

# EA Consultants

Consumer Education: Balancing Complex Information with Simple Messages

# EA CONSULTANTS

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Specialized in understanding the financial lives of low-income households

Experts in the business models of organizations who serve them

Focused on securing shared value across stakeholders

Deep understanding of insurance models serving low income households



# Nuestros clientes incluyen

**Acción International / SMART Campaign**  
**Allianz (Global)**  
**Asociación Mutual de Protección The**  
**The Aspen Institute**  
**AXA**  
**Familiar (AMPF), Argentina**  
**BanRural, Guatemala**  
**CGAP/ World Bank**  
**CNSeg, Brazil**  
**Corporación Andina de Fomento (CAF)**  
**Finca Internacional**  
**Grameen-Jameel**  
**The IFC**  
**Interamerican Development Bank /**  
**Multilateral Investment Fund (IDB/MIF)**  
**INISER, Nicaragua**  
**International Office of Migration (IOM)**  
**LeapFrog Investments**  
**Microinsurance Centre**  
**Microinsurance Network**  
**International Labour Organization (ILO)**  
**ProMujer International**  
**REDCAMIF**



MICROINSURANCE CENTRE



# Consumer Education

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# Example of Consumer Education

“Viva Seguro” a multimedia financial education program in Colombia sponsored by FASECOLDA, the insurance association

## Project Objectives:

- ✓ Increase awareness about the risks
- ✓ Increase knowledge of insurance
- ✗ Improve risk management behavior
- ✗ Improve the perception of insurance
- ✗ Allow people to make better decisions and to be more informed about the management of risks
- ✗ Reduce vulnerability against unexpected events that create serious financial shocks


# Why doesn't Education work?

**Not always relevant**

**Not actionable**

**Expensive and thus infrequent**



A person is performing a handstand on a dark, rocky outcrop. They are wearing a light-colored long-sleeved shirt and dark pants. The background shows a calm sea under a hazy, overcast sky. The overall tone is muted and contemplative.

# **Financial Eduacion + Marketing = Responsible Sales**

**Improve consumer protection**

**Increase sales**

**Is a sustainable commercial model**

**In 2014, Crezcamos introduced Agricultural Insurance to small producers in diverse microclimates and a competitive credit market. In 2015, we led a study with CGAP and the Microinsurance Centre to understand take up and education. Our quantitative sample was 358 farmers, plus 30 qualitative interviews.**



# The Crop Insurance Product

- Insurer: MAPFRE
- Distributer: Crezcamos (MFI)
- Premium subsidy (Finagro- gov't)
- Weather risks:
  1. Drought
  2. Flooding
  3. Hail
  4. Landslides
  5. Frost
  6. Excessive rain
  7. Wind
- Targeted at smallholder farmers
- Covers one crop, permanent or transitory
- Voluntary to Crezcamos applicants

# Standardizing a Responsible Sales Process

## Relevance:

- Sensitize clients about climate risk

## Information:

- Show a video that explains the product features and offers a brief testimonial from a claimant
- Calculate the premium
- Manage questions and concerns from the client

## Make it actionable:

- Complete enrollment forms on site with the loan



*Product is introduced with reference to the objective of protecting one's investment.*



*Narrator lists the main covered events (including landslides), with accompanying visual depictions.*



*Basic terms of the insurance (including the premium, subsidy, and coverage amount) are explained.*



*A claimant describes how the insurance helped him when he lost his potato harvest.*



# Good Understanding of Product

*“He showed me the video, and then I saw that, yes, I could really benefit from this insurance.”*

*“I didn’t have any doubts after the explanation.”*

*“We were working on the **farm** when our loan officer arrived but we still took the time to listen to him for a long time so that he could explain [the product].”*





# Positive Product Perception (23% take-up)

## ***Inexpensive***

*"The price is economical for what it covers."*

*"It wasn't expensive... that's why we bought it."*

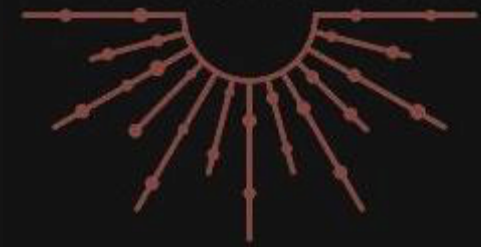
## ***Relevant***

*"The world has changed... and you can never know when that type of weather damage will come here."*

## ***Useful***

*"I think a lot about the risks to my crop."*

*"It's a manner of protecting our work."*



# Rational Non-Purchase

## ***Redundant***

*Very diversified clients felt their risk was already protected*

## ***Not relevant***

*When sale took place too late in the crop cycle*

*Non-purchasers universally described the product as covering only a small portion (one third or less) of the total risks their crop.*

## ***Not Sufficient/Useful***

*“My greatest risk is related to market price, especially with the pigs – the costs are consistent and very high, but the price in the market varies a lot.”*

*Fast forward to 2017...*





***...We went back to Crezcamos to test the feasibility of a parametric Climate Insurance product with the IIF....and it was easy to explain to farmers!***



Helada  
es general

cóe mas duro en  
parte s

medicón  
lluvia

complicado  
porque en esta  
zona la lluvia es  
seccionada

**....and to loan officers!  
And their biggest worry  
was basis risk**



Parametrico  
mediciones  
"NO" → diferentes climas - riesgos  
Variabilidad de terrenos  
debe ir acompañado d una visita

2010  
Hurricane - toda la zona afectada  
desastre  
general  
no hay muchos casos ~~de~~ realmente afectados





## CREZCAMOS

CREZCAMOS en un lugar para ayudar a Prestar Plata Para los cultivos.

EJEMPLO:

Un Señor que quería tener un cultivo el Sembro Papa y una mañana se levanto y vio que el cultivo se destros se lo quemaron el fue a crezcamos y el le dia a la muchacha que le prestara \$2000000 para su cultivo y el iso su cultivo a la vendio vien y le pago a crezcamos.

De: Jenny Conde

Papa

Jenny conde





...Just because they understand, it doesn't mean that they will remember post-sales

80%

Didn't know the sum assured

67%

Didn't remember covered events

41%

Thought it was mandatory

68%

Didn't remember premium paid



# Final Thoughts

- Clients are smart → **Co-create**
- A socially responsible business needs to implement **Responsible Marketing**, which includes educating about new products and informing them on the characteristics of these products
- The cost of sales can be reduced through bundling products with loans early on (CGAP Study lesson)
- Cost reductions can come from technology
- Over time, clients become more savvy and this becomes easier, but you have to put the work in



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