



# 14<sup>th</sup> International Microinsurance Conference

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Daryl Collins, CEO (and Julie Zollmann)| 2018



Income is volatile.... so risk is constant

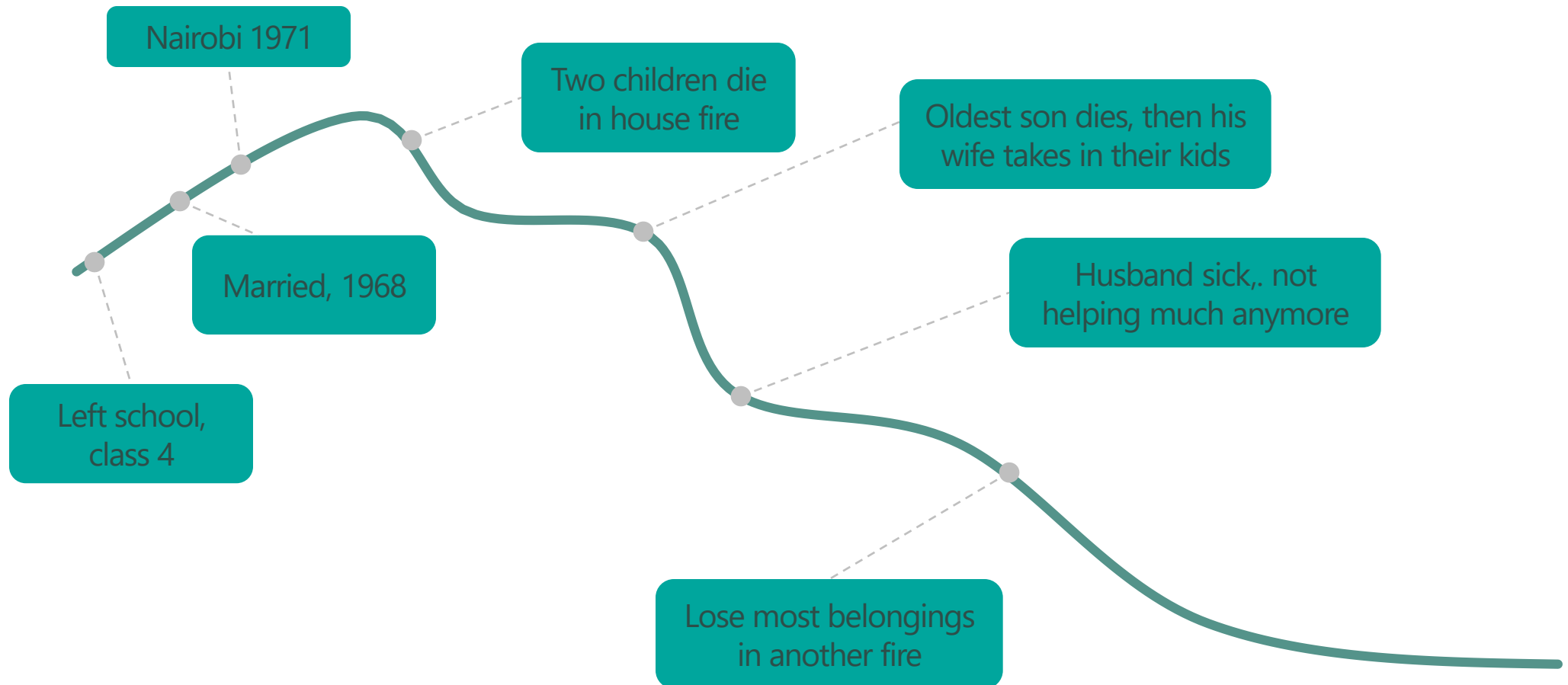
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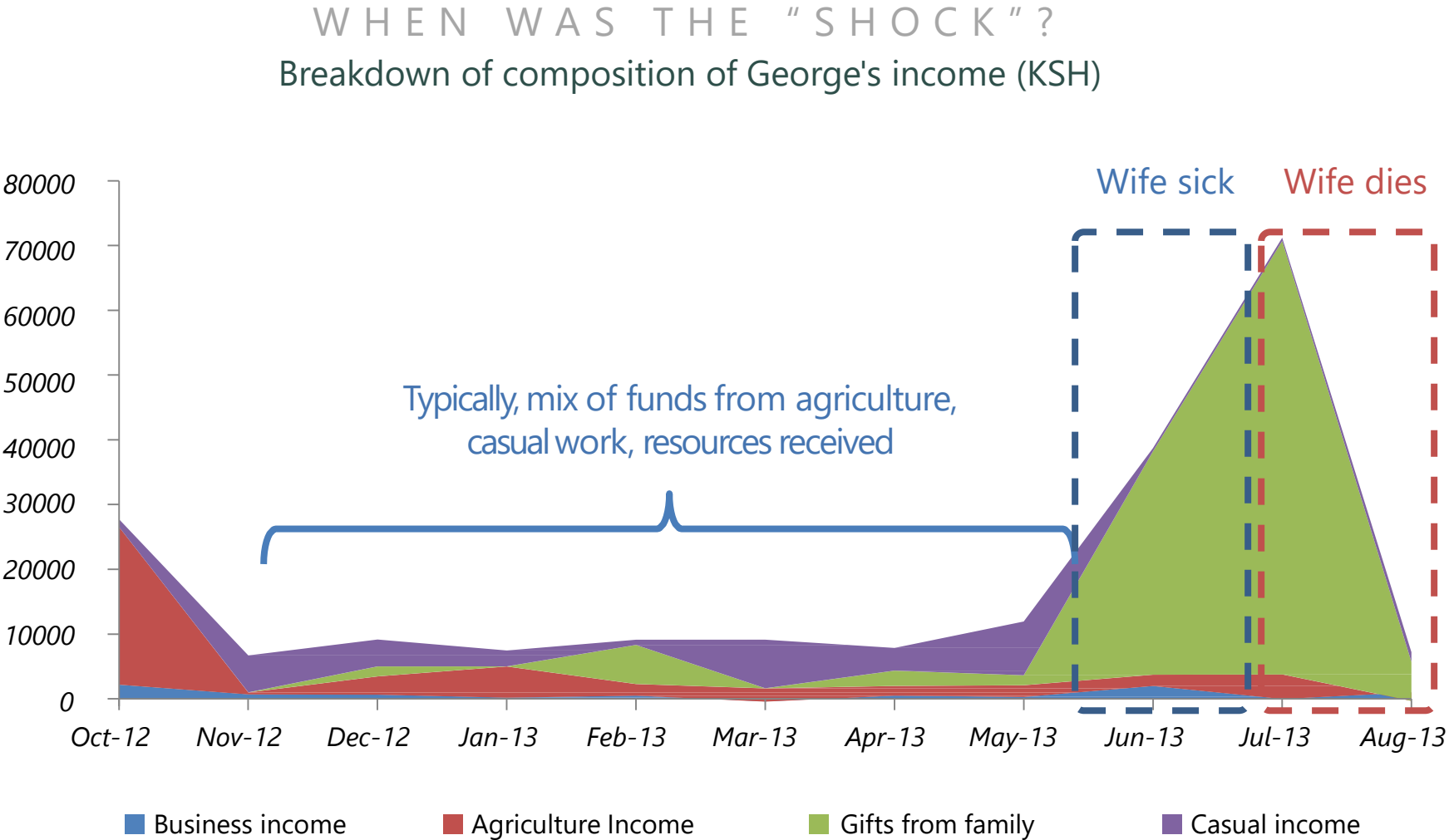
And risk is relentless.

“Cucu” (lowest per capita income in Kenyan Financial Diaries)

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Shocks are rarely a moment, where we can isolate the before and after.



For most households, it seems like health spending in a typical year is not overwhelming.

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**5**

Median Days' Income  
Consumed by Health Care  
Costs in a Year (Mean=11)

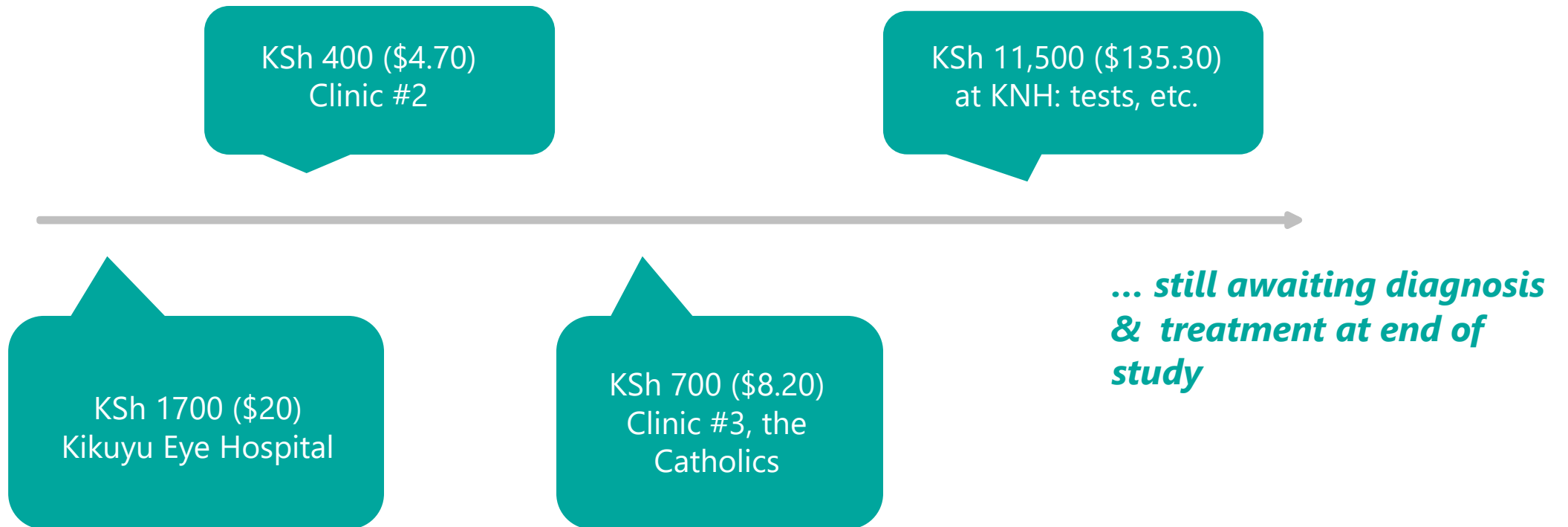
**KSh 1,073**  
*(\$12.60)*

Median health care costs for the year  
(Mean=KSh 3,962/\$47)

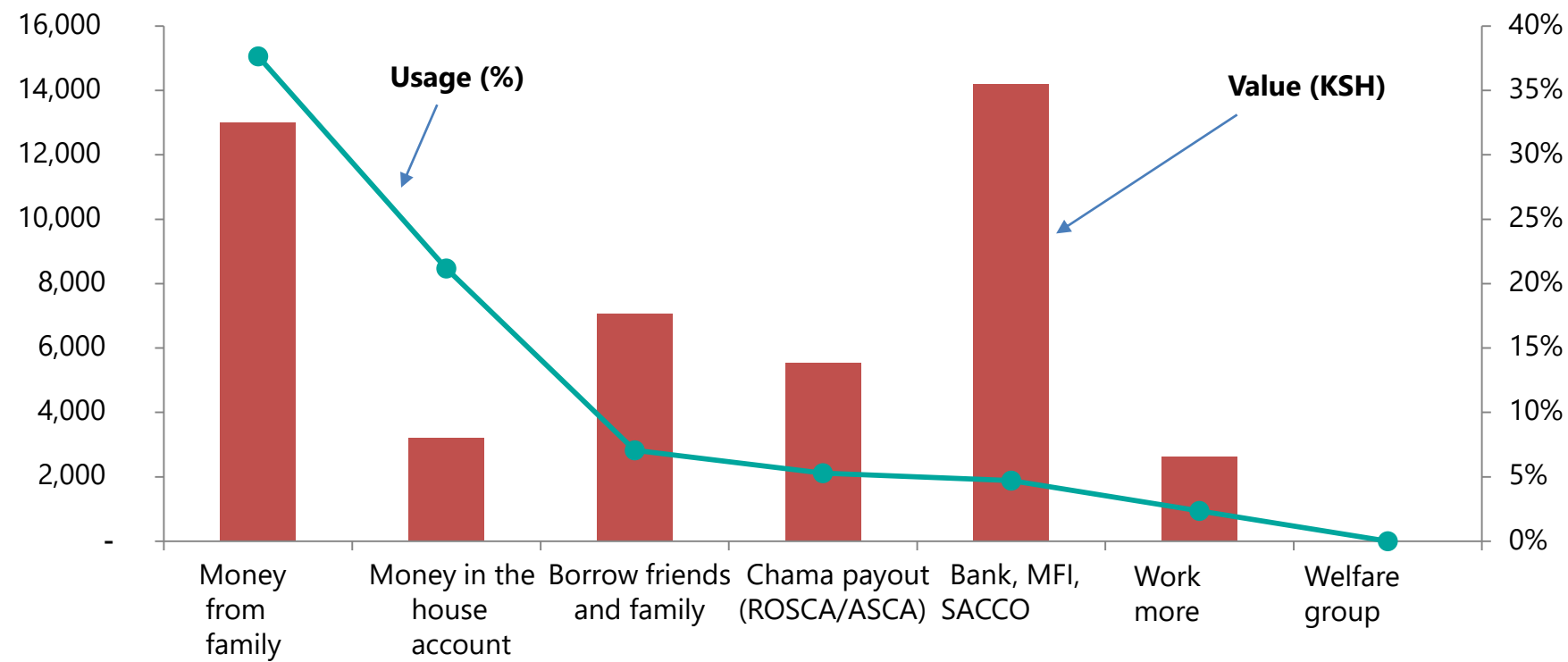
## Individual outpatient treatment seems affordable. But 1 visit is rarely enough

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Molly, a young woman in Nairobi, develops headaches...



Hospitalization: Usage (%) and Value (KSh) Mobilized by Different Resources



# Most often, the family needs to help.

*George* could manage with the medium-sized costs associated with his wife's sickness, but his ability to cope alone soon exhausted:

**First bill: KSh 3000 (\$35).**

Had KSh 1000 on hand, left KSh 2000 in arrears and paid a couple weeks later.

**Second bill: KSh 8000 (\$94).**

Asked for a loan from *chama* (KSh 5000/\$59 ), sold pig & chicken (KSh 4000/\$47), received from friend (KSh 1800/\$21)

**Third bill= KSh 30 000 (\$353).**

Friends and family supported.

**Funeral= KSh 50 000 (\$588).**

Friends and family supported. (Son stole an extra KSh 10 000 (\$118) sent to him to get body released from hospital)



Median monthly HH income: **Ksh 9,155 (\$108)**



*Isaac is fisherman in coast. Wife needed \$270 to remove tumor. While resting and "looking for money", wife saw healer, who charged \$212, but accepted the \$70 only from Isaac's sold phone. She died a few days later*

*Immediately after, FLOODED with contributions worth \$388 & more later*

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**\$59**

Borrowed from brother-in-law

**In kind (\$60)**

Goat borrowed from neighbour

**\$270**

Contributions from family and friends

**\$470**

Another 40,000 received from friends and family from Tsunza, 40 days after death



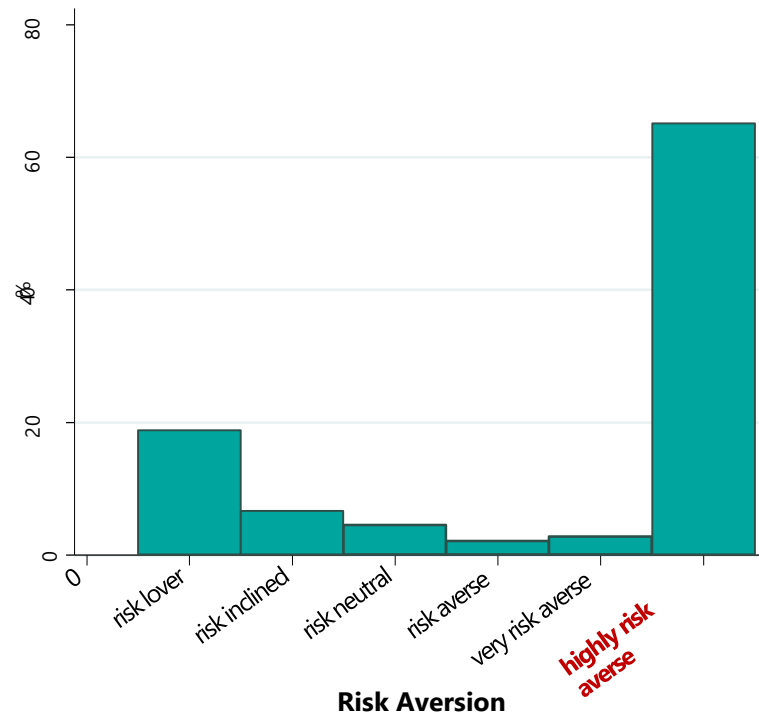
The social network worked but imperfectly.

**Network doesn't always come through on the event that is needed.**

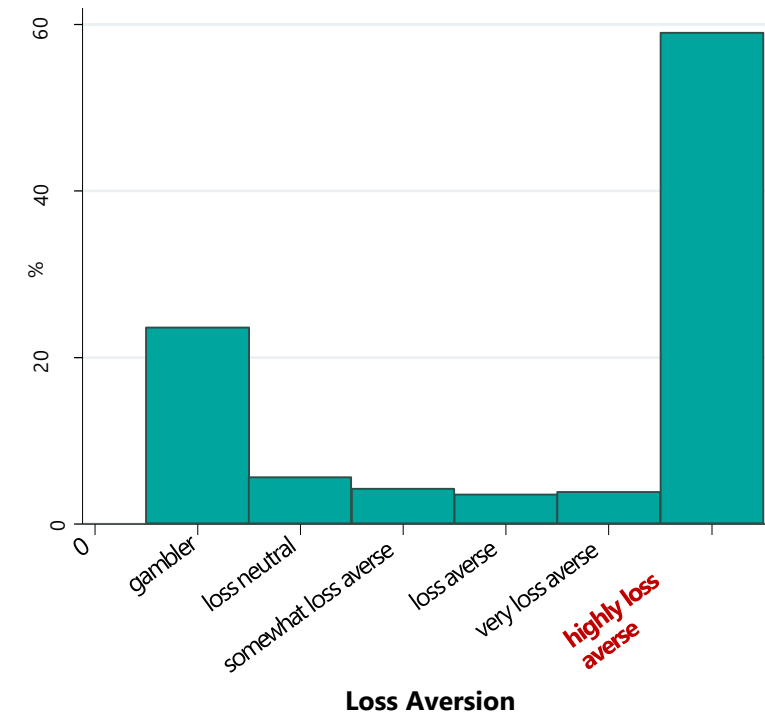
## And this population should have a demand for insurance

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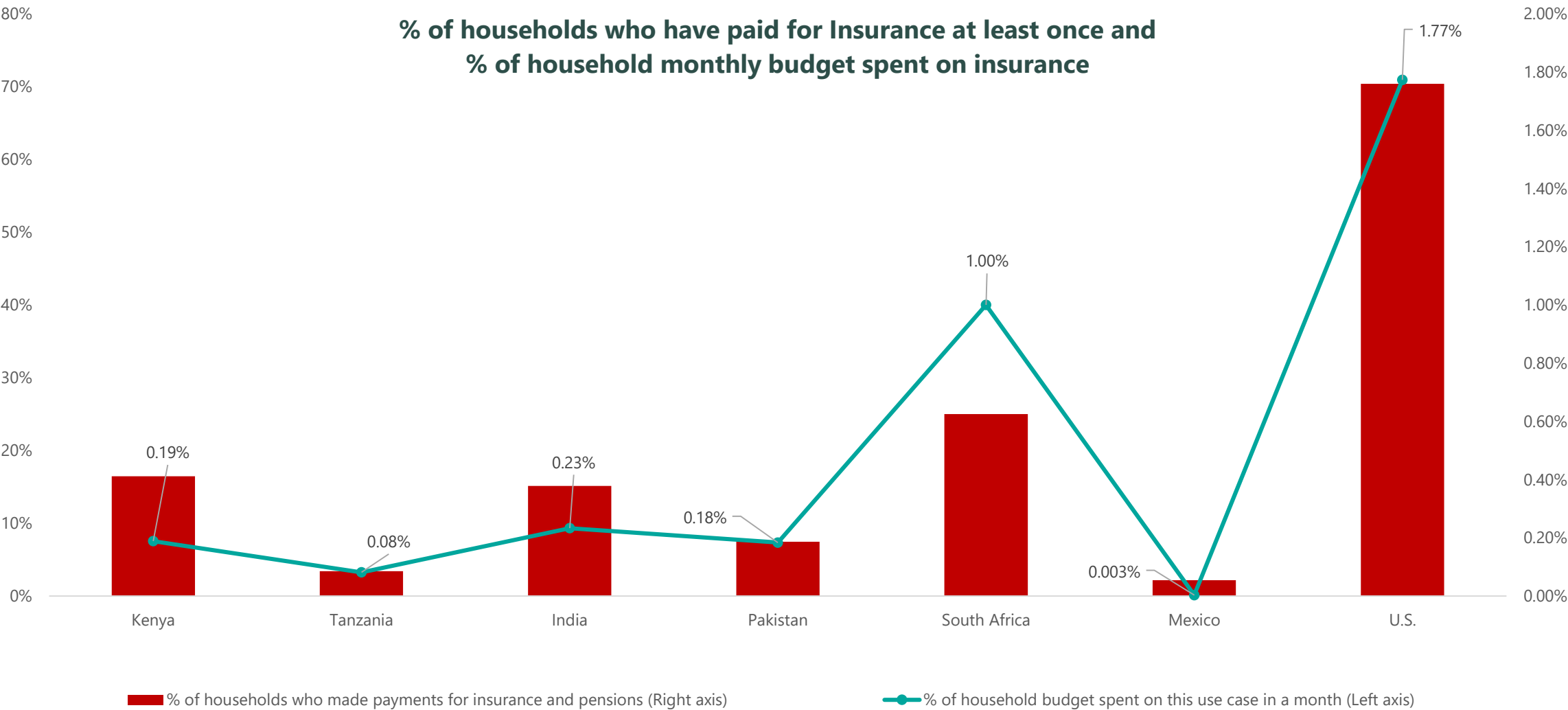
**Risk aversion** score based on hypothetical choice between receiving a sure amount and playing games with 50% probability of winning and 50% probability of getting nothing.



**Loss aversion** score based on hypothetical choice of playing or not playing games with 50% chance of gaining and 50% chance of losing.



# Yet low use of insurance across many emerging markets



## Why low usage, then?

Risks are broad – difficult to insure with one product

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Risk Type	Affects who?	Typical household costs per year (KSh) <sup>1</sup>
Outpatient treatment	All households	1,885
Drought	Producer households	1,720
Death of relative	All households	1,176
Death of livestock	Livestock owning households	901
Hospitalization	All households	840
Death of main income earner	All households	367
Loss of income source	All households	291
Theft	All households	245
Temporary disability	All households	164
Attack	All households	86
Chronic Illness	All households	82
Legal case	All households	73
Fire	All households	49
Crop disease	Producer households	36
Permanent disability	All households	20
Eviction	All households	18
Divorce, separation	All households	-

<sup>1</sup> Average rate of incidence per household per times the median cost per incident.

**Total= KSh 7,953 (1 month of income)**







