

What People Want: Investigating Inclusive Insurance Demand in Ethiopia

**MicroInsurance
Centre** at Milliman

Parallel Session 12 – Consumer oriented education in Ethiopia

Michael J. McCord

8 NOVEMBER 2018



Research objectives and methodology

Research objectives

Identify:

- The **risks** people face
- How people **manage** those risks
- Where the **gaps** are that could be filled with insurance

Providing Inputs to:

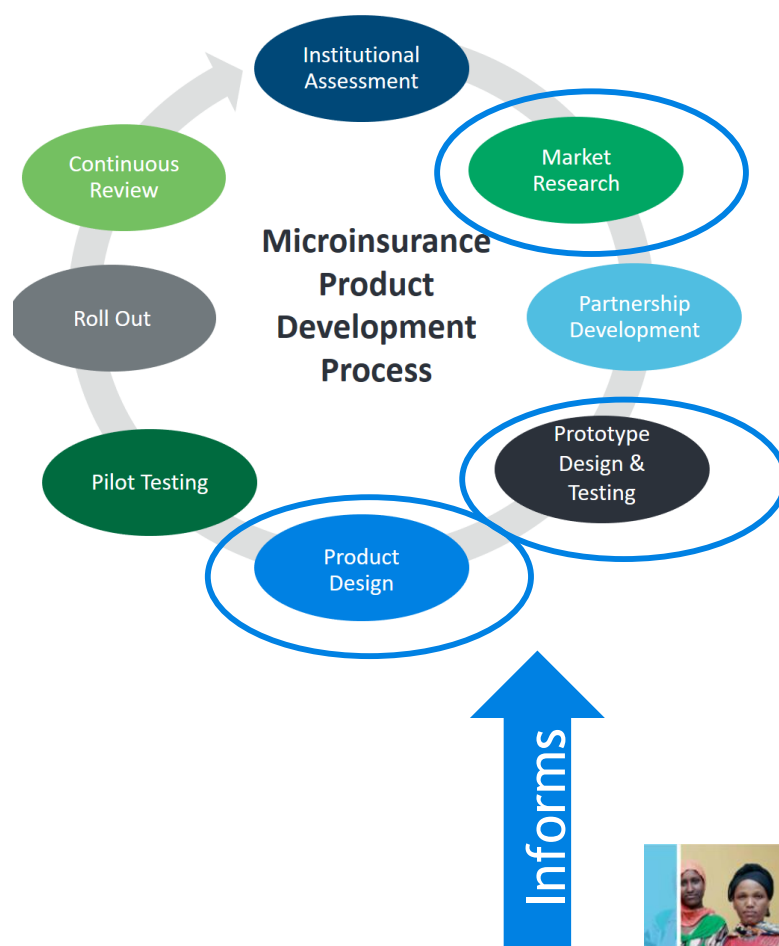
potential “standard” microinsurance products:

- offerings to address needs,
- markets to target,
- distribution approach
- marketing and communication strategy

Yielding support for:

insurance providers to develop and launch new MI
products

Methodology and approach



Data +
Demand report +
video from the field



Consisted of

- Risks faced and coping strategies
- Attitudes towards insurance
- Capacity and willingness to pay
- Distribution mechanisms

Resulted in



6 Pre-survey FGDs

Informed



2,922
HH Surveys
13,091 HH members

Followed up by



32 post-survey FGDs

Characteristics & financial behavior of those surveyed

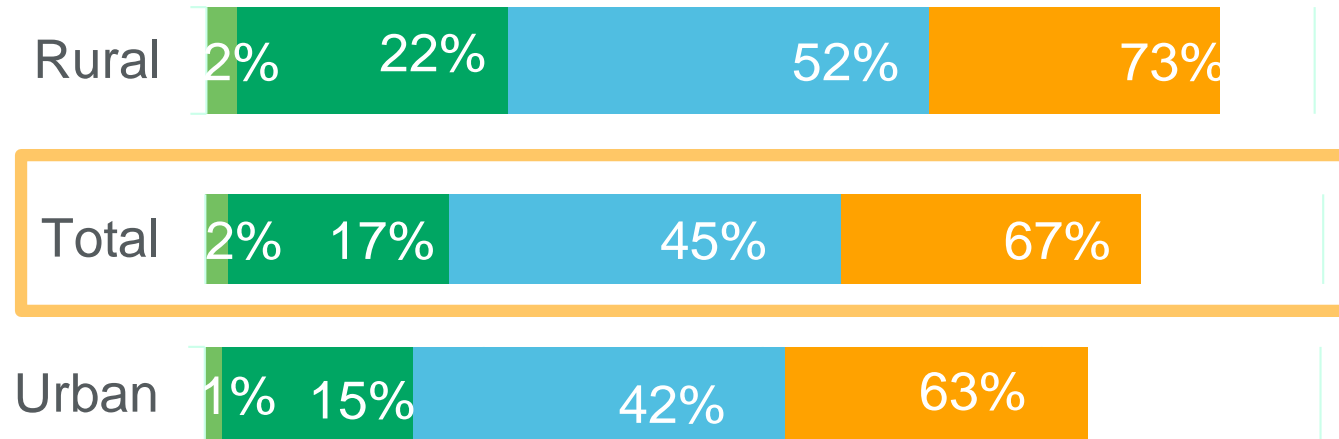
Characteristics of households surveyed



Poverty score

Based on **Simple Poverty Scorecard** methodology: uses 8 simple indicators to estimate the likelihood that a HH's consumption is below a given poverty line

% of Sample Below National Poverty Lines



Food PL 100% PL 150% PL 200% PL

Respondent profile



25% female-headed households



75% of men, 50% of women are literate



92% of rural households dependent on agriculture



20% of households have no mobile



2/3 of households at below 200% of poverty line

Financial behaviors



7% save
regularly

SAVING



50% borrowed
in the last 5
years

BORROWING



15% ever
had
insurance

INSURANCE



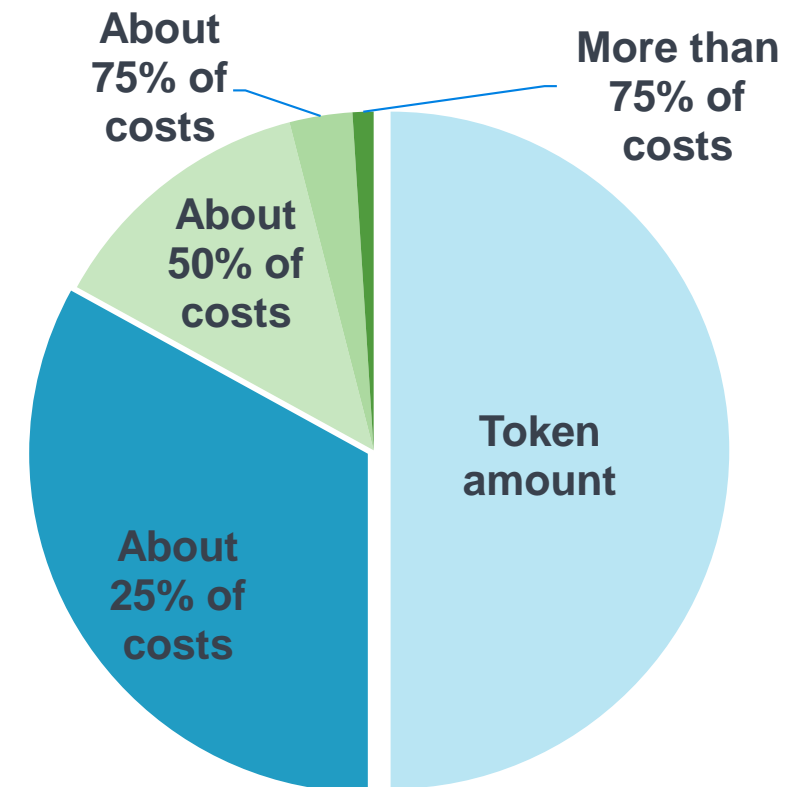
80% belong to
an edir

INFORMAL INSURANCE '*EDIR*'

“Edir” is not very effective as a financial cushion

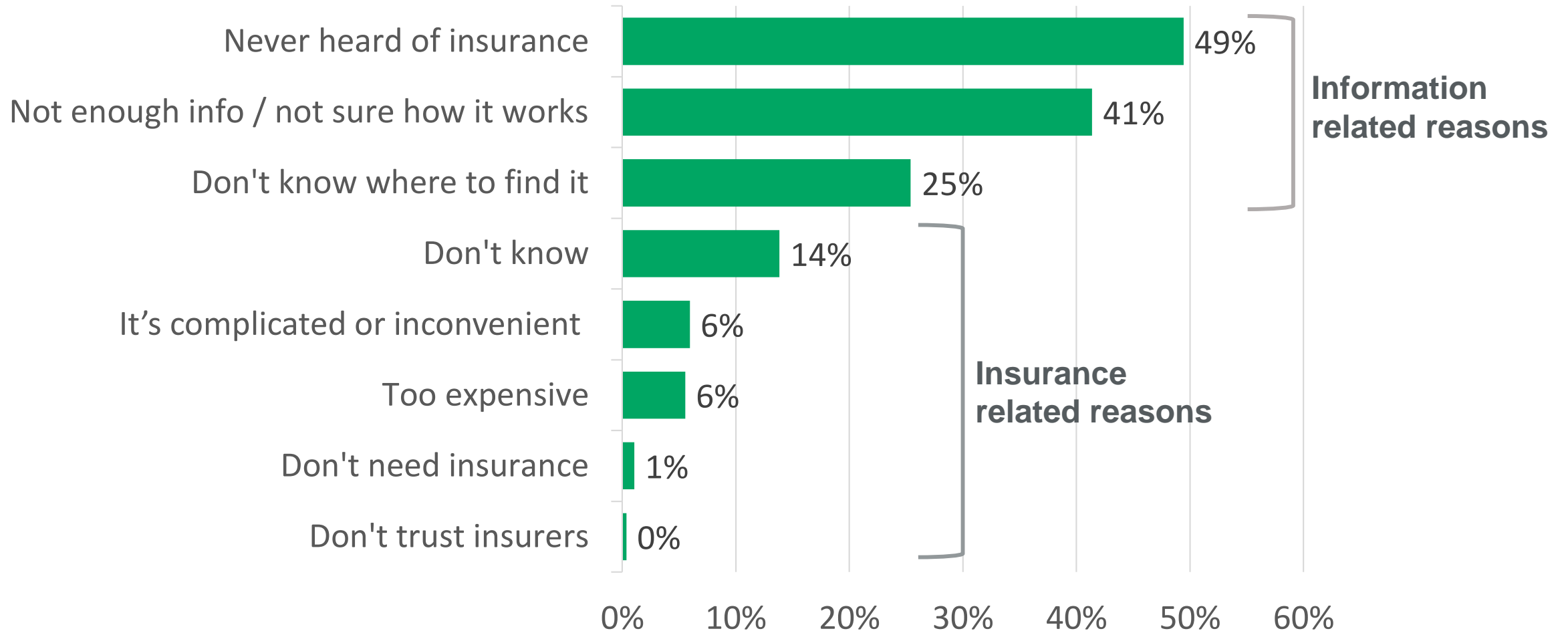
- Primarily social reasons for membership
- In most cases provides only a token amount, up to 25% of death-related expenses
- In reported cases of death, only 25% of households reported it as a coping mechanism
- Costly – avg. monthly contributions about USD 0.45 (USD 5.45 annually)

In case of death of close family member, what proportion of expenses would edir proceeds cover?

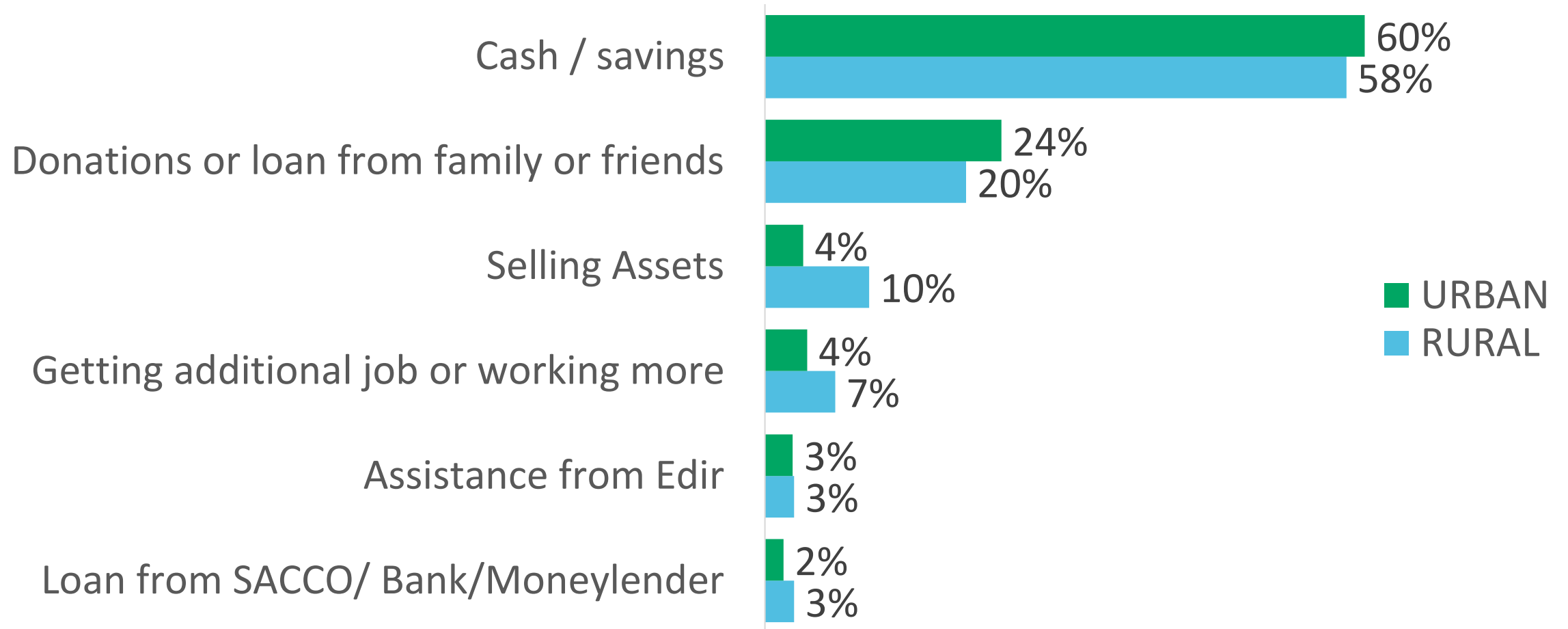


Perceptions of insurance

Reasons for not having insurance



Example - coping strategies used after a *health shock*



Risk ranking and distribution mechanisms

What **risks** do people face and how important are each?

- Based on FGD discussion of the **costs / losses** faced, **likelihood** of occurring, and level of **worry** that each causes

	Urban	Rural
Illness in the Family	1	2
Transport Accident	2	6
Damage/Loss of Property	3	5
Death in the Family	4	4
Crop Loss/Damage	5	1
Other: Displacement	6	7
Illness/Death of Livestock	7	3

“Health is a necessary condition to work and live.”

-more likely, but typically costs less

“Main source of livelihood is farming and livestock. If there is no crop, there is no existence for us. The same is true for livestock.”

Response to prototypes

- Feedback on features and how people would use it
- Tested willingness to pay
- Results:
 - Overwhelmingly positive response, with critical questions
 - Up to 50% of respondents willing to pay an actuarially sound premium

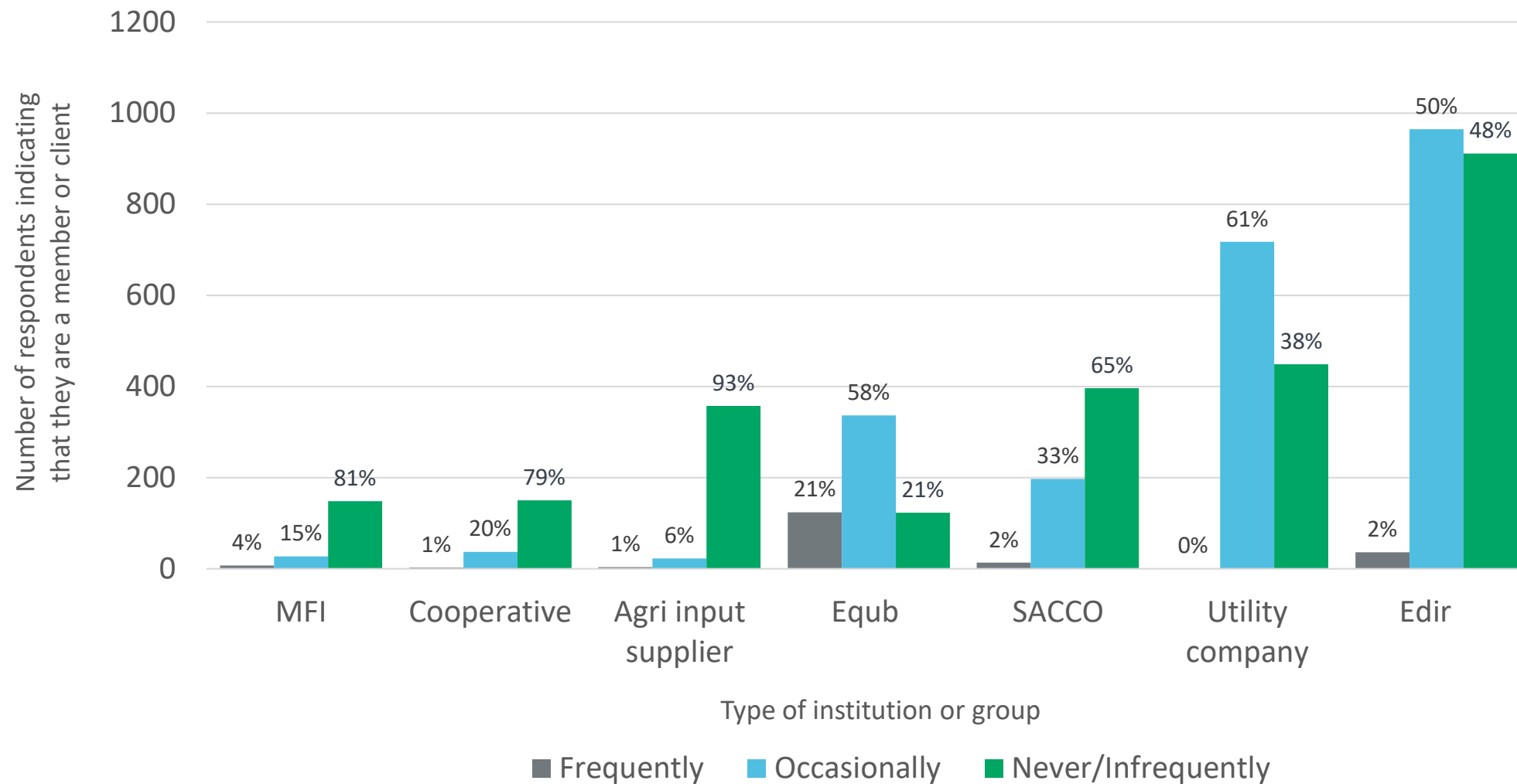


Very little
negative bias
towards
insurance!

Benefits	In case of death of insured person -- for any reason – the family receives ETB _____ If the policyholder does not die during the 1-year period, the family receives nothing
Eligibility	Anyone between the ages of 18 and 65. Need a separate policy for each family member who is part of the insurance.
Term of cover	1 year: you can renew every year
If I need to make a claim?	Easy claims request, paid within 3 weeks of the beneficiary providing proof of death
What if there are questions or problems?	A call-in number for any questions, available any time to all who purchase

Membership and frequency of access of potential channels

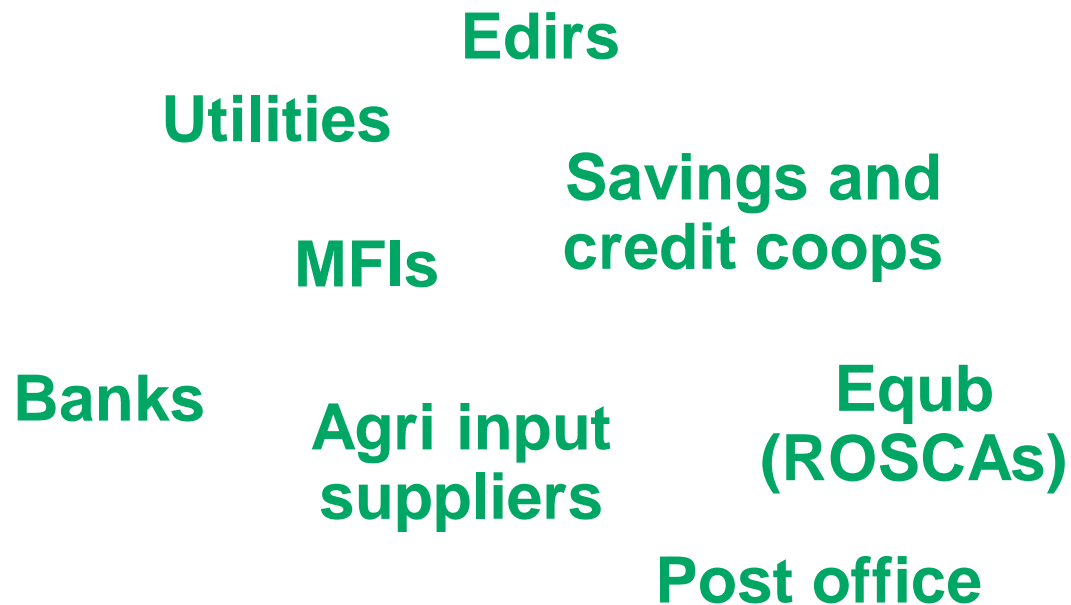
(survey respondents)



Assessing potential **distribution channels**

Efficient, accessible distribution is crucial for microinsurance

- Ease of **access**
- Level of **trust** (as it pertains to insurance delivery)
- **Overall preference**



Bringing the field to insurers and regulators

- <https://www.youtube.com/watch?v=Cqh4OmyPcTE>

Key takeaways

General takeaways



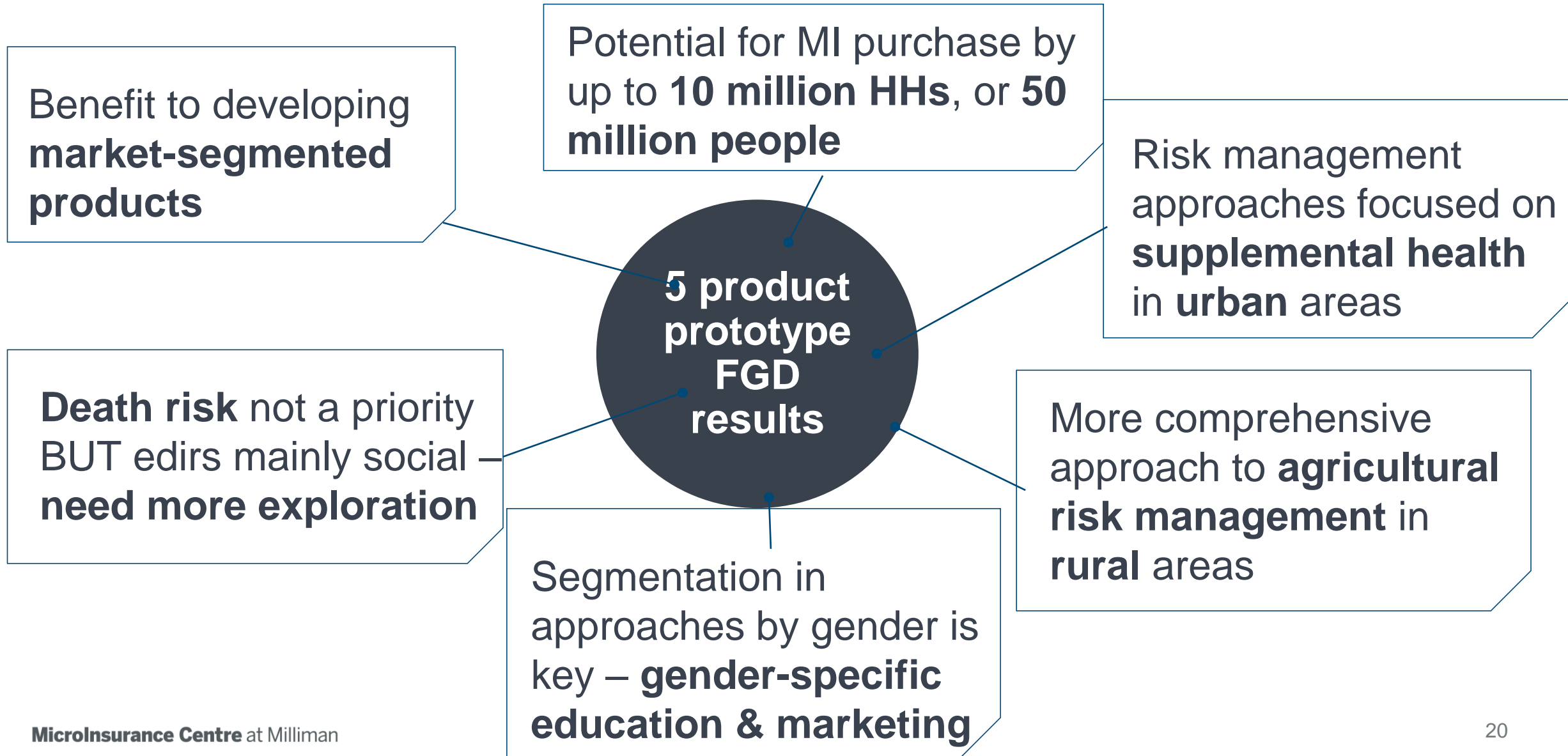
Better understanding of the market: segmented male / female, rural / urban

Gap between effects of financial shocks and ability to cope

Experience with & knowledge of insurance low: Good for microinsurance – no negative attitudes!

People worry about health-related risks & their assets most: Ranked death risks low - edirs (though reality differs)

Results from basic prototype testing – 5 products



MicroInsurance Centre at Milliman

Michael J. McCord

Michael.mccord@Milliman.com

This presentation is intended for educational purposes only and does not replace independent professional judgment. Values are not to be relied upon and are for discussion purposes only.