

## REPUBLIC OF GHANA



## MINISTRY OF FINANCE

## TERMS OF REFERENCE

### (CONSULTING SERVICES – INDIVIDUAL CONSULTING SELECTION)

Name of Project	<b>Ghana Financial Sector Development Project</b>
Loan No./Credit No./Grant No	<b>6310 GH</b>
<b>Project Number:</b>	<b>P161787</b>
Assignment Title	<b>Consultancy Services to Develop Market Conduct Risk-Based Supervisory Framework for NIC</b>
Reference No	<b>GH-MOF-FSD-CS-038-INDV</b>

### 1. BACKGROUND

Financial consumer protection is fundamental to ensuring responsible financial inclusion, as it can be harmful if consumers are not able to: (i) exercise their rights; (ii) select the financial products that suit them best, based on proper information disclosed by providers; and (iii) be protected from mis-selling, fraud, and other market abuses. The need for an effective consumer protection framework is also urgent given the ongoing innovations in the financial sector in Ghana (e.g., emergence of new financial service providers such as e-money issuers, new financial products such as mobile insurance, etc.), which can help fulfil important financial inclusion objectives, but might also bring new risks to consumers.

The Insurance Act, 2006 (Act 724) mandates the National Insurance Commission (“Commission”) to effectively administer, supervise, regulate, monitor and control the business of insurance in order to protect insurance policyholders and the insurance industry. As part of its functions, Section 2 of Act 724 requires the Commission to set standards for the conduct of insurance business and insurance intermediary business and to encourage the development of and compliance with the insurance industry’s codes of conduct.

As at December 2019, the insurance industry total assets stood at GHS 7.5 billion cedis (about \$1.5 billion) with total gross premium income of about GHS 3.5 billion (\$700 million). This however excludes pensions and health insurance which are regulated by separate institutions. As at that date, there were 29 non-life insurance companies, 20 life insurance companies, 92 insurance broking companies, 5 reinsurance broking companies, and 3 loss adjusting companies. There are also about 7,000 tied agents and 50 corporate agents which include telecommunication companies (mobile insurance) and banks (bancassurance).

Currently, there are some procedures in place that govern the management and payment of claims and a Complaint and Settlement Bureau at the NIC that receives and resolves complaints from the insuring public against insurance companies. There is however no formal comprehensive insurance consumer protection regulatory framework in place for the insurance sector.

In order to be able to effectively and efficiently allocate supervisory resources and supervise insurers in relation to market conduct / financial consumer protection, and ensure optimum protection for the insuring public, the Commission seeks consultancy services on development and implementation of a Risk-Based Market Conduct Supervision (RBMCS) approach.

## **2. OBJECTIVE**

In line with its mandate, the Commission intends to employ an individual resident Consultant to develop its Market Conduct Risk-based supervision (MC RBS) Framework, and to assist with the development of a strategy / roadmap for implementation, and modalities for enforcement by the Commission. The process is also intended to build the capacity of the Commission to enforce the Market Conduct Rules.

The Consultant will be expected to review internal processes and procedures currently undertaken by the Commission to supervise financial service providers under its mandate, specifically in relation to market conduct supervision. Furthermore, the consultant should provide the Commission with a diagnostic / assessment of the Commission's current market conduct framework, with identification of current processes and procedures, potential gaps and inefficiencies, as well as recommendations for improvements, followed by the development of a 1-3-year strategy / roadmap for implementation of a full-fledged MC RBS within the Commission, taking into account human resources, data, qualifications and capacity building needs of the regulator.

## **3. SCOPE OF WORK**

The Consultant will be required to:

- a. Carry out an assessment of the Commission's current market conduct supervision processes and procedures within the Supervision Department, which should include, at least: (i) activities being undertaken, capacity / resources / skills / data, set of procedures, guidelines, protocols, manuals, and any other documentation that supports the process; (ii) internal organization (i.e. placement, internal structure, lines of report); (iii) main gaps and inefficiencies; and (iv) recommendations on how the current process should be enhanced to enable the implementation of a full-fledged risk-based market conduct supervision by the Commission.
- b. Develop a comprehensive MC RBS Framework for the Commission to enforce the Market Conduct Rules, with which insurance intermediaries shall comply with, taking

into consideration the Insurance Core Principles (ICPs) of the International Association of Insurance Supervisors (IAIS).

- c. Provide inputs in the development of Market Conduct Rules for inclusion in the Insurance Regulations as well as the Insurance and Insurance Intermediaries Codes.
- d. To provide technical assistance, including the identification of training needs in building the capacity of the Commission in the implementation and enforcement of the Market Conduct Rules.
- e. To develop a strategic plan and a roadmap for the effective implementation and enforcement of the Market Conduct Framework.
- f. To provide advisory services in the implementation of the Market Conduct strategy and roadmap.
- g. To carry out any other activity incidental to the carrying out of the above activities.

## METHODOLOGY

The Consultant will work in close cooperation with the Commission to get a better understanding of: (i) the context of the assignment, (ii) financial consumer protection legal, regulatory and supervisory framework in place, (iii) processes and procedures in place, and (iv) the expected outputs/ deliverables. Desk reviews, interviews with relevant stakeholders will also be employed, among other research methods.

The consultant will be required to provide on the job support to the Commission during the timeframe of the engagement to ensure the implementation of its full-fledged risk-based market conduct supervision.

## **4. DURATION, DELIVERABLES, TIMELINE, AND PAYMENT SCHEDULE**

The expected duration of this assignment is twenty four (24) months commencing from the date of contract signature.

Key outputs of this consultancy will include:

- Diagnostic / assessment of the Commission's current market conduct supervision framework, with identification of gaps and areas for improvements, as well as detailed recommendations for the implementation of a full-fledged MC RBS.
- Data mapping report, with data already collected by or / and generated within the Commission, as well as data needs and recommendations on how to start pulling data, that should be used in the Commission's MC RBS framework.
- 1-3-year strategy / roadmap for implementation of the full-fledged risk-based market conduct supervision, comprised of, at least, main steps, resources and data needed, unit / department responsible for implementing, timeframes and level of priority.

- Market Conduct Risk-based supervision manuals and training manuals, covering the entire supervisory process - market wide and firm-specific ongoing monitoring activities, risk identification and assessment, planning, offsite and onsite inspections, thematic reviews, mystery shopping, follow-up activities, enforcement, etc. -, with tested evaluation tools and indicators to support the Commission's MC RBS implementation.
- Framework and protocols for communication and cooperation between the Commission and internal / external stakeholders for information sharing and collaboration in the context of a MC RBS.
- Report with recommendations on amendments to the current financial consumer protection laws and regulations to provide for market conduct risk-based supervision, including reporting templates.
- Support to implement, along with the Commission officers, a full-fledged risk-based market conduct supervision, with on the job and remote support, within the timeframe of the project.
- Preparation for and facilitation in a capacity enhancement workshop to train all technical officers on the refined documentation and the developed tools.

<b>DELIVERABLES</b>	<b>No of Copies<sup>1</sup></b>	<b>Period after Commencement</b>	<b>Payment (%)</b>
Inception Report incorporation workplan over engagement period	1	One (1) week after Contract Signature	Monthly Fee payable over 24 months to be agreed on during negotiations.
Diagnostic / assessment report of the Commission's current market conduct supervision framework.	1	Six (6) months after Contract Signature	
Data mapping report	1	Eight (8) months after Contract Signature	
1-3-year strategy / roadmap	1	Ten (10) months after Contract Signature	
Market Conduct Risk-based supervision manuals and training manuals.	1	Twelve (12) months after Contract Signature	
Framework and protocols for communication and cooperation	1	Sixteen (16) months after Contract Signature	

<sup>1</sup> Consultant is to provide one hard copy of reports for reference purpose and to email or deliver a soft copy to the Commissioner of Insurance with a copy to the Project Coordinator for distribution as necessary

Report with recommendations on amendments to the current financial consumer protection laws and regulations	1	Twenty (20) months after Contract Signature
Preparation for and facilitation in a capacity enhancement workshop	1	Twenty-two (22) months after Contract signature
Support to implement, along with the Commission officers, a full-fledged risk-based market conduct supervision	1	Throughout the duration of this assignment
Final Assignment Report	1	Twenty-Four (24) months after Contract signature

## 5. QUALIFICATION OF THE CONSULTANT

At least a degree holder with:

- Academic qualification in Business, Economics, Public Administration/Management, actuarial science or other relevant social science;
- Over 10 years of experience in the Insurance Industry, with at least five (5) years in Insurance regulations;
- At least 8 years of professional experience, international work experience in financial consumer protection / market conduct supervision, including in implementing risk-based approaches, supervisory tools and techniques, supervisory planning, follow up activities, and enforcement actions in the insurance sector;
- Experience and strong knowledge of the Insurance Core Principles (ICPs) of the International Association of Insurance Supervisors (IAIS), as well as of international standards and good practices relevant to financial consumer protection regulation and supervision in the insurance sector;
- Strong familiarity with current developments in regulatory and supervision especially with respect to insurance industry in Africa or emerging economies, including good awareness of the insurance sector in Ghana;
- Excellent communication and extensive experience in presenting technical findings and recommendations to supervisory staff and senior government officials, as well as training supervisory authorities;
- Fluency in English, spoken and written;;
- A very good knowledge of Microsoft Office applications, particularly Word and Excel and PowerPoint

## 6. FACILITIES TO BE PROVIDED BY THE CLIENT

The Client will provide an office space and ensure that the Consultant has access to the necessary information as may be legally allowed for the performance of the assignment.