. Dispute resolution mechanism;
 - viii. Measures to safeguard confidential information;
 - ix. Disclaimer that the products shall be underwritten by the insurance company with no recourse to the RFI in terms of claims or any legal proceedings between the insurance company and the RFI's customer; and
 - x. Any other relevant information.



- d. The RFI's assessment of risks that may arise from carrying on Bancassurance business and mitigants put in place;
- e. A copy of the RFI's Corporate Agency licence issued by NIC;
- f. A copy of a "No Objection" consideration from NIC regarding the suitability of the insurer;
- g. The RFI's due diligence report on the insurance company;
- h. Evidence of the establishment of adequate AML/CFT controls;
- i. Samples of promotional materials of the Bancassurance product(s) description;
- j. Bancassurance policy; and
- k. Any other information/documents that the Bank of Ghana may require.

Amendment, Renewal and Termination of Bancassurance Agreement

31. An RFI shall notify the BOG of an expiration, renewal/ extension and termination of any Bancassurance agreement not later than ten (10) days prior to the date of cessation/ renewal of the Bancassurance arrangement. An amendment or renewal to a Bancassurance agreement shall require an approval from the BOG.
32. An RFI shall not include any exclusivity clause (entry/ exit barrier) in Bancassurance agreement with any insurer.
33. On termination or discontinuation of Bancassurance agreement, an RFI shall notify the BOG, stating reasons for the termination/discontinuation and shall communicate to all concerned staff.
34. Termination or discontinuation clauses of the Bancassurance agreements shall include:
 - a. To maintain continuity of service to the existing policyholders by both parties (RFI and insurer), even if the RFI's contract with the insurance company is terminated, the concerned RFI shall provide all kinds of assistance to the insured for the remaining term of the policy holder's existing policies;
 - b. The RFI shall ensure that the insured can receive the amount due through the customer's account with the RFI at the maturity of the insurance policy;



- c. Commissions on renewal shall continue to be paid to the RFI when the policy is renewed, and the commensurate renewal premium is paid until after the last policyholder's policy is extinguished;
- d. Any complaint of the customer shall be resolved by negotiation between the RFI and the insurer with mutual consent. If unsuccessful, the customer shall submit the complaint to the National Insurance Commission with a copy to the BOG for redress.

Granting approval for Bancassurance Business

35. The BOG, in granting approval for an RFI to engage in a Bancassurance business shall take the following into consideration:

- a. The Capital Adequacy Ratio (CAR) shall not be less than the prescribed regulatory minimum of (13.0%) for banks and 10.0% for SDIs;
- b. RFIs shall meet minimum liquidity requirements as prescribed by the Bank of Ghana;
- c. Level of Non-Performing Loans (NPLs) held by the RFI shall not be higher than the prevailing industry average, as may be determined by the BOG;
- d. Adequacy and effectiveness of the RFI's assessment and management of risks posed by the Bancassurance business;
- e. The RFI's due diligence report on the insurance company to confirm its viability, solvency, profitability, liquidity and compliance to regulations;
- f. Ability of the RFI to conduct Bancassurance business in a prudent manner;
- g. The availability of a competent and suitable manpower to operate a dedicated Bancassurance unit;
- h. Fitness and propriety of principal officers responsible for the Bancassurance business within the RFI;
- i. Whether the approval will not prejudice public interest;
- j. Whether the RFI has complied with all the regulations of NIC for the maintenance of corporate agent licence; and
- k. Any other issues BOG may consider necessary.



PART V – CONSUMER PROTECTION AND REGULATORY REQUIREMENTS

Regulatory Requirements

36. An RFI engaged in a Bancassurance business shall:

- a. establish a robust risk management framework to assess and manage the risks inherent in the Bancassurance agreement(s);
- b. ensure that it has adequately trained members of staff capable of explaining the key attributes of the insurance products to customers;
- c. ensure that its members of staff selling insurance products do not make any misrepresentation or misleading statements to the prospective customer on policy benefits and returns available under the policy;
- d. institute appropriate systems to constantly monitor Bancassurance related transactions in order to report transactions in a timely manner;
- e. ensure full disclosure of terms and conditions to customers as well as information on their principal insurance companies prior to selling Bancassurance products;
- f. ensure that the customer is informed that the product is underwritten by the insurer and that the insurer shall solely be liable for settlement and payment of claims that may arise from the risk covered;
- g. indicate the premium to be charged by the insurer for the insurance product offered for sale;
- h. ensure premium payments from customers are made into a designated account of the insurance company held with the RFI on real time-basis. And from the same account, claim payments are made to deserving customers;
- i. render such assistance to the policyholder, claimant or nominee, as may be required in complying with the requirements for settlement of claims by the insurer;
- j. put in place Operational Guidelines to guide the conduct of Bancassurance business;
- k. not offer Bancassurance products to walk-in customers (customers who do not have accounts with the RFI); and
- l. not enter into agreements with more than one (1) Life insurance and one (1) non-life insurance company at the same time.



Consumer Protection

37. An RFI is prohibited from inducing or compelling customers in any way to take up Bancassurance products from insurance companies it has Bancassurance agreements with.
38. Purchase of an insurance product must be voluntary and not linked to any other facility, product or service offered by the RFI.
39. An RFI shall not debit the customer's account for premium without prior written authority or consent of the customer.
40. An RFI shall not offer different rates, benefits, terms and conditions other than those offered or agreed by the insurer.
41. An RFI shall ensure the confidentiality of customer data and information under the Data Protection laws of Ghana.
42. An RFI shall ensure that the insurance company has in place an appropriate complaints redress mechanism to support its Bancassurance business.
43. An RFI shall ensure that no other person except designated persons (trained Bancassurance officers/managers) solicit and /or sell insurance products to customers of the RFI.



PART VI – GENERAL PROVISIONS

Claim Processing

44. The settlement of claim shall be the responsibility of the insurance company and shall be obligated under the following arrangements:
- a. The RFI shall assist the insured customer as a facilitator in processing the claim as applicable and provide adequate information to the claimant on processes for the submission of claims;
 - b. An RFI at the behest of the insurer, shall provide all necessary assistance in collecting the necessary documentation/information regarding the settlement of a claim by a customer.

Service Monitoring

45. The Risk Management function of the RFI shall ensure adequate control for monitoring service levels related to the Bancassurance product and submit reports to senior management.

Reporting Requirements

46. An RFI engaged in Bancassurance business shall submit to the BOG, semi-annual returns on the performance of the Bancassurance business containing the following information no later than 31st March and 30th September of every ensuing year:
- a. Number of policies sold during the year by product type and premiums generated;
 - b. Number of claim requests received during the year;
 - c. Number of claims settled by the insurance company;
 - d. Income and expenses associated with the sale of Bancassurance products;
 - e. Number of unsettled claims and reasons for the unsettled claims; and
 - f. The number of complaints and details of those complaints.
 - g. The number of complaints resolved with customer details.



47. An RFI engaged in Bancassurance business shall promptly inform the BOG of pertinent issues and concerns that could have material impact on it.

Disclosure Requirements

48. An RFI engaged in Bancassurance business shall disclose in its Annual Financial Statements, as part of its notes, income and expenses associated with the Bancassurance business.

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PART VII – SANCTIONS AND REMEDIAL MEASURES

49. An RFI that fails to comply with the requirements of this Directive shall be liable to pay to the Bank of Ghana an administrative penalty of not less than two thousand penalty units and not more than ten thousand penalty units (as per section 92(8) of Act 930) as well as impose any other penalty or take any remedial action that BOG considers appropriate as set out in Act 930.

50. Without prejudice to the other penalties and remedial measures prescribed by Act 930, BOG may impose one or more of the following sanctions where any of the provisions herein are contravened:

- a. Suspend the RFI from engaging in Bancassurance business;
- b. Prohibit the RFI from further lending or taking further financial exposures, including investments, or capital expenditure;
- c. Restrict payment of bonuses or excessive compensation to the defaulting key management personnel or director; and
- d. Suspend defaulting person from office or declare that the relevant person is no longer a fit and proper person.