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INSURANCE SUPERVISORS

Access to Insurance Initiative

A global programme for sound regulatory and supervisory frameworks

IAIS-A2ii Consultation Call: 24 September 2015
“Financial Consumer Education”

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Financial Inclusion Expert





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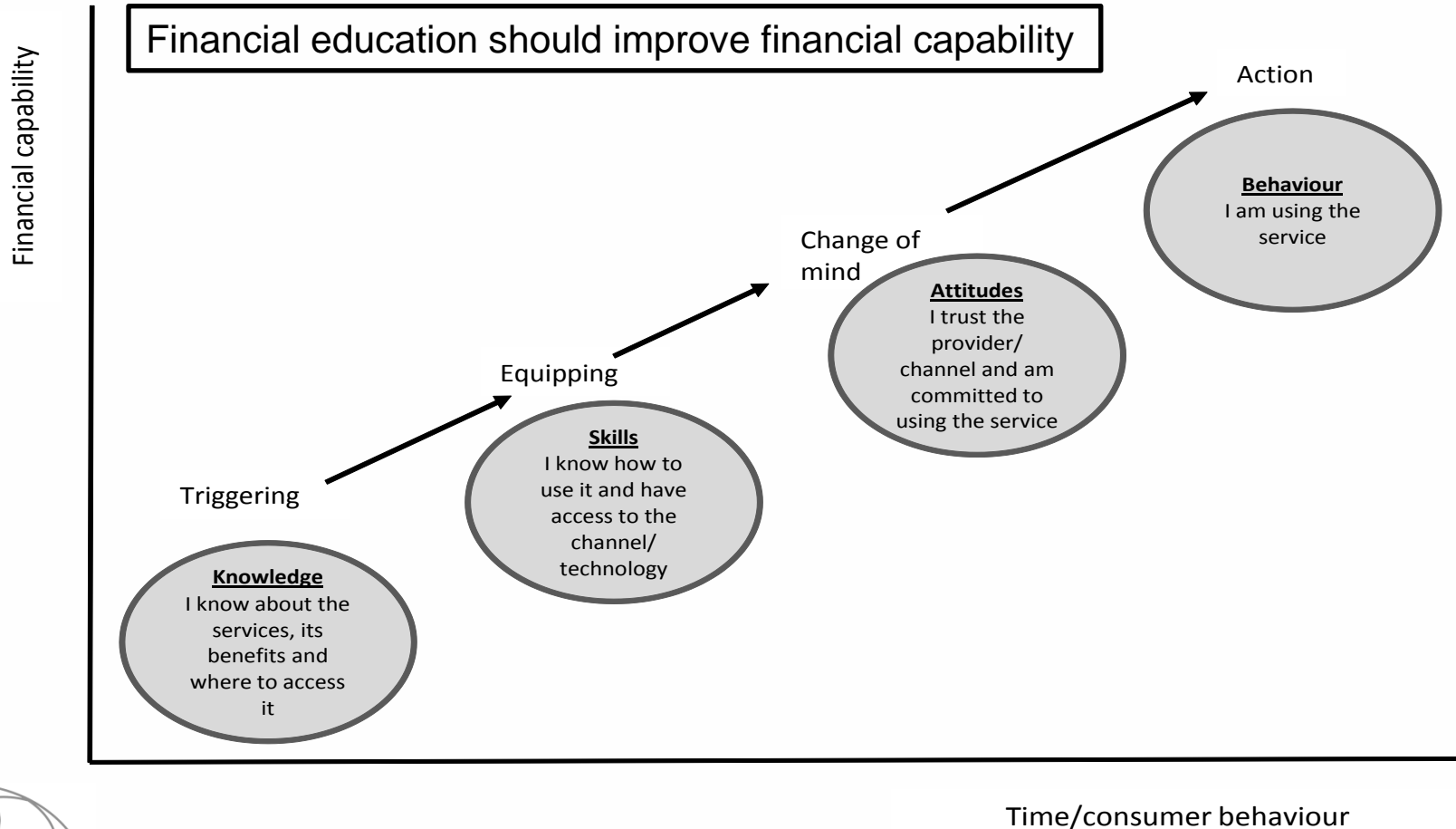
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Agenda

1. The components of financial capability
2. The importance of financial education in the context of financial inclusion
3. How to design interventions? Best practices
4. Is it effective? Monitoring and evaluation
5. How to apply financial education in the insurance sector: a case study
6. Do we need a strategy? Coordination in the financial sector and in the insurance sector
7. The role of the insurance regulator



1. The components of financial capability





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2. The importance of financial education in the context of financial inclusion

Small part of population with any insurance policy

- Use of financial products is growing but take up on insurance remains low
- < 10% population in some countries
- Symptom and cause of poverty: low income people are not able to use risk management tools

Inadequate perception of insurance services

- No awareness
- Un-affordable
- Fraud, scam, not useful, claims never get paid

1. Supply-side interventions

- Pro-poor micro-insurance
- Cross selling (MFIs, etc.)

2. Demand-side interventions : increase financial capability

- Provision of financial education by private and public entities
- **Uncover** the drivers of low income consumer behavior; feed into design of products and delivery channels

3. Policy, coordination and regulation

- Financial sector regulations
- Consumer protection, disclosure, redress
- National/sector-wide FE initiatives



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3. Best practices – design of interventions

Provide information, instruction and objective advice

- **Life cycle.** Education about the concepts of money, investment, saving, risk mitigation, budgeting and financial planning; must be provided at adequate moments over the life cycle.
- **Appropriate products.** Generic communication about products that are appropriate to the low income market, e.g. micro-insurance, compulsory insurance, retirement savings; must be differentiated from marketing.
- **Usage & recourse.** Training on how to use financial services and products, e.g. payment systems (ATM, POS), mobile technology, association, regulator
- **Relative costs** of different channels
- **Problem solving.** What to do if over over-committed, defrauded, in need of filing a claim or a recourse

Include strategic interventions

- **Baseline survey** to establish level of knowledge, skills, attitude, behaviour
- Development of **national strategies and coordination** between initiatives
- **Public awareness** campaigns
- Links with **consumer protection and financial sector regulation**

Be monitored and evaluated

- Impact assessment is necessary to determine relative **effectiveness** of focusing on specific market segments & delivery channels
- Funders: **value for money?**
- Private sector: is there a **business case** for financial education?





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3. Best practices – delivery channels

- **TV, radio, Internet and phones**
 - ✓ Drama, talk show, Interactive website jingles, SMS
- **Workshops:**
 - ✓ Train the trainers: Need trainers equipped to train adults in practical ways
- **Schools:**
 - ✓ Financial education included in curriculum
 - ✓ Extra-curriculum activities :clubs, school visits
- **Community events:**
 - ✓ Road show, street theatre, movie
- **In-community knowledgeable persons:**
 - ✓ Either community leaders or simple members
 - ✓ Trained to relay specific messages and provide advices





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4. Monitoring and evaluation

- **Over the last decade, there has been a focus on measuring impact of financial education activities**
 - ✓ A growing body of evidence
 - ✓ Results are not always spectacular; financial education is a long term endeavor
 - ✓ Combined campaigns, using multiple channels work best
- **Basic methodology for M&E**
 - ✓ Baseline
 - ✓ Key indicators of awareness, knowledge, attitude, skills, behavior
 - ✓ Qualitative discussion can add many other elements





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5. Case study: Financial Freedom, South Africa

- Developed by insurance Association, SAIA in 2008
- Theme: manage life risks
- Products: short-term insurance: property and assets; adapted to low income market Mzansi Insurance (very low premium, lowers than \$2/month)
- Channels: Radio drama, 52 episodes in 7 languages & call in sessions with technical experts



- **Impact:**

- ✓ 1,800,000 listeners on average
- ✓ Increase in the desire to acquire short term insurance by 38%
- ✓ 16% claimed to have obtained a new insurance product.





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6. Coordination in the financial sector and in the insurance sector

OECD/INFE High-Level Principles on National Strategies for Financial Education 2012:

- A **nationally coordinated approach** to financial education that consists of an adapted framework or programme which recognises the **importance of financial education** including possibly through legislation and
- defines its **meaning and scope** at the national level in relation to identified **national needs and gaps**,
- Involves the **cooperation of different stakeholders** as well as the identification of a **national leader or coordinating body**,
- Establishes a **roadmap** to achieve specific and predetermined objectives within a set period of time and,
- Provides **guidance to be applied by individual programmes** in order to efficiently and appropriately contribute to the national strategy.





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6. Coordination in the financial sector and in the insurance sector

- **National strategies on financial education are often led by the banking regulator**
 - ✓ Focus on basic banking/microfinance products: savings, micro-credit, transfer and payment products
 - ✓ Positive: Synergy with other products (savings) and core messages (manage risks, build assets)
 - ✓ Negative: Messages on insurance may be lost
- **Solutions?**
 - ✓ Form an insurance-focused group which includes the regulator, insurance association, other players
 - ✓ Develop a specific part of the national strategy on insurance





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7. The role of the insurance regulator

- **IAIS recommends to focus on financial education**
 - ✓ when fewer consumer support mechanisms are in place
- **Lead the development of a national financial education strategy on insurance**
 - ✓ As part of a financial sector strategy, or
 - ✓ As an independent strategy for the insurance sector
- **Coordinate activities in the insurance sector**
 - ✓ Some activities may be led by individual players
 - ✓ Others are more cost-effective and more neutral if led by the sector: association or regulator
 - ✓ Make sure M&E happens
- **Financial education campaigns led by the regulator on**
 - ✓ Regulatory issues or consumer protection





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Public Assistance and Mediation Division

Insurance Commission Philippines





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Insurance Commission – Philippines Roles and Practices in Financial Literacy and Education

1. Broad multi-stakeholders approach in Policy Formulation.
 - a. Adopted the following Frameworks and Roadmap:
 - 1) National Strategy on Microinsurance, 2) Microinsurance Regulatory Framework, 3) Roadmap on Financial Literacy, 4) Alternative Dispute Resolution
 - b. Active participation by industry associations, government agencies through the support of GIZ and ADB in providing inputs and public consultations
 - c. Approval of simple and affordable microinsurance products to increase number of insured persons especially those in the low income sector





2. Promotion of insurance literacy and advocacy

- a. Formulated key messages on the roles of each stakeholder group to MI market development
 - b. Developed training modules, communication materials and collaterals for MI roadshow
 - c. Conducted training of MI advocates, public seminars and press conferences and guesting
 - d. Weekly article on insurance topics in the Business Mirror newspaper
- ✓ Number of insured persons: 3M (2009) 20M (2012)
28M (2013)





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Insurance Commission – Philippines

Roles and Practices in Financial Literacy and Education

3. Literacy program in support of National Strategy on Financial Inclusion (2016-2017)

- a. MI advocacy: continue the implementation of the Financial literacy roadmap on Microinsurance
- b. Client focus: insurance literacy program addressed to sectoral groups such as public transport and students and include the adoption of insurance module on compulsory insurance
- c. Seminar on microinsurance mediators (ADReM or Alternative Dispute Resolution for Microinsurance)





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The Initiative is
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Making financial markets work for the poor



International
Labour
Office



Fondo Multilateral de Inversiones
Miembro del Grupo BID



Making Finance
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Ministry of Foreign Affairs of the
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