

EMERGING PRACTICES IN CONSUMER EDUCATION ON RISK MANAGEMENT AND INSURANCE

Iddo Dror, Aparna Dalal and Michal Matul¹
September 2010

Consumer education is often considered an integral part of microinsurance schemes; a win-win solution that benefits both microinsurance practitioners and their clients. It is supposed to help low-income households make sound choices and practitioners stimulate demand. The current lack of academic and business research, however, makes it difficult to prove whether consumer education can keep to its promise. New evidence from a host of ongoing evaluations in Colombia, Brazil, Ghana, Kenya, South Africa and India will be available in 2011 to shed new light on this question. Until then, lessons based on the experiences of practitioners serve as the best guide for those designing new consumer education programmes.

Given the growing number of consumer education programmes and the huge demand for capacity building in this field, the Microinsurance Network's Insurance Education Working Group felt it useful to compile a list of emerging practices that microinsurance practitioners should consider incorporating into the design of education programmes. This note summarizes feedback from more than fifty practitioners who were early implementers of consumer education schemes. Their feedback is documented in three studies supported by the International Labour Organization's Microinsurance Innovation Facility and the Microinsurance Network.

Box 1. What do we mean by consumer education?

Consumer education in microinsurance involves a systematic effort to teach risk management strategies and the role of insurance in order to promote better risk management practices amongst low-income households. The goal of consumer education is to provide households with knowledge and skills that enable them to make the best financial decision for themselves. Consumer education can be delivered by microinsurers, outsourced to partner organizations such as distribution channels or specialized training institutions, or be part of a collaborative national effort by government or industry bodies.

Background studies

- Dror, Iddo, Kathleen Jenkins, Keiju Motegi, and Juho Siltanen. 2010. "A Landscape Study of Microinsurance Education". Micro Insurance Academy.
- Burns, Catherine, and Aparna Dalal. 2010. "Explaining Insurance: Implementing Consumer Education in CARE-India's Insure Lives and Livelihoods Program". Financial Access Initiative.
- Smith, Anja, Michal Matul, Sandisive Ncube, and Hennie Bester. 2010. "South African Insurance Association Consumer Education Programme: 2005-2009". ILO's Microinsurance Innovation Facility.

The experiences of practitioners reviewed in these studies demonstrate that a long-term, integrated approach is needed to improve risk management capacities and increase the use of relevant financial tools. A programme that delivers ad-hoc, stand-alone education, which is not linked to access the appropriate microinsurance products, is often insufficient in realizing these objectives.

We highlight key design features for content and delivery of the education and provide examples of organizations that have successfully implemented them in the next two sections. In the last section, we review the challenges of sustainability and monitoring and evaluation that are especially relevant for practitioners who want to integrate education into their business models.

CONTENT OF CONSUMER EDUCATION

Focus on risk management and insurance; layer other financial concepts where possible

The foremost question for practitioners trying to design an education programme relates to the breadth of the content. Should the programme cover generic financial education concepts such as money management and budgeting; should it cover broad risk management topics such as the nature of risks and differences between insurance and saving; or should

¹ We thank our reviewers for valuable comments on earlier versions of this note: Helen Barnes, Hennie Bester, Virginia Bethe, Monique Cohen, Alejandra Diaz, Jeanna Holtz, Thabo Gumbi, Jeremy Leach, Marcia Metcalfe, Vivienne Pearson, Caroline Phily, Anja Smith, Evelyn Stark, Jasmin Suministrado, Peter Wrede, and Mary Yang. In particular we thank Sarah Bel for her comments and collaboration throughout the study. All errors are our own.

it focus primarily on product specific details such as premium payment, benefits and exclusions, or claims procedures? The breadth of the content depends on a number of factors including resources available, the amount of time the educator has with the community, prior knowledge and experience of the community, and the mandate of the practitioner. Some practitioners surveyed argue that it is useful to begin with basic financial education before getting to risk management and insurance content. Starting with concepts like budgeting is important because it allows households to understand how current resources are being used and realize the impact of losses.

With limited resources available to microinsurance practitioners, a comprehensive financial education approach may not always be feasible. In such instances, the focus should be on risk management and insurance. The content could be designed to enable low-income households to identify household risks, tackle reservations about the concept of

insurance, compare different risk management strategies (including insurance), and plot a strategy to prioritize and optimally manage their risks. If the content is focused only on product benefits, it is more about marketing the specific product and can hardly be classified as consumer education.

Below are two examples of programmes that cleverly layered insurance and risk management education.

CARE India, in partnership with insurer Bajaj Allianz, designed a comprehensive education programme that included four components: 1) risk education, 2) insurance education, 3) product education, and 4) product logistics and practicalities. CARE India considered all of these topics to be necessary to create a culture of insurance for social protection and was deliberate in including all of them in the design of its Insure Lives and Livelihood (ILAL) programme targeting poor and vulnerable rural communities in Tamil Nadu, India (see Box 2).

Box 2. Content areas for CARE India

Risk Education

- what are risks
- risk management mechanisms
- risk mechanisms in practice
- difference between savings and insurance...

Insurance Education

- what is microinsurance
- principles of insurance
- why microinsurance
- what are life and general insurance
- what are premiums, claims ...

Product Education

- introduce CARE, Bajaj Allianz
- what is ILAL
- explain life and general products
- what is premium, claim, exclusion, inclusion...

Product Logistics

- how to pay premiums
- when should premiums be collected
- how to file claims
- documentation requirements...

Source: Burns and Dalal (2010), p. 7.

In Kenya the Swedish Cooperative Centre and Microfinance Opportunities developed a ten-session financial education module that focused on risk

management and insurance and also included relevant financial education concepts.

Box 3. Content areas for Swedish Cooperative Centre and Microfinance Opportunities

1. *Introduction to study circle methodology*: How adults learn, choosing a leader, role of participants, planning learning sessions.
2. *Risks*: What is a risk? How can risk affect you? Which risks pose the greatest challenges?
3. *Risk management tools*: What is protection? Identify protection (before) and reaction (after) measures.
4. *Savings*: How to save more money? Where can you save? Use of savings or credit?
5. *Introduction to insurance*: Myths about insurance, welfare associations and pooled risks, compare welfare association and insurance.
6. *How insurance works*: Insurance terms, cost-benefit analysis, frequently asked questions (FAQs).
7. *Different types of insurance products*: Basics of health insurance, basics of life insurance, basics of property insurance.
8. *How to submit a claim*: Terms for submitting a claim, practice and advice to complete a claims form.
9. *How to find the best insurance products for you and your family*: Choosing the best insurance product, questions to ask the insurance provider, good and bad techniques for communicating with family members and making decisions together, develop and action plan to purchase insurance
10. *How, when and why to renew*: What is a renewal? Consequences of not renewing your insurance policy, what to consider before renewal, to renew or not to renew your policy.

Source: Smith et al (2010)

Base education on what people know, and relate to their previous risk exposure

The content of a programme should always be framed in the context of what the households already know about insurance and how they think about their risks. When information is wholly new – as is often the case with insurance – households do not have an existing frame of reference. As a result, the programme should make explicit connections between insurance and the risk management strategies like savings and credit that are already being used by the households.

The content should be salient to capture households' attention and encourage retention. A simple way to make content salient is to talk about risks. Talking about risks might seem too obvious and basic, but it can be crucial for success. Lessons from the field of behavioural economics show that often people underestimate the probability of adverse events occurring.² Hence, to make the education relevant, it is useful to remind people about the most prevalent risks in their communities and lives.

The education material on risks can immediately be followed by a discussion about how households currently manage those risks, how informal risk

mitigation strategies can be improved, and how informal strategies can be complemented by formal insurance. The goal is to place the value of insurance along with other formal and informal arrangements to deal with risk.

For example, Weather Risk Management, which offers insurance against adverse weather conditions across India, reminds farmers of past crop failures, and explains the weather conditions that lead to such failures in order to provide farmers with concrete reminders of potential risks. With existing data on past crop failures, Weather Risk Management is able to show the amounts of produce a farmer had lost and how much a policy would have saved them.

Another example of providing content relevant risk education comes from Hollard Insurance Group of South Africa, which organizes three-hour workshops in which participants are introduced to a “conversational map” that represents a community with houses, shops, factories and hospitals. The map features a number of insurable events to participants. The trainer explains the benefits an insurance policy would provide in each event, as well as the rights and responsibilities of both the insurer and the insured.



Hollard's conversational map

² Dalal, Aparna, and Jonathan Morduch. 2010. "The Psychology of Microinsurance: Small Changes Can Make a Surprising Difference." Financial Access Initiative. Microinsurance Paper 5. ILO's Microinsurance Innovation Facility.

DELIVERY OF CONSUMER EDUCATION

When designing the delivery of their education programmes, practitioners need to decide on the tools they want to use and their channel and frequency of delivery. Practitioners should remember that education should be about more than just transferring information. Good education programmes aim to promote proactive risk mitigation. For this to happen, the education needs to be delivered in a learner centric manner - the more engaging and participatory the better. Practitioners should think of consumer education as a long-term process. Education can be most effective when it is delivered through a variety of channels and when it is ongoing and integrated with access to valuable microinsurance products. Stand alone, one-time trainings are not sufficient.

Use mix of channels and tools

Practitioners should consider using a combination of channels (e.g., workshops, radio, TV) and tools (e.g., brochures, flip charts, games) in their programme delivery because each channel and tool can serve a specific purpose. Mass media and performing arts channels are useful to raise awareness amongst a wide audience, while targeted channels like workshops and classroom training allow for greater participation and interaction, as well as potentially increased understanding. Diversifying tools helps to respond to varying learning styles and make the education engaging for different target segments. Using multiple channels also reinforces the messages.

CARE India and its community-based partners use cultural programmes like songs, drama, and puppet shows to generate interest amongst households. The field officers create songs about insurance themes and set them to recognizable tunes borrowed from films. Dramas are performed for larger audiences by small teams of local self-help group members. Field officers reported that these cultural programmes were more effective in generating interest than simply talking to clients. However, they felt that while cultural programmes create broad awareness, the audience did not generally retain the details of the presentation and needed more opportunities to discuss insurance principles and product features in small groups.



CNSeg, the Brazilian Insurance Confederation, has actively engaged community members in its education programme by using mass media (videos and radio soap opera) to disseminate educational material. The videos and radio soaps are based on a simple script that highlights important messages around

the value of insurance for low-income households. They are produced in the community and include local vendors and community members as actors. CNSeg also solicited community feedback to develop new scripts. CNSeg feels that this participatory approach will help develop trust within the community and encourage members to internalize messages.



Women in India using CHAT to brainstorm on their needs for health microinsurance.

© MIA

The Micro Insurance Academy (MIA) uses interactive games to help communities recognize their risks, learn about proactive risk management, and understand the value proposition of health insurance. One game, CHAT (Choosing Healthplans All Together) is designed to help poor communities manage trade-offs when considering healthcare benefits. The game allows members to jointly define the benefit package that covers their most relevant needs. Individual participants are provided with a CHAT board, which displays different forms of insurable risks, along with a number of stickers representing the available funds. The participants then place the stickers on the board according to which risks they want to be insured against. Then, participants draw events cards which simulate real life risks and discuss the judiciousness of their choices. In the second round, the exercise is conducted in a group of approximately 15 participants. Through discussions, they reach a consensus on the particular risks that the community wants to be insured against. Another game, called the Treasure Pot, helps community members understand the notion of insurance and risk pooling. The game involves a simulation of real life health events using cards that represent health events and candy that symbolises money. The game demonstrates the shortfalls of using credit or savings as risk management tools and how risk pooling can benefit a community. The MIA uses such tools as part of a comprehensive insurance education programme that also includes workshops, brochures, mass media (radio and films) and street plays.

Deliver ongoing education

Consumer education should not be a one-time activity but an ongoing facilitation effort that uses consistent messages delivered by multiple channels in an integrated way. Ad-hoc activity rarely yields any impact.

The experience of the South African Insurance Association (SAIA) provides a useful reminder of why one-time activities might not be an effective way to deliver insurance education. As part of its financial education initiative, SAIA supported a project that provided financial literacy workshops in rural and communal areas through community and labour

organizations. Its objective was to empower low-income rural communities with basic financial literacy. While conducting a programme assessment, SAIA found that only 57% of the participants interviewed ever remembered participating in the workshop. The poor retention rate could be because education was delivered in a stand-alone workshop rather than a continuous learning process facilitated by refresher messages in various forms.

Nevertheless, workshops can be an effective channel if shorter sessions are spread over a period of time and if messages are strengthened by other channels. Freedom from Hunger in partnership with Sinapi Aba Trust of Ghana plans to pilot a series of workshops around “learning conversations” to help families understand how to obtain and use health microinsurance. The workshops consist of short, technical learning conversations that use stories, role plays, and visual aids to explore how insurance works, how to save for premium payments, what the insurance covers, and how to utilize available healthcare options paid for by the insurance. To reinforce the main messages, Freedom from Hunger plans to offer shorter “refresher” sessions prior to product enrolment campaigns.



© Louis Jouve

Woman places stones on pictures that represent the various costs of illness: transportation, hospital costs, medicines, and lost time doing work. Field test of Freedom from Hunger’s technical learning conversation focusing on health microinsurance in Ghana.

CARE India and its community-based delivery partners found that certain topics, such as risk pooling and claims conditions, needed to be emphasized and repeated on a continuous basis. Field officers also reported that explaining the value of life insurance was more difficult than talking about other kinds of insurance because life insurance does not offer a tangible benefit. They needed to focus on how life insurance helps the beneficiaries more than they had originally anticipated.

Link education and products

Improving risk mitigation and increasing access to insurance are complementary activities. On the one hand, the full potential of an education programme can only be realized when households have the option to apply their new knowledge and skills to select appropriate risk management tools. At the same time, insurance education can lead to greater product uptake, reducing costs of reaching households in the informal sector, and increasing the size of the overall risk pool.

When possible, consumer education should be linked to insurance products. Otherwise, people have little opportunity to change their behaviour. When education is tied to products, the content should also include discussion on product specific details. The question here is not whether marketing messages can or should be a part of wider education initiatives; rather it is how messages are integrated and if the education helps people make more informed choices.

ICICI Prudential provides life insurance with a long-term savings product to tea workers through tea estates in North-East India. Most of the target group had never heard of insurance, thus ICICI rolled out an awareness and education campaign. Stand-alone evening sessions run by trainers recruited from the community were accompanied by a movie initiative run by a community NGO. Video Volunteers taught and assisted selected youngsters from under-served communities to produce short movies on pressing issues such as health, sanitation, education and the importance of savings. During movie screenings key features and benefits of the ICICI’s microinsurance product were further clarified. ICICI found that they needed to use social issues (such as alcoholism) that intimately affected the lives of many in the community to reach the hearts of the clients, then introduce security topics such as financial management, savings and insurance. Delivery of evening sessions, screening of the movies, and background work by sales staff were all integrated into one coherent process to build trust and enable communities to make informed financial decisions.

SUSTAINABILITY AND BUSINESS MODEL FOR CONSUMER EDUCATION

A clear strategy for a sustainable business model should be on the microinsurance practitioner’s agenda from the very beginning. Providing comprehensive consumer education sustainably has proven to be challenging (particularly financially) since comprehensive content delivered through multiple channels (though likely to lead to higher impact) entails high costs. Furthermore, an improvement in a community’s understanding of insurance is a public good, which means that many institutions could benefit from it. It may thus be difficult for one insurer to justify investing in a broad program when competitors might

equally benefit from the expense. If so, are insurance associations, governments, donors, or non-profits better suited to deliver such a broad programme?

Leverage existing institutions and pool resources where possible

One approach is to pool industry resources at the national level and administer the education programme by an independent agency such as an insurance association. South Africa has adopted this approach. The South African Financial Services Charter requires all insurance companies to spend 0.2% of post-tax profits on financial education. SAIA took this opportunity to promote a collaborative effort. It pooled the resources from various insurance companies and oversaw the consumer education efforts for the industry. The programme achieved impressive scale. However, the Charter placed limitations on insurers since it promoted generic education to the lowest income segments and did not allow insurers to build on the programme with their own products. These constraints prevented insurers from thinking about education as a business opportunity, and threatened the effectiveness of the scheme.

When delivered by an independent agency or insurance association it is important to define the objective of the programme to ensure that all parties agree and guarantee continuous support. After four years of operations, SAIA changed its strategic direction in order to encourage its members to continue contributing resources while still achieving a broader mission to educate consumers. SAIA re-evaluated its approach mostly because some of SAIA's members were concerned that the programme's design would not meet their commercial goal – educating potential clients about insurance to the point that they can make informed insurance decisions and thus promote insurance take-up. SAIA is looking for ways to link education to marketing efforts of individual insurers. Most SAIA members now believe that it makes sense to pool resources for financial education. They can create an insurance culture more effectively by working together than through individual, uncoordinated actions. Each setting provides a different landscape of potential partnerships and options to deliver consumer education. Linkages to social programmes, government financial education initiatives, school education, consumer protection initiatives need to be explored. Consumer education should be delivered by multiple stakeholders, who should focus their responsibilities vis-à-vis society and leverage their strengths in order to improve welfare. When a strong industry or government initiative exists, practitioners should explore partnerships with these initiatives. In the absence of broad initiatives, microinsurance practitioners can start individual programmes that demonstrate success to encourage broader consumer education initiatives. The private sector is well placed to pioneer consumer education as in the SAIA example above. However, private collaboration is not common practice in most microinsurance markets, leading to the question of

whether and how governments and donors can play a more active role in facilitating the creation of such public goods.

Incorporate monitoring and evaluation activities from the start

Careful monitoring and evaluation are needed to track the costs and benefits of education and understand which mix of content and delivery strategies is the most cost-effective. The main objective of monitoring and evaluation is to measure how the programme affects households' knowledge, skills, attitudes and behaviours, and their eventual impact on the household and practitioner.

Most current monitoring and evaluation activities are ad-hoc and limited to client satisfaction surveys or product uptake analyses. These provide important information but often are not enough to understand the effect of education on attitudes or behaviour, or the resulting social and economic impact on clients and practitioners. To measure the effect of the education on client behaviour, the evaluator must isolate the effect of the education programme from the product and other external factors.

Important information on use and effectiveness can be extracted through qualitative research based on client interviews, focus group discussions, and financial diary analyses. However, assessing the impact of education programmes on behaviours and well-being requires practitioners to apply experimental research methodologies such as randomized control trials that measure the impact of the program using treatment and control groups. This type of research might seem challenging (not least due to the financial implications of conducting such rigorous research), but it is possible, and often necessary to understand the effectiveness of different education approaches and convince stakeholders to invest in consumer education.



Participants learn the meaning of key health insurance terms and create ways to remember them. Field test of Freedom from Hunger's technical learning conversation focusing on health microinsurance in Ghana.

© Louis Jouve

Box 4. Sample Indicators

Knowledge

- Knowledge of the purpose of insurance
- Knowledge of typical risks covered by insurance and the impact of these events on families
- Understanding of how insurance works generally
- Knowledge of insurance terms such as premium, claims and benefits
- Knowledge of product details such as price, claims filing process and policy exclusions

Attitudes

- Belief that insurance is suitable for low-income people
- Trust of insurance providers
- Belief that planning for a risk invites the risk
- Likelihood of purchasing an insurance policy in the next twelve months

Skills

- Ability to calculate cost of risk events
- Ability to compare insurance policies and select appropriate policy
- Ability to calculate premium costs and benefit payouts
- Ability to outline premium collection cycle
- Ability to complete application process
- Ability to file a claim

Behaviours

- Creation and adoption of a risk management plan
- Use of debt, savings, or insurance during emergencies
- Act of making timely premium payments
- Purchase of insurance policy in last twelve months
- Renewal of insurance policy in last twelve months

CONCLUSION

Creating an effective consumer education programme requires careful content, delivery design, and strategic partnerships amongst various stakeholders. Monitoring and evaluation activities, while challenging, are critical to developing an effective education programme.

This note presents preliminary lessons drawn from practitioners that can be replicated and tested in new contexts. More innovation and research in consumer education is clearly needed to understand what it can and cannot do to improve the value and reach of microinsurance products.

Key lessons

- *Focus on risk management and insurance; layer other financial concepts where possible:* In the context of limited resources an approach that tackles all financial issues might not be feasible. In such instances, the focus should be on risk management and insurance.
- *Base education on what people know, and relate to their previous risk exposure:* Content of the programme should always be framed in the context of what the community already knows about insurance and how it currently manages risk. An easy way to make content relevant is to start the conversation by discussing the current risks facing the community.
- *Use a mix of channels and tools:* It is useful to use a mix of delivery channels (group-based training, mass communication) because each channel serves a different purpose, gears to various learning styles, and helps to reinforce key messages.
- *Deliver ongoing education:* Financial education is not a one-time activity but an ongoing effort that should deliver consistent messages through multiple channels in an integrated way.
- *Link education and products:* Linking education to insurance products provides an incentive for households to act and change their risk management behaviours. It provides also an opportunity for practitioners to strengthen their marketing interventions.
- *Leverage existing institutions and pool resources where possible:* Linkages to social programmes, government financial education initiatives, school education and consumer protection initiatives need to be explored. When strong industry or government initiatives (such as social programmes, government financial education or consumer protection initiatives) exist, organizations should explore partnerships with these initiatives. In the absence of broader initiatives, private sector seems to be well placed to pave the path for consumer education.
- *Incorporate monitoring and evaluation activities from the start:* Careful monitoring and evaluation is needed to understand which delivery strategy is most effective, create a business model behind consumer education and measure the impact of education on household well-being.

Housed at the International Labour Organization's Social Finance Programme, the **Microinsurance Innovation Facility** seeks to increase the availability of quality insurance for the developing world's low-income families to help them guard against risk and overcome poverty. The Facility was launched in 2008 with the support of a grant from the Bill & Melinda Gates Foundation. See more at www.ilo.org/microinsurance

The **Microinsurance Network** (MIN) is a member-based network of different stakeholders. It provides a platform for information sharing and stakeholder coordination with the aim to promote the development and proliferation of insurance products for low-income persons. The **MIN Insurance Education Working Group** (IEWG) seeks to promote microinsurance through taking stock of educational materials already developed, identifying and documenting best practice, encouraging the sharing of resources across the microinsurance community, and designing new materials to further promote awareness and intake of microinsurance to resource-poor populations.

The **Microinsurance Academy** (MIA) is a not-for-profit organization fully dedicated to providing structured technical assistance in microinsurance domain-knowledge to organisations that focus on low-income communities. The MIA conducts state of the art research to build a comprehensive knowledge base within the sector and develop efficient tools and frameworks for successful integration of microinsurance schemes into the existing social protection structures.

The **Financial Access Initiative** (FAI) is a consortium of researchers at NYU, Yale, Harvard and IPA focused on finding answers to how financial sectors can better meet the needs of poor households. The Initiative aims to provide rigorous research on the impacts of financial access and on innovative ways to improve access. <http://financialaccess.org>



International
Labour
Office

microinsurance@ilo.org
www.ilo.org/microinsurance



The social dimension of finance



*Helping communities manage risks
from the ground up.*