



USAID
FROM THE AMERICAN PEOPLE

GUIDELINES FOR MARKET RESEARCH ON THE DEMAND FOR MICROINSURANCE

June 2006

This publication was produced for the United States Agency for International Development.

It was prepared by Microfinance Opportunities and Abt Associates Inc.

GUIDELINES FOR MARKET RESEARCH ON THE DEMAND FOR MICROINSURANCE

DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

This report was prepared under the **Accelerated Microenterprise Advancement Project** (AMAP), a four-year contracting facility that USAID/Washington and Missions can use to acquire technical services to design, implement, or evaluate microenterprise development.

For more information on AMAP and related publications, please visit **www.microLINKS.org**.

Accelerated Microenterprise Advancement Project - Financial Services
Contract Number: GEG-I-00-02-00012-00
Task Order: Knowledge Generation, Task Order No. 1
Contractor: **Abt Associates Inc.**
Jeff Leone, Project Manager
Tel: (301) 913-0563
E-mail: jeff_leone@abtassoc.com

This report was prepared by Jennefer Sebstad, Monique Cohen and Elizabeth McGuinness of Microfinance Opportunities under subcontract to Abt Associates Inc.

TABLE OF CONTENTS

1. Introduction	5
2. Why do market research on the demand for microinsurance?	6
3. Where does market research fit into the product development process for microinsurance?.....	9
4. Who should support research on the demand for microinsurance?	11
5. What are the first steps in designing a microinsurance demand study?	12
6. What are some key questions for demand research?	13
7. When should a demand study be done?	18
8. Who should carry it out?.....	19
9. What topics should a microinsurance demand study cover?.....	20
10. How will the information be collected?	23
11. What about the budget?.....	28
12. Checklist for a Research Plan	29
13. Conclusions	32

LIST OF TABLES, FIGURES, AND ANNEXES

List of tables

Table 1: Demand study topics for product concept development	20
Table 2: Demand study topics for product design and delivery	22
Table 3: Differences between qualitative and quantitative methods	24
Table 4: Examples of research tools and data generated	24

List of figures

Figure 1: How Have The Findings From Past Demand Studies Been Used?	7
Figure 2: Market Research And The Prototype Development Process Overview	10
Figure 3: Test For An Insurable Risk.....	14
Figure 4: Key Risks Facing Low-income Groups And Risk Managing Financial Services	14
Figure 5: The Impact Of Risks.....	15

List of annexes

Annex A: Concepts And Definitions Related To The Demand For Microinsurance	37
Annex B: Examples Of Topics For Demand Studies	39
Table B1: The Relevance Of Demand Study Topics For Product Concept Development	39
Table B2: The Relevance Of Demand Study Topics For Product Design And Delivery: Client Satisfaction With Existing Insurance	44
Annex C: Sample Selection Approaches For Qualitative Research	46
Annex D: Examples Of Research Tools	47

EXECUTIVE SUMMARY

The demand for [microinsurance](#) grows out of the [risks](#) and [risk management strategies](#) of low-income households. What risks do poor people face? How do they manage these risks? How effective are their strategies? What are the gaps? Demand is further shaped by the current 'landscape' of [insurance](#). What formal and [informal](#) insurance mechanisms exist? What losses do they cover? When and how do different groups among the poor use them? How effective are they at protecting against losses? Do they address the priority needs of low-income households? Where are the gaps?

Understanding these critical gaps in managing risks is a starting point for identifying microinsurance products for the poor. From here, the challenge becomes how to zero in on [insurable risks](#) and design products that are feasible, acceptable, and affordable. What type and level of [coverage](#) do low-income groups need? What exclusions, [premium](#) amounts, payment options, and payment systems 'fit' with their preferences and capacities?

Qualitative market research can play an important role in developing appropriate microinsurance products for the poor by addressing these questions. This report offers guidance for conducting qualitative market research on the demand for microinsurance¹. The immediate audience for these guidelines includes donors interested in funding the development of the microinsurance sector and practitioners responding to the demands of customers for risk management products.

WHY DO MARKET RESEARCH ON THE DEMAND FOR MICROINSURANCE?

Market research on demand can inform decisions about whether to enter the market, what type of product to introduce, and what [market segments](#) to target. Once a general product concept has been identified, market research can help to identify specific product attributes that match the needs, preferences, cash flow patterns, and other capacities of the target market.

Market research on actual products can be valuable in addressing issues related to accessibility, timeliness, pricing and effectiveness. Once a product has proven successful in one place, market research can play a role in assessing its potential for expansion into new markets or new market segments. Market research also can identify activities that complement or reinforce microinsurance, for example, preventative health education or health savings products. Finally, market research can reveal people's understanding, perception, and trust of insurance, which is crucial for its uptake and important for designing client education and marketing strategies.

WHO SHOULD SUPPORT THE MARKET RESEARCH?

While there is a role for both public and private sector support for market research on microinsurance, public sector support is especially appropriate at times and in places where microinsurance is just getting off the ground. As a public good, research supported by bilateral, multilateral, and other public and non-profit development

¹ Quantitative methods also are important for studying the demand for microinsurance. See Matul, et al. (2005) for a description of the Microfinance Centre's emerging methodology using quantitative methods. [Available Here](#).

organizations or public/non-profit bodies concerned with social protection can help to demonstrate that microinsurance is a feasible and useful product for low-income populations. In markets where the feasibility of microinsurance has been demonstrated, it is more appropriate for demand research to be supported by private sector investors who stand to profit from the commercial provision of microinsurance.

WHAT TOPICS SHOULD A MICROINSURANCE DEMAND STUDY ADDRESS?

Because the range of topics covered by a microinsurance demand study can be broad, it is important to narrow them down to fit with the intended use of the findings and the time and resources available ([see Annex B, Tables 1 and 2](#)). Examples of possible topics follow below.

- Background on the social characteristics of the target market is useful for differentiating the market. Gender and marital status will affect vulnerabilities and access to coping mechanisms. Age will affect the demand for life cycle products. Education and literacy levels are important considerations in designing microinsurance delivery systems, client education, and marketing and promotion strategies.
- Information on the economic characteristics of the target market helps to understand differences in demand across poverty levels and income groups. The significance of a loss relative to household income affects the demand for insurance. Household cash flow patterns influence the feasibility of different premium payment structures related to the size and timing of payments. Information on savings and loan use helps to understand the relationship and complementarities of savings, credit and insurance. Information on monthly income is important for assessing affordability.
- Findings on the *nature of risks and life cycle events that cause high levels of economic stress* reveal which risks poor people are most vulnerable to, how often they occur, and how widespread they are. They also indicate whether they happen to households at different times and how they vary across different groups within the target market. This is important for identifying risks that meet the test of an insurable risk ([see Figure 3](#)).
- Study of the *impact of risks* can focus on the type of loss (assets, income, and physical integrity), amount of the loss, severity of loss in relation to household income/assets, and how losses vary across segments of the market. This information is useful for identifying priority areas of coverage, amounts of coverage, and complementary activities to help reduce and manage risks.
- Research on *current coping strategies, the level of stress they create, and their effectiveness* identifies gaps across market segments and where there may be a potential role for microinsurance. How people use credit and savings in managing risks can suggest ways that microinsurance can complement and reinforce these strategies. Information on what informal insurance systems people use and how they work can identify positive attributes that can be replicated in the design of microinsurance products. Data on the costs associated with these informal systems can indicate amounts that people might be willing to pay for insurance. What people know about and do ahead of time to protect against risks can help to identify risk protection products and services to complement insurance ([see Figure 5](#)).
- Reviewing client satisfaction with existing insurance products is especially important for assessing demand. Questions about types and amounts of coverage and

exclusions reveal not only their satisfaction, but uncover people's understanding or misunderstanding of the insurance product. Discussion of the premium amounts and how they affect other household expenditures expose affordability issues and how these vary across different market segments. Clients' experiences with premium collection and [claims processes](#) – their ease, convenience, timeliness, and complexity – can help to improve systems. Questions about the benefits of insurance and the differences it has made – can help to understand future demand and the longer term sustainability of microinsurance.

WHAT QUALITATIVE RESEARCH TOOLS CAN BE USED?

A variety of qualitative market research tools can be used for demand research. These include focus group discussions, participatory rapid appraisals (involving games, simulations, financial diaries, and other exercises), individual interviews or mini surveys involving potential clients or key informants, and case studies. [Annex D](#) provides examples of some qualitative market research tools. The qualitative market research tools developed by *MicroSave* for microfinance have been adapted for use in several previous microinsurance demand studies. Past studies also have used the AIMS/SEEP loan and savings use and client satisfaction tools (adapted to insurance). These tools have proven useful for generating findings on risks, coping strategies, and the use of risk managing financial services including insurance. They also are useful for understanding the seasonal income and expenditures patterns of different market segments, their wealth levels, and how this affects the demand for microinsurance. These tools also have been used to identify product attributes, ranking respondent preferences, assessing customer satisfaction, and addressing other qualitative research questions. Table 4 provides a list of tools and the relevant data generated ([see Table 4](#)).

WHAT SHOULD A RESEARCH PLAN INCLUDE?

Getting buy-in by the top management of the sponsoring or implementing institution should be the first step in a market research demand study. This will raise their awareness of not only the benefits, but also the time and resources needed to conduct the market research. When microinsurance is a new product, it is useful to designate a '[product champion](#)' who can oversee the market research as well as the concept development, product design, or product improvement process ([MicroSave 2003](#)).

Demand studies should have a research plan to guide the collection and analysis of data. The following steps can guide the development of a research plan:

- ✓ State the objectives of the research, the audience, and how the findings will be used
- ✓ Define the key research questions
- ✓ Identify the primary and secondary sources of information you will use
- ✓ Decide whether you will use qualitative or quantitative methods or a combination of both to collect the data
- ✓ Determine and document the criteria for selecting the study participants – location, characteristics, and numbers
- ✓ Develop a plan for analyzing the data
- ✓ Set a time line for the research process

- ✓ Assign roles and responsibilities for carrying out the research
- ✓ Make logistical arrangements
- ✓ Schedule data collection
- ✓ Design the data collection tools that you will use and protocol for their use – for example, discussion and interview guides, analysis matrices, PRA tools, or mini surveys
- ✓ Draft a preliminary report outline
- ✓ Figure out the financial and human resources that you will need to carry out the work

CONCLUSIONS

Until microinsurance products become more readily available and more low-income households benefit from them, there is likely to be a margin of error in measuring demand. In the meantime, market research will play an important role in the development and testing of appropriate microinsurance products. As more products become available, demand research focused on real products – their attributes, costs, use, and effectiveness in relation to client needs, preferences, and capacity – will continue to play a role in improving products and informing decisions about future investments.

INTRODUCTION

In the absence of [insurance](#), poor people often patch together resources from multiple sources to meet expenses related to ill health, death of a family member, property loss, or other unexpected shocks. However, these resources usually are not enough to fully cover their losses and over time they become over used, less accessible and more expensive, further limiting the ability of poor people to manage [risks](#). Understanding this reactive mode is a starting point in thinking about insurance for the poor. The challenge for [microinsurance](#) is to turn risk management from a reactive to a proactive process. This begins with an understanding of demand.

The demand for microinsurance relates directly to the nature of risks and the [risk management strategies](#) of low-income households. What risks are poor people most vulnerable to? What do they currently do to manage these risks? How effective are their strategies? Where are the gaps? Demand also relates to the current 'landscape' of insurance. What formal and [informal](#) insurance mechanisms exist? What losses do they cover? When and how do different groups among the poor use them? Do they address the priority needs of low-income households? Where are the gaps?

Understanding these critical gaps in managing risks for poor people is a starting point for identifying microinsurance products. From here, the challenge becomes designing products that are feasible, acceptable, and affordable. What types of [coverage](#) and levels of coverage do low-income groups need? What exclusions, [premium](#) amounts, payment options, collection systems, and [claims](#) procedures 'fit' with their preferences and capacities?

By addressing these questions, market research can play an important role in developing appropriate insurance products for the poor. The purpose of this report is to offer guidelines for conducting qualitative market research on the demand for microinsurance. The immediate audience for these guidelines includes donors interested in funding the development of the microinsurance sector and practitioners responding to the demands of the customers for risk management products.

The report discusses reasons to do market research and how it fits into the process of developing new microinsurance products. It provides examples of research questions and topics that can be addressed in a demand study. It discusses a series of issues to consider in designing a demand study and concludes with a checklist of issues to guide the design of a demand study.

What is microinsurance?

- Insurance allows those insured to share the risk of a financial loss.
- Microinsurance is a subset of insurance that provides financial protection to the poor for certain risks in a way that reflects their cash constraints and coverage requirements.
- Microinsurance is a risk management system involving low-income groups in which individuals, businesses, or other organizations pay a certain sum of money (a premium) in exchange for guaranteed compensation for losses resulting from certain perils under specified conditions.

(Source: [MicroInsurance Centre](#))

WHY DO MARKET RESEARCH ON THE DEMAND FOR MICROINSURANCE?

Microinsurance is new in many places and there is limited experience to draw upon in designing products, services, and effective delivery systems. In this context, market research can help to reduce the 'margin of error' in designing products by assessing what types of insurance best meet client needs, what premiums they can afford, and what products are feasible to offer. It can be used to:

Demand studies can reduce the margin of error in the design of new microinsurance products for low-income groups

- understand differences in the needs, preferences, and opportunities for insurance among different [market segments](#);
- develop products that improve the capacity of poor people to manage the risks they are most vulnerable to;
- design microinsurance products and delivery systems that are feasible, acceptable, and affordable for low-income groups;
- reveal people's understanding, perception, and trust of insurance products in order to identify their education needs;
- identify activities that complement or reinforce insurance activities to reduce overall risks (for example, complementary fire and theft protection measures, preventative health education);
- develop promotion and marketing strategies; and
- refine existing products.

[Figure 1](#) highlights various ways that studies on the demand for microinsurance have proven useful in the past. These examples highlight the role that demand research can play in identifying the needs, preferences, and opportunities for microinsurance across different market segments and the value of segmenting markets within and between countries.

FIGURE 1: HOW HAVE THE FINDINGS FROM PAST DEMAND STUDIES BEEN USED?

To identify microinsurance product concepts that are relevant across contexts	→ Demand studies consistently identify three broad categories of potentially insurable risks : death, ill health, and property loss. This offers a starting point for the development of product concepts in new places.
To reveal different insurance priorities for different countries and regions.	→ Death is a high priority risk to insure for poor people in Uganda and South Africa, but less of a priority in Nepal and Indonesia. In these latter countries, funeral expenses tend to be covered primarily by families and kept at a level that the family can afford. In Uganda and South Africa, not only are funeral expenses high, but traditional systems of support (informal insurance systems, community groups, and burial societies) have broken down, especially in settings affected by HIV/AIDS. (Sebagani 2003 ; Bester et al 2004 ; Simkhada, et al. 2000 ; McCord, Ramm and McGuinness 2005).
To show different insurance priorities for different segments of the low-income market.	→ A study in East Africa found that a priority for women was life insurance covering their husbands. In considering life insurance for themselves, they wanted payouts to be earmarked specifically for their children's education. For urban residents, the priority was insurance to cover the transport of the body of loved ones back to their rural areas. (Cohen and Sebstad 2005).
To improve existing products to better suit the needs of particular market segments.	→ A study of Delta Life in Bangladesh revealed problems with weekly premiums – a design feature that was thought to fit the cash flow of the poor. The demand study found substantial differences in the sources of income and cash flow patterns across poor households, making it important for Delta Life to offer a range of premium payment options. (McCord and Churchill, 2005). → In Zambia, CETZAM had difficulty introducing a funeral insurance product into the southern part of the country. The product originally was developed for the Copper belt region where people have very different demographic/cultural practices around funerals. Demand research could have helped to head off this problem by ensuring appropriate adaptation of the product design. (Manje, 2005).
To reveal unexpected, but important, results.	→ A somewhat surprising finding from several demand studies is the relatively low priority given to business risks. Research in Zambia, Vietnam, East Africa, and Indonesia found that people consider household risks to be a higher priority, in part, because they divert resources away from their businesses. (Manje and Churchill 2002, Mekong Economics LTD 2003, Cohen and Sebstad 2005). In Nepal, a study to assess the demand for maternity insurance found a preference for livestock insurance. In the absence

of adequate health services in rural areas, especially emergency health services, people felt that this type of insurance would not do them much good. ([Simkhada, et al, 2000](#)).

WHERE DOES MARKET RESEARCH FIT INTO THE PRODUCT DEVELOPMENT PROCESS FOR MICROINSURANCE?

Demand research for microinsurance can be carried out at three levels. The *first level* focuses on understanding client risk management needs across different groups among the poor. It involves research on:

- key risks facing poor people,
- the impact of these risks,
- existing coping mechanisms,
- the effectiveness of the coping mechanisms, and
- where microinsurance (or other financial services) can play a role.

Demand studies can improve understanding of key risks facing poor people and which ones it makes sense to insure.

This level of research emphasizes current practices that poor people use not only to respond to risks after they occur, but to prepare for them ahead of time. Understanding existing coping mechanisms, especially the use of group based informal insurance mechanisms where poor people pool risks can reveal positive attributes of informal insurance systems to incorporate into the design of microinsurance products. It also can help differentiate between risks that can be addressed through savings, emergency loans, or other risk management mechanisms, and risks that it makes sense to insure. This type of research is useful for *product concept development* and is particularly appropriate in settings where there is limited previous experience with insurance for low-income groups.

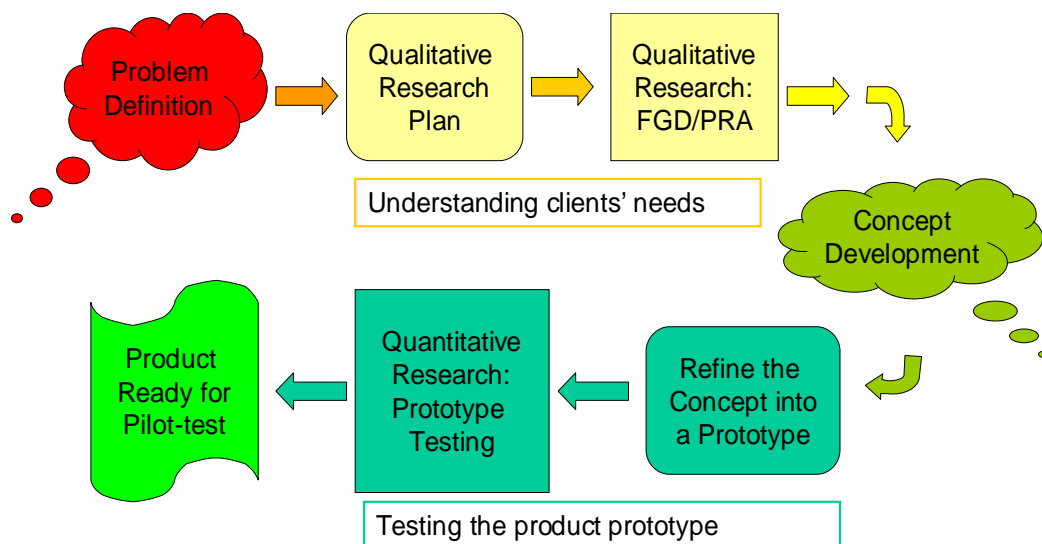
The *second level* of market research can be carried out after an initial product concept is developed and the decision has been made to design and test a product prototype. It focuses on a specific product design and/or its actual delivery ([see Figure 2](#)). The aim of this second level of research is to ensure that the microinsurance product fits with needs, preferences, and capacities of the poor. It identifies product attributes (type of coverage, amount of coverage, exclusions, premium amounts, premium payment options, premium collection procedures, claims procedures) as well as the most effective and efficient modes of delivery (for example, doorstep services, microfinance institutions, other financial institutions, and insurance companies). It also reveals people's existing knowledge and attitudes about insurance and their previous experiences, all of which are key issues in developing client education and marketing strategies.

Demand studies can help match the design of microinsurance to the needs, preferences, and capacities of poor clients. They are an important part of product development, testing, and refinement.

This second level of research also can be carried out with an insurance product that is already on the market to assess customer satisfaction and areas for improvement. Assessing the reaction of [policyholders](#) to real microinsurance products and product attributes can help to improve products design and identify good practices for the delivery of insurance to poor people.

A *third* level of market research focuses on assessing the *size* of the potential market for a particular microinsurance product. It estimates the number of potential policy holders in a particular geographic setting with assumed demand and the capacity to pay. Of key importance is estimating the incidence of the risk event for a particular population in a defined geographic location and within a specified time period to avoid adverse selection. This information relates to the financial feasibility of entering a new market, delivering an insurance product in a particular setting, the number of subscribers required for the product to be profitable, and pricing. This level of research requires quantitative surveys of large populations and, as such, extends beyond the scope of these guidelines, which focus on qualitative research methods. Further information on quantitative research is available at the Microfinance Centre's online library: <http://www.mfc.org.pl>

FIGURE 2: MARKET RESEARCH AND THE PROTOTYPE DEVELOPMENT PROCESS OVERVIEW



(Source: MicroSave Africa, 2003. Market Research for Microfinance Training Manual [available here.](#))

How much emphasis should be placed on each level of market research will depend on whether the purpose is to introduce a new product, improve an existing product, or make a decision to continue a product. The first level, as described above, is especially important for making a case for microinsurance in places where there is limited understanding of what it is, what it can do, and potential benefits. It can provide important information on what risks it makes sense to insure and some general product design features (for example, seasonal cash flow patterns that may affect the premium payment options). The second level of research is useful for honing in on the design of specific product attributes and delivery systems. The third level is particularly useful for estimating the size of a potential market for the purposes of introducing microinsurance for the first time or a new product.

WHO SHOULD SUPPORT RESEARCH ON THE DEMAND FOR MICROINSURANCE?

While there is a role for both public and private sector support for market research on microinsurance, public sector support is especially appropriate at times and in places where microinsurance is just getting off the ground. As a public good, research supported by bilateral, multilateral, and other public and non-profit development organizations or public/non-profit bodies concerned with social protection can help to demonstrate that microinsurance is a financially feasible and useful product for low-income populations. CGAP argues that supporting market research is a valuable role that donors can play in the development of the microinsurance sector ([Latortue 2003](#)).

In markets where the feasibility of microinsurance has been demonstrated, it is appropriate for demand research to be supported by private sector investors who stand to profit from the commercial provision of microinsurance. These might include insurance companies, microfinance institutions or other financial service providers interested in expanding the insurance market to low-income groups

Generally, public sector support is appropriate for all three levels of market research. Private sector support for market research is more likely to be found where the purpose is to refine an established product for which Level 2 type research is the most appropriate approach.

WHAT ARE THE FIRST STEPS IN DESIGNING A MICROINSURANCE DEMAND STUDY?

DEFINE THE RESEARCH OBJECTIVES AND INTENDED USE OF THE FINDINGS

The objectives of the demand study should be carefully defined— whether it is to enter into the microinsurance market, identify new product concepts, design a new product, or improve an existing product. The objectives will help to identify the audience for the findings and whether the research will be general or context specific. The objectives also will have implications for the time scale of the assessment ([Hulme 1997](#)). To the extent possible the research objectives should identify the market segment for microinsurance and reflect expectations of how the findings will be used.

Starting with clearly defined objectives and the audience for the demand study are important because they will drive the design of the research.

IDENTIFY THE AUDIENCE

One audience for microinsurance demand research includes decision makers in sponsoring organizations who want information to help decide whether to invest in microinsurance. This group may include heads of insurance companies, brokers, insurance commissioners, or officials of other public sector organizations. Their interests and concerns are likely to center on what risks it makes sense to insure, the potential size of the market, and the feasibility of various types of insurance to offer low-income groups.

Another audience is *providers of insurance* who are concerned with issues of design, delivery, and cost. Their questions may relate to appropriate product features for different market segments, the types and amounts of coverage to offer, or the size and timing of premium payments. They also may want market research on different systems and channels for delivering insurance to various low-income groups (for example, through MFIs, micro-agriculture promoters, community based microinsurance organizations, and HMOs) and complementary activities to help people reduce risks (such as keeping roofs repaired or installing burglar bars to protect against property loss).

GET BUY-IN BY TOP MANAGEMENT

Before launching a market research effort, top management of the sponsoring or implementing institutions for microinsurance should be brought into the process. This will raise their awareness of not only the benefits, but also the time and resources needed to conduct the market research ([MicroSave 2003](#)).

IDENTIFY A PRODUCT CHAMPION

When microinsurance is a new product, it is helpful to designate a '[product champion](#)' who can oversee the market research as well as the concept development, product design, or product improvement process. As with development of any product it is helpful to designate someone who has the ear of top management and a clear system for reporting to them. ([MicroSave 2003](#)).

WHAT ARE SOME KEY QUESTIONS FOR DEMAND RESEARCH?

Demand research can address a wide range of questions, depending on whether the purpose is 1) general research to understand what risks it makes sense to insure, or 2) product specific research related to coverage, premiums, payouts, or complementary activities to prevent and mitigate risks. The research questions will drive the design of the market research and the choice of methods to use.

In defining the research questions for a microinsurance demand study, it is important to ask: what do we want to know and why? Key questions should be limited to those that are most important and answerable within the limits of the budget ([GAO 1991](#)). Other considerations in defining research questions and topics relate to the stage in the product development process:

- whether the particular market segments or target groups already have been defined;
- whether the microinsurance concept already has been developed;
- whether insurance products currently are available to low-income groups or the microinsurer is entering a new market.

Examples of bigger questions that have been addressed in past research on the demand for microinsurance are offered below.

WHAT TYPE OF RISKS DOES IT MAKE SENSE TO INSURE?

Experience to date shows that microinsurance can help people manage some risks, but that it is not appropriate for all risks ([Siegel, Alwang, Canagarajah 2003](#)). Insurance is appropriate when risks are idiosyncratic (specific to an individual or household), uncertain (in terms of *if* it will occur, *when* it will occur, or *how often* it will occur), and result in significant losses (but not catastrophic). Some examples include death of a family member, ill health, or property loss ([Figure 3](#)). These risks may impact households financially by increasing household expenses or decreasing income.

Demand research can help to identify the most significant risks facing poor people that meet the test of an insurable risk.

[Economic stresses](#) that cause short-term increases in household expenses that cannot be covered by regular cash flow (e.g., education expenses or minor health expenses) are often more appropriately addressed by credit or savings ([Churchill 2005](#)). Moreover, covariant risks or catastrophic events that affect large numbers of people at the same time (such as floods or earthquakes) can be partially offset by flexible savings but often require other forms of social protection, emergency/disaster assistance, or public support ([Churchill 2005](#); [Siegel, Alwang, Canagarajah 2003](#)). Typically, these types of covariant risks are not insurable. Recent work on weather index insurance for farmers in Vietnam suggests there is potential but requires further research to assess the elasticity of demand for such products.²

² Personal communication, E. McGuinness, 2005.

FIGURE 3: TEST FOR AN INSURABLE RISK

- | | |
|--|--|
| <ul style="list-style-type: none">• Does the loss occur by chance?• Is the loss definite in time and amount?• Does the loss create significant hardship relative to income?• Are a large number of similar units exposed to the risk?• Is it possible to estimate the possibility of the loss occurring? | <ul style="list-style-type: none">• Will the risk pool attract sufficient numbers of clients who are unlikely to present claims (does it meet the criteria for adverse selection)?• Is the loss a genuine loss to the insured (no house, no house insurance)?• Is the loss one that will not be catastrophic to the insurer? Does the same risk affect more than one person or household at a time? Is it idiosyncratic? |
|--|--|

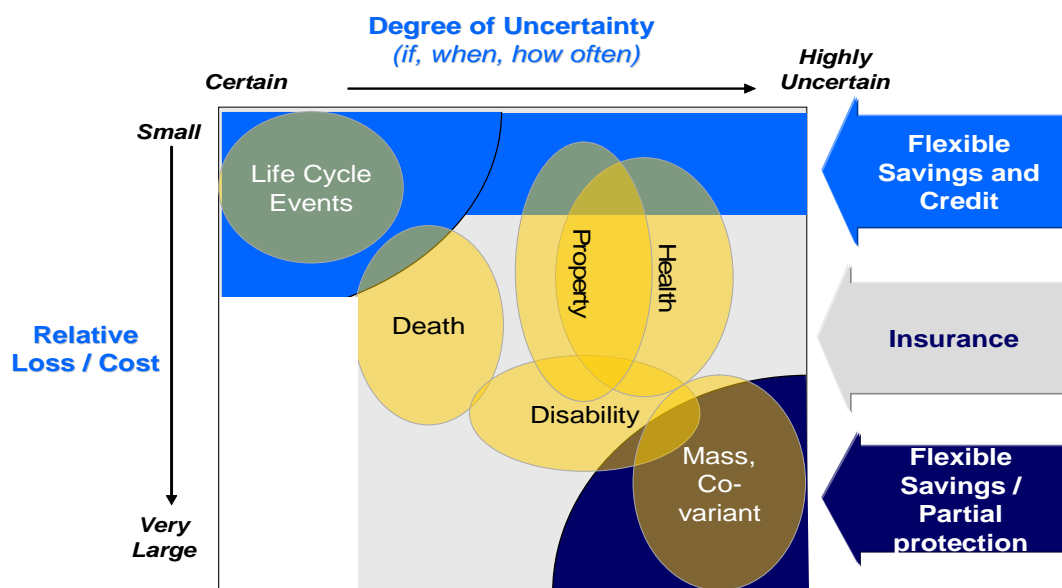
(From: ICIMF Georgia insurance demand study) Available from [MicroSave](#).

IS CREDIT, SAVINGS OR INSURANCE MORE APPROPRIATE?

Research on the nature and impact of idiosyncratic risks facing poor people can identify a role for insurance as well as for other risk managing financial services. Past studies have found that microinsurance is most effective when it is complemented with other financial services ([Manje and Churchill 2002](#)).

Research on the nature of risks and impact of risks (whether it causes relatively small or large losses) will help to determine whether credit, savings, or insurance may be more appropriate. Credit and savings generally are better for managing risks and economic stresses that are certain and result in relatively small losses. Because they are more flexible than insurance, they can cover a wider range of risks. The use of savings is less expensive than credit or insurance and appropriate for expected needs. However, it is often difficult for poor households to amass sufficient savings to adequately manage risks. Quick turn-around emergency loans are another option and cover unexpected needs, for example, transport to a hospital in an emergency. However, loans can create additional pressures if the loss decreases household income ([Figure 4](#)).

FIGURE 4: KEY RISKS FACING LOW-INCOME GROUPS AND RISK MANAGING FINANCIAL SERVICES



Source: Brown and Churchill, 1999. Available from [The Microinsurance Centre](#).

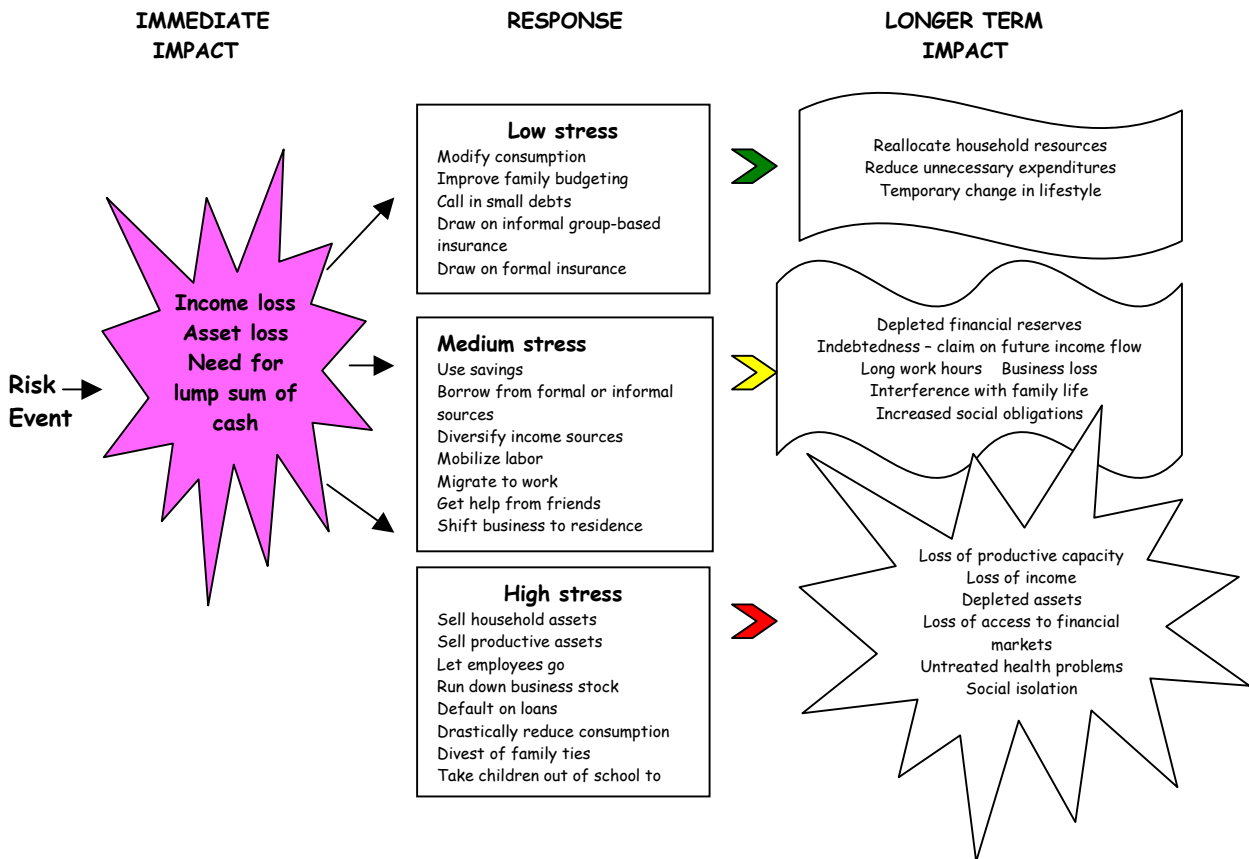
HOW DOES POVERTY AFFECT PEOPLE'S DEMAND FOR INSURANCE?

Demand research can help to reveal characteristics unique to poor people that will affect their demand for microinsurance. While all people may face the same shocks, poor people are more vulnerable to them. They have fewer and less predictable financial reserves to draw upon to cover immediate losses and costs to get back on their feet. They often are forced to use high stress responses that increase pressures over time ([Figure 5](#)). As reserves are depleted, they are forced into an increasingly reactive mode, using more and more stressful coping mechanisms when faced with shocks. This suggests a potentially high demand for insurance.

Ultimately, however, the demand for microinsurance will depend on the affordability of products offered. In considering affordability, demand research can estimate wealth levels, the size of losses associated with insurable risks, and the cost of current coping mechanisms. Assessing these costs as a proportion of household income across wealth levels can help to determine the various levels of coverage to offer and affordable premium options. A related issue for developing affordable products is that under pressure poor people often patch together resources from multiple sources to deal with a shock. In these cases, microinsurance will complement but not necessarily replace other strategies for covering losses. While the coverage may not be complete, it will be affordable and reduce stress by offsetting at least a part of the loss³.

FIGURE 5: THE IMPACT OF RISKS

³ From the standpoint of insurers, sharing the risk with policyholders reduces the moral hazard of a false claim.



(Source: [Cohen and Sebstad 2005](#))

WHAT PRODUCT ATTRIBUTES 'FIT' PEOPLE WHO ARE POOR?

Market research can feed directly into the design of microinsurance products that match the needs of clients in terms of the type and amount of coverage. Understanding coping mechanisms across different wealth levels can help to determine the levels of coverage and premiums amounts. Demand studies that consider the cash flows of potential market segments can be useful in designing premium payment systems.

Past research has shown how microinsurance programs can run into trouble when premium payment options are not in line with the cash flow of clients.

- In Sri Lanka, an assessment of Yasiru clients' preferences led to policy adjustments to ensure that premium levels were in line with [benefits](#) received and that the relationship between premiums and the number of family members covered by the policy was clearer ([Fokma 2004](#)).
- In Albania, Opportunity International found that an existing insurance product failed not because the product's terms and pricing were unacceptable, but because the premium had to be paid in advance. The up front payment requirements were not in line with the potential policyholders' cash flow ([Leftley 2002](#)).

Market research on modes of delivery and [claims processes](#) can help to improve accessibility of the poor to microinsurance and reduce their transaction costs – two key factors that affect demand by low-income groups. For existing products, studies focused on customer satisfaction and product attribute preference ranking can contribute to improved design and delivery. Product design research also can focus on linkages between microinsurance and other financial or non-financial services, client education, and marketing strategies.⁴

Market research can be carried out in conjunction with product testing on existing insurance products, to assess the match between the design of the product and the needs of the poor. Evaluating the reaction of clients to real microinsurance products and product attributes can help to improve features of product design and delivery of insurance to poor people.

One unexplored area of demand research is the use of payouts. This information can be valuable for tailoring coverage options, [co-payments](#), and premiums to different groups among the poor. Information on this topic to date is largely anecdotal, but suggests that lump sum payouts for life insurance often are used to complement existing burial funds and asset purchases ([Kashf 2001](#)).

DO PEOPLE UNDERSTAND THE CONCEPT OF INSURANCE?

Previous experience with microinsurance shows that many people do not understand the concept of insurance nor how it works. In some cases, the views of poor people about insurance are negative. They see it as the province of the rich; something that is irrelevant, unaffordable, or even unfair ([McCord and Osinde 2003](#); [Cohen and Sebstad 2005](#); [Manje and Churchill 2002](#); [Herrera and Miranda 2004](#), [Matul 2004](#)). Based on their experiences or what they have heard, people often mistrust insurers or believe they charge a lot for nothing in return. These factors impede the demand for and adoption of microinsurance.

Demand research can explore what poor people know about insurance, how they find out, and whether it is correct or incorrect. It can reveal whether their attitudes are open and positive, or negative and mistrusting. Most insurance providers currently disseminate information about their products primarily through marketing pamphlets and brochures. However, few clients have the knowledge and experience to evaluate this information properly. Market research findings can be used to design client education that enables poor people to understand the products on offer and make informed decisions about insurance.⁵ It also can be used to design training for microinsurance field agents to become more informed about microinsurance products and their clients.

- In Malawi, poor people are aware of insurance but have limited understanding of what an insurance [policy](#) is. In interviews, policy holders said they wanted more than information on just the costs and benefits of insurance and the elements of an insurance policy ([Enarsson and Wiren 2005](#)).

⁴ Recent evidence discussed at the Conference on Making Insurance Work for the Poor ([Munich 2005](#)) shows frequent persistence rates of no more than 50%. This suggests the importance of this type of market research.

⁵ Client education for insurance is recognized as an area of donor support for facilitating the introduction of microinsurance ([Latortue 2003](#)).

WHEN SHOULD A DEMAND STUDY BE DONE?

At the stage of product concept development, research on the types of risks poor people are most vulnerable to can inform decisions about whether to enter the market, what type of product to introduce, and what market segments to target. Once a general product concept has been identified, market research can help promoters hone in on specific product attributes – for example, the specific type of coverage to offer, the levels of coverage to offer, exclusions, premium payment options, premium collection procedures, and claims procedures – in relation to client needs, preferences, cash flow patterns, and other capacities.

Later, the focus may shift to ways that products can be improved or differentiated through research on client satisfaction. Research on actual products can provide insights on issues related not only to the type of coverage, but to the accessibility, timeliness, pricing and effectiveness of products. When an existing product is experiencing a drop in demand, market research can be used to understand the reasons why and what changes should be made to address the problems. Once a product has proven successful in one market, market research can play a role in exploring its potential for expansion into new markets or new market segments.

WHO SHOULD CARRY IT OUT?

Ideally, microinsurance demand studies as described here should involve people with experience in both qualitative research and insurance product design. Where relevant, personnel from institutions that will deliver microinsurance should be active in planning the research and, if possible, carrying it out. Research teams might include, for example, market researchers, insurance specialists, or social scientists. When people with the required set of skills or time are not available in-house, it will be necessary to seek outside expertise.

In addition to appropriate skills, researchers should have enough time available to collect the data, analyze it, and disseminate the findings. A further issue to consider is when, where, and how they will be trained in the use of qualitative market research tools. It is important that the skills of the people who will be responsible for carrying out the research match the research design. To the extent possible and when it is relevant, those involved in carrying out the research should be involved in the process of developing the product concept, designing the product, or improving the product.

WHAT TOPICS SHOULD A MICROINSURANCE DEMAND STUDY COVER?

The range of topics for a microinsurance demand study can be broad, and it is important to narrow them down to fit within the purpose of the study, the time and resources available, and the intended use of the findings.

The first level of research for a demand study, as described in section 4, focuses on topics such as key risks facing clients, the impact of these risks, coping strategies, and the role for microinsurance. [Table 1](#) shows a fuller list of possible topics how the findings can be used for product concept development.

TABLE 1: DEMAND STUDY TOPICS FOR PRODUCT CONCEPT DEVELOPMENT ⁶

Demand Topic	Relevance To Product Concept Development
Demographic and geographic characteristics of the target market	To segment the market
Economic characteristics of the target market	To differentiate/segment the market across wealth levels To assess the size of a loss relative to household income To analyze affordability issues To assess feasibility of different premium payment structures
Nature of risks	To identify risks that meet the test of an insurable risk To prioritize the types of coverage that will have real impact To identify complementary activities to prevent and protect against risks ahead of time
Life cycle stresses	To identify life cycle events that cause high levels of economic stress To identify life cycle financial stress events that can potentially be reduced through endowment policies
Impact of risk events	To identify priority areas of coverage To identify the amount of coverage required To identify complementary activities to help reduce and manage risks
Coping strategies to protect against and manage risks	To identify gaps in types and amounts of coverage To identify gaps in the timeliness of coverage To identify how credit and savings may complement insurance To identify positive attributes of informal insurance mechanisms that can be replicated in microinsurance
Priority risks by target market	To feed into the development of high impact product concepts for different market segments

⁶ [Annex B](#), Table B1 provides a more detailed description of topics and relevance to product concept development.

TABLE 1: DEMAND STUDY TOPICS FOR PRODUCT CONCEPT DEVELOPMENT ⁶

Demand Topic	Relevance To Product Concept Development
Perception and understanding of insurance	To help determine client education needs To design field agent training programs (to train agents in how to explain insurance to clients) To design marketing strategies

It is noteworthy to mention, however, that certain aspects of supply response need to be addressed and assessed as part of any demand study. Some such cross-cutting issues are mentioned briefly below.

Supply Topic	Relevance To Product Concept Development
Institutional assessment	To identify potential delivery systems that fit clients To identify structures and positive features of existing institutions that can be incorporated into insurance delivery systems
Human resource assessment	To identify staff training needs related to market segment To identify strategies for recruiting or assigning appropriate microinsurance field agents

The second level of market research described above focuses largely on assessing client preferences and satisfaction with product attributes and delivery systems. [Table 2](#) lists examples of research topics and how the findings can feed into the product design process. Again, certain topics are cross-cutting to both demand and supply driven research.

TABLE 2: DEMAND STUDY TOPICS FOR PRODUCT DESIGN AND DELIVERY

Topic	Relevance For Product Design And Delivery
Coverage and exclusions	To explore people's understanding or misunderstanding of what the insurance product covers and what it doesn't cover
Premiums	To understand the level of premium that low-income households can afford and are willing to pay
Premium collection	To design premium collection procedures and processes that are convenient and easily accessible for clients
Claims process	To design claims processes so that they are quick, convenient, and user friendly
Impact of insurance	To identify ways to improve the design and delivery to maximize benefits to clients To assess the potential for future demand
Perception and understanding of insurance	To identify staff training needs To assess client education needs To improve written materials
Client satisfaction	To improve product design and delivery To assess future demand

⁷ [Annex B](#), Table B2 provides more detail on demand topics and relevance for product design and delivery.

HOW WILL THE INFORMATION BE COLLECTED?

IDENTIFY SOURCES OF INFORMATION

Demand research can draw on both primary and secondary sources of information. Primary sources may include current and potential users of insurance, current or potential providers of insurance, and other key informants. Secondary sources of information might include insurance company or agency data on policy holders (who is buying insurance; what is affordable, market size, or rates of loss); existing studies of risk management, informal insurance, and related topics; or existing evaluations of microfinance, food security, health, or other programs that help poor people manage risks. Starting with a review of existing information can save time and expense, and avoid duplication of efforts.

DECIDE ON THE RESEARCH METHODS

The choice of research methods to use for demand studies should be driven by the purpose of the research and the audience. Common quantitative methods include sample surveys, semi-structured interviews, or mini-surveys. Qualitative methods might include focus group discussions, case studies, or individual interviews based on open-ended questions and participatory learning activities.

The advantage of *quantitative* methods is that the results may be generalized to a larger population, depending on the sampling method. They are useful for generating information on large numbers of people, such as the socio-economic characteristics of potential microinsurance users, the prevalence of a risk, or the cost of a coping mechanism. Quantitative methods also are useful to estimate the size of a potential market or the rate of loss associated with a particular risk. The results can be used to compare differences in demand characteristics across heterogeneous groups and geographic regions⁸ ([Table 3](#)). Many people find that quantitative data requires less skill to collect and is easier to work with and analyze. The disadvantage is that the findings may show the prevalence or distribution of responses for a particular question, but not a deeper understanding of the ‘why’. The cost of large sample surveys may be high relative to qualitative methods.

Qualitative methods -- the main focus of these guidelines – can provide more depth and detail on risks, risk management strategies, and knowledge and understanding of insurance concepts. They can explore the ‘why’ and probe more deeply on issues related to client satisfaction with existing insurance products and why clients may prefer one product attribute over another. Qualitative research also can provide insight on appropriate delivery systems and affordability issues. The advantage is that they provide a deeper understanding of an issue and can be quite cost effective. The disadvantage is that the results cannot be generalized to a larger population (although they can be generalized to theoretical propositions). Another challenge is that following qualitative research protocols, selecting participants⁹ and analyzing qualitative data often require special skills and can be time consuming.

⁸ This relates to the third level of research referred to in [Section 4](#).

⁹ See [Annex D](#).

The choice of research methods should match the skills and capabilities of those conducting the research. The amount of time respondents have available to participate should also be a consideration. The decision ultimately depends on the budget, human resources, and time available for the study. Following research protocols for both qualitative and quantitative methods is important to ensure credibility and usefulness.

TABLE 3: DIFFERENCES BETWEEN QUALITATIVE AND QUANTITATIVE METHODS

	Purpose	Results
Qualitative Models	To address questions related to how and why and what else (<i>unanticipated results</i>)	Results that can be generalized to a theoretic proposition, NOT to a general population or universe
Quantitative Models	To address questions related to what, who, where, how many, how much, the incidence and prevalence of a phenomena	Results may be generalized to a larger population, depending on the sampling technique

(Adapted from [Yin 1994](#).)

CHOOSE THE MARKET RESEARCH TOOLS

A variety of qualitative market research tools can be used for demand research. These include:

- Focus group discussion guides
- Participatory rapid appraisal tools, including games, simulations, financial diaries, and other exercises
- Individual interview guides for one-on-one interviews with clients, key informants, or positive deviants
- Questionnaires for focus group rosters or mini surveys

The qualitative market research tools developed by *MicroSave* for microfinance have been adapted for use in several previous microinsurance demand studies. Past studies also have used the AIMS/SEEP client satisfaction and loan and savings use tool (adapted to insurance). These tools have proven useful for generating findings on risks, coping strategies, and the use of risk managing financial services including insurance. They also are useful for understanding different market segments, identifying product attributes, ranking respondent preferences, assessing customer satisfaction, and addressing other qualitative research questions ([Table 4](#)).

TABLE 4: EXAMPLES OF RESEARCH TOOLS AND DATA GENERATED¹⁰

Tools	Relevant Data Generated
--------------	--------------------------------

¹⁰ See [Annex D](#) for examples of research tools. For training in the use of and information about many of these market research tools see the 'Listening to Clients' Series, an audio-visual and interactive market research toolkit produced by Microfinance Opportunities and MicroSave, 2005. [For more information, click here.](#)

TABLE 4: EXAMPLES OF RESEARCH TOOLS AND DATA GENERATED¹⁰

Tools	Relevant Data Generated
<i>Focus group discussion guide: risk and risk management strategies</i>	<p>Significant risks facing participant households ranked by impact</p> <p>Economic impacts of specific risks on households</p> <p>Precautionary strategies used by households to manage risks before they happen</p> <p>Coping mechanisms used by households to respond to risks</p> <p>Short and long-run impacts of risk management strategies on household</p>
<i>Focus group discussion guide: client satisfaction with insurance products (formal and informal)</i>	<p>Assessment of participants' understanding of insurance and how it works</p> <p>Information on insurance products used by participants</p> <p>Client perceptions of communications from the insurance provider about the product</p> <p>Satisfaction with the terms and conditions of the insurance, the claims procedures and outcomes.</p> <p>Recommendations for improving the insurance product</p>
<i>PRA tool: life cycle risks and coping mechanisms</i>	<p>The major life cycle events which require large sums of cash for participant households</p> <p>Relative expense or economic impact of life cycle events</p> <p>Precautionary strategies used by households to manage the economic stress of life cycle events before they happen</p> <p>Coping mechanisms used by households to respond to the economic stress of life cycle events after they happen</p> <p>Short and long-run impacts of risk management strategies on households</p>
<i>PRA tool: seasonality of income, expenditure, savings and credit</i>	<p>Seasonal flows of income and expenditures by month</p> <p>Sources of income</p> <p>Demand for savings and credit by month</p> <p>Events requiring large sums of cash</p>
<i>PRA tool: seasonality of risks (linked to above)</i>	<p>Seasonal flows of risks and economic stresses by month</p> <p>Precautionary strategies used by households to manage risks before they happen</p> <p>Coping mechanisms used by households to respond to specific risks</p> <p>Short and long-run impacts of risk management strategies on household</p>
<i>PRA tool: wealth ranking, to look at risks at different levels and responses at different levels</i>	<p>Information on differences in risks and risk management strategies across different wealth levels</p>

TABLE 4: EXAMPLES OF RESEARCH TOOLS AND DATA GENERATED¹⁰

Tools	Relevant Data Generated
<i>PRA tool:</i> time series of risk	How the community/participants view change over time in significant risks What are the most significant risks How risk management strategies change over time and why
<i>PRA tool:</i> attribute preference ranking of microinsurance product (link to client satisfaction focus group discussion)	What do participants view as the key attributes of the microinsurance product What is the relative importance of each attribute How satisfied are the participants with each attribute of the insurance product Recommendations for improving the product attributes
<i>Individual interview guide:</i> loan, savings, and insurance use	How an individual has used savings, loans and insurance to manage risk and economic stresses The effectiveness of their financial services for meeting the individual's risk management needs The evolution of an individual's risk management strategies over time
<i>Mini survey:</i> Client satisfaction with formal and informal insurance products	Assessment of participants' understanding of insurance and how it works Information on insurance products used by participants including: premium amount, timing of payment, method of payment, claims procedures, and impact of claim. Client perceptions of communications from the insurance provider about the product Satisfaction with the terms and conditions of the insurance product and the claims procedures and outcomes Recommendations for improving the insurance product
<i>Case study format:</i> study of informal insurance	Purpose of the informal insurance scheme Risks covered Size of group and characteristics of group members Criteria/conditions for membership Costs of participation Frequency of contributions Benefits of membership Criteria and process for payout Coverage, timeliness and accessibility of payout Important features of the insurance scheme Complementary loss management strategies used by the group members

DEFINE CONCEPTS AND TERMS USED IN THE STUDY

Consistency in the concepts and terms used by those conducting the market research is important for quality results. The concept of risk, for example, is not always easily understood or easily translated. Technical insurance terms such as coverage, payouts, premiums, or moral hazard often require explanation. Including a [glossary](#) of terms in the research protocol and reviewing these terms with field researchers is important for valid and reliable results. [Annex A](#) offers some examples of common definitions related to the demand for microinsurance.

SELECT THE STUDY SAMPLE

The study sample in demand research can include potential policy holders, current policy holders (both those who have made claims and those who have not), people who have left insurance programs, or even people who were offered voluntary microinsurance and opted not to take it. The sample for market research for microinsurance can include:

- Clients of MFIs or other institutions with the potential for offering microinsurance products.
- Individuals and households representative of a particular market segment of interest, for example women, men, urban, rural, agricultural households, etc.
- People who are vulnerable to insurable risks and have a high potential for benefiting from protection offered by microinsurance.

The sample might also include key informants such as MFI field staff, insurance agents, local community leaders, or current providers of insurance. Some previous demand studies also have included health service providers and funeral home staff.

DESIGN AN ANALYSIS PLAN

After deciding on the tools that will be used for the demand research, the research team should develop a plan for recording, organizing, and analyzing the information to be gathered. There should be an individual record for each interview, focus group discussion, PRA exercise, or other tool. The analysis plan should include a matrix for organizing the information from these records, using a format that reflects the purpose of the research. The same matrix can be used as the basis for summarizing information across a number of interviews, focus groups or participatory sessions. It is important to leave sufficient time and budget resources for analysis.

WHAT ABOUT THE BUDGET?

Much can be gained from modest investments in demand side market research. Use of low cost methodologies and adaptation of previous research designs and protocols can cut costs. If the purpose of the research is very focused and the budget is small, as few as four or five focus group discussions (using discussion guides and PRA tools) with seven or eight participants (run by a moderator and a note taker) complemented by interviews with 5-10 key informants can generate very useful information. If the questions are broader and if the purpose is to decide on a large scale investment, learn about a new market, or differentiate needs across market segments, a larger study – including a survey of structured interviews, focus groups discussions, individual interviews, and review of secondary sources of information – may be called for.

A demand study can be more cost-effective if there is a good “fit” between the objectives, methods, and resources available. In designing market research it is important to consider practical issues such as when the market research will start and over what period of time it will be carried out. The scheduling should consider seasonal issues that may affect the time available to respondents, research teams, or program staff. It is also important to consider where the research activities will take place (e.g., at people’s homes, the MFI, or public centers), whether resources and equipment are available (space for interviews or focus groups, photocopy machines, desks, computers, etc.) and other logistical considerations (transport arrangements for research teams, water, etc.). Greater efficiencies can be achieved by building on the lessons of past demand research – in terms of both their findings and research methods. Assessing the people, money, and time frame needed and available for conducting market research is critical for tailoring the scope, scale and methodology of the study.

In developing a budget for market research, the cost of the following activities should be considered:

- Planning – developing a research plan, getting approval by top management
- Design – defining research questions; designing research tools
- Data collection
- Post data collection – analyzing the data, drafting a report, reviewing and discussing options with top management; identifying preliminary options for financial education

A common mistake is to allocate too much of the budget to planning and design, and not enough to analysis of the data. To be useful and cost effective, it is important to devote sufficient market research resources – up to one third or more of the budget -- for post data collection work

CHECKLIST FOR A RESEARCH PLAN

Tasks	Activities/Examples
State the objectives of the research	<p>Say why you are doing the market research</p> <p>Identify the main audience</p> <p>Describe how the findings will be used</p> <p>Say what you hope to achieve by the end of the market research</p>
Define key research questions	<p>Keep it to three or four key questions</p> <p>Make sure they are answerable, relate to the objectives, and fit the budget</p>
Identify sources of information	<p>Primary sources (for example):</p> <ul style="list-style-type: none"> ▪ Microfinance or other financial institution clients ▪ Microinsurance or other insurance clients ▪ Key informants <p>Secondary sources (for example):</p> <ul style="list-style-type: none"> ▪ Microinsurance or other insurance program records ▪ Previous socio-economic studies of target group ▪ Previous studies of risk and vulnerability of target group
Decide on data collection methods	<p>Qualitative methods (for example):</p> <ul style="list-style-type: none"> ▪ FGDs ▪ PRA exercises ▪ Individual interviews <p>Quantitative methods (for example):</p> <ul style="list-style-type: none"> ▪ Structured interviews ▪ Mini Surveys
Design a sampling strategy	<p>Decide on the characteristics of people to participate in each component of the study</p> <p>Determine the size and location of the sample</p> <p>Establish criteria for selecting the study participants (Annex C)</p>
Develop an analysis plan	<p>How the data will be compiled and organized</p> <p>How the data will be analyzed</p> <p>How the findings will be summarized</p>

Tasks	Activities/Examples
Set a time line for the research process	<p>Time line for each research activity, for example:</p> <p>Finalize research plan</p> <p>Get approval by management</p> <p>Schedule FGD and individual interviews</p> <p>Collect data</p> <p>Analyze data</p> <p>Draft report</p> <p>Review and discuss findings with top management</p> <p>Finalize conclusions regarding demand</p> <p>Finalize recommendations for product concepts, design or delivery</p>
Assign roles and responsibilities	<p>Who will do what?</p> <p>When?</p> <p>How much time will it take?</p>
Make logistical arrangements	<p>For example:</p> <p>Scheduling FGDs</p> <p>Arranging for venues for carrying out FGDs</p> <p>Equipment (cards, scissors, tape, flip charts)</p> <p>Transport</p> <p>Refreshments</p>
Schedule data collection	Schedule of data collection activities by date, time, and location
Describe the data collection tools that will be used	<p>For example:</p> <p>Description of tool</p> <p>Purpose of tool</p> <p>Procedure for use (protocol)</p> <p>Discussion guides</p> <p>Analysis matrices</p>
Develop a report outline	<p>For example:</p> <ol style="list-style-type: none"> 1. Purpose of the study 2. Key questions 3. Methods 4. Findings 5. Implications for the design and delivery of financial education

Tasks	Activities/Examples
Develop a budget	Examples of line items for a market research budget: Planning and design: <ul style="list-style-type: none">▪ Define research question▪ Develop research tools Data collection: <ul style="list-style-type: none">▪ Collect data▪ Post-Data collection▪ Analyze data▪ Draft report▪ Final report▪ Dissemination of findings

CONCLUSIONS

Until microinsurance products become more readily available and poor people benefit from them, there is likely to be a margin of error in measuring demand. In the meantime, market research will play an important role in developing appropriate microinsurance products. As more products become available, demand research focused on real products – their attributes, costs, use, and effectiveness – will play a continuing role in improving products and informing decisions about future investments.

These guidelines provide donors as well as technical service providers with a framework for designing market research for microinsurance. They provide the reader with a step by step guide to a process that will generate information that can be used to determine the attributes of a new microinsurance product, refine those of existing products and identify ways microinsurance might be best delivered.

The Guidelines are presented as a stand alone set of instructions for assessing demand. However, they are intended to generate information that will feed into a supply side analysis that will focus on moving from the product prototype to design, pilot test and roll out of the new product.

As the field of microinsurance matures it is moving out of the early stage of 'downscaling' existing formal insurance products, originally intended to serve the needs of the middle class. We have begun to understand that for a microinsurance sector to succeed we have to move away from the notion that 'one size fits all', and understand consumer preferences for risk management products. These guidelines offer the field a template for ensuring that we move in this direction, by understanding how low income households can better manage risk and protect their assets. Only by meeting these criteria will we be able to ensure that microinsurance is available to all low income households and can be delivered on a financially sustainable basis.

LIST OF STUDIES/DOCUMENTS ON THE DEMAND FOR MICROINSURANCE

Ahuja R. and J. Jutting. 2004. "Are The Poor Too Poor To Demand Health Insurance?" Indian Council for Social Research on International Economic Relations (ICRIER.)

Ahmed, Shanaz. Jane Mbiyasi, Daniel Moko, Ament Ngonzi. 2003. "Health Care Financing Project: Health Is Wealth. How Low-income People Finance Health Care. March. Krep Development Agency.

Bester, Hennie, Doubell Chamberlain, Ryan Short, and Richard Walker. "A Regulatory Review Of Formal And Informal Funeral Insurance Markets In South Africa. A Market Review And Regulatory Proposal". Prepared by Finmark Trust. Genesis Analytics LTD. April.

Brown, W. and C. Churchill, 1999. "Providing Insurance To Low-Income Households: Part I: A Primer On Insurance Principles and Products: Microenterprise Best Practices Project. Bethesda MD DAI/USAID.

Brown, Warren. Colleen Green, Gordon Lindquist. 2000. "A Cautionary Note On Microfinance Institutions And Donor Considering Developing Microinsurance Products. Microenterprise Best Practices. December.

Cohen, Monique and Jennefer Sebstad. 2005. "Reducing Vulnerability: The Demand For Microinsurance." Journal for International Development. Vol. 17. Issue 3, Pages 397-474. John Wiley and Sons. March.

Churchill, Craig. 2005. "What is Microinsurance? Challenges of Extending Insurance to the Low-income Market." CGAP Working Group on Microinsurance. Munich, October.

Churchill, Craig, Dominic Liber, Michael J. McCord and James Roth. 2003. Making Microinsurance Work For Microfinance Institutions: A Technical Guide to Developing and Delivering MicroInsurance. Geneva: ILO

Churchill, Craig and Tony Pepler. 2004. "TUW SKOK Poland." CGAP Working Group on Microinsurance. Good and Bad Practices. Case Study No. 2. May.

Enarsson, Sven and Kjell Wiren. 2005. "MUSCO Malawi Union Of Savings And Credit Cooperatives." CGAP Working Group on Microinsurance. Good and Bad Practices. Case Study No. 8. March.

Fokma, Florentine. 2004. "Assessment Of The Demand For Microinsurance Products In Sri Lanka. Microinsurance A Safety Net In Risky Waters. Documentation Of The Progress And Development Of Yasiru Mutual Provident Society. A Microinsurance Initiative Of The Sri Lankan NGO SLPSM Rabobank Foundation And Interpolis. Columbo/Utrecht. August – October. Mimeo.kashf

GAO. November 1990. Case Study Evaluations. Program Evaluation and Methodology Division, U.S. General Accounting Office: Washington, D.C.

GAO. May 1991. Designing Evaluations. Program Evaluation and Methodology Division, U.S. General Accounting Office: Washington, D.C.

- Herrera, Carlos and Bernardo Miranda. 2004. "Columna Guatemala." CGAP Working Group on Microinsurance. Good and Bad Practices. Case Study No. 5. . December.
- Hulme, David. 1997. Impact Assessment Methodologies for Microfinance: A Review. Washington, D. C.: Management Systems International.
- International Cooperative and Mutual Insurance Federation (ICMIF). 2005. "Lessons Learnt The Hard Way." CGAP Working Group on Microinsurance. Good and Bad Practices. Case Study No.6. January.
- Kashf Foundation. n.d. 'Insurance Case Studies'. Mimeo.
- Latortue, Alexia. 2003. "Microinsurance: A Risk Management Strategy." CGAP Donor Brief, No. 16
- Leach, Jeremy. 2005. "Opportunities (And Threats) To Insurance In The New South Africa". Finmark Trust. Presentation to SAFSIA AGM.
- Leftley, Richard. 2002. "An Overview of Insurance Product Design within the Opportunity International Network." Opportunity International, Technical Services Division.
- Manje, Lemmy. 2005."Madison Insurance Zambia." CGAP Working Group on Microinsurance. Good and Bad Practices. Case Study No. 10. May.
- Manje, Lemmy and Craig Churchill. 2002. "The Demand For Risk Managing Financial Services In Low-income Communities Evidence From Zambia." Working Paper No. 31. Social Employment Sector. International Labour Office.
- Matul, Michal. 2005. Demand for Microinsurance in Georgia: Qualitative Study Results. Microfinance Centre for Central and Eastern Europe and the New Independent States. Mimeo
- Matul, Michal. 2004. "Understanding Demand For Microinsurance In Georgia." Microfinance Centre for Central and Eastern Europe and the New Independent States. Mimeo
- Matul, Michal. 2004. "Understanding Demand For Microinsurance A Crucial Step To Develop Market Led Products". Presentation at the KFW Microinsurance Symposium 21.-22. October Frankfurt.
- Matul, Michal and Daniel Quaye. 2002. "Needs and Opportunities for Microinsurance Products Development in Rural Areas of Ghana. Summary of Qualitative Research Findings. Planet Finance; Care International. March.
- Matul, Michal, Dorota Szubert, Gagik Vardanyan, Margarita Layalan and Katarzyna Pawlak. 2005. "Institutionalizing Market Intelligence: An Important Step to Becoming a Client Focused MFI." The Microfinance Centre. MFC Spotlight Note No. 15. March.
- McCord, Michael and Craig Churchill. 2005. "Delta Life Bangladesh." CGAP Working Group on Microinsurance. Good and Bad Practices. Case Study No. 7. February.
- McCord, Michael J. Felipe Botero, Janet S. McCord. 2005. "AIG Uganda. A Member Of The American International Group Of Companies." CGAP Working Group on Microinsurance. Good and Bad Practices. Case Study No. 9. April.

- McCord, Michael and Gregorz Bucykowski. 2004. "CARD MBA The Philippines." CGAP Working Group on Microinsurance. Good and Bad Practices. Case Study No. 4. December.
- McCord, Michael, Gaby Ramm and McGuinness, Elizabeth. 2005. "Microinsurance Demand and Market Prospects: Indonesia". The MicroInsurance Center.
- McCord, Michael, Gaby Ramm and McGuinness, Elizabeth. 2005. "Microinsurance Demand and Market Prospects: Lao People's Democratic Republic". The MicroInsurance Center.
- McCord, Michael and Sylvia Osinde. 2005. "Reducing Vulnerability: The Supply of Health Insurance in East Africa." Journal for International Development. Vol. 17. Issue 3, Pages 327-381. John Wiley and Sons. March.
- McCord, Michael, Tamsin Wilson, Peace Sagoe and Pierre Markowski. 2003. "An Example of a Systemic New Product Development for Life Insurance." The MicroInsurance Center. Brief No. 4.
- Mekong Economics Ltd. 2003. "The Demand For Risk Managing Financial Services From Poor Women In Rural Areas. The Case Of Vietnam". Final Report. December.
- Microfinance Opportunities and MicroSave. 2005. "Listening to Clients". Kawamba Productions.
- MicroSave*. 2003. "Market Research for Microfinance Toolkit." *MicroSave*.
- Millinga, Altimus. 2002. "Assessing the Demand for Microinsurance in Tanzania." MicroSave-Africa: Nairobi, Kenya.
- Nhu-AnTran, Tan See Yun. 2004. "TYM's Mutual Assistance Fund Vietnam." CGAP Working Group on Microinsurance. Good and Bad Practices. Case Study No. 3. June.
- Porteous, David. 2005. "The Access Frontier As A Tool In Making Markets Work For The Poor". Prepared for DFID. April.
- Rodriguez, Maximo and Bernardo Miranda. 2003. "The Case Study Of Servi Peru." CGAP Working Group on Microinsurance. Good and Bad Practices. Case Study No. 1. November.
- Roth, Jimmy. "Informal Micro Finance Schemes: The Case Of Funeral Insurance In South Africa". Working Paper No. 22. Social Employment Sector. International Labour Office.
- Sebageni, Grace. 2003. Assessing the Demand for Microinsurance in Uganda. MicroSave-Africa: Nairobi, Kenya.
- Siegel, Paul. B. Jeffrey Alwang, Sudharshan Canagarajah. 2001. "Viewing Microinsurance As A Social Risk Management Instrument." Social Protection Discussion Paper Series. No. 116. Social Protection Unit, Human Development Network. June.
- Simba, Francis. 2002. "Demand Side of Microinsurance Study – Kenya." K-Rep Advisory Services Limited: Nairobi, Kenya.

Simkhada, Nav Raj, Sushila Guatam, Mira Misha, Ishwori Acharya, and Namarata Sharma. 2000. "Research On Risk And Vulnerability Of Rural Women In Nepal". Center for Microfinance, Nepal.

Strengthening Micro Health Insurance Units for the Poor in India. 2005. "A Roadmap For Research Interventions." January

Szubert, Dorota. "Understanding The Demand For Microinsurance In Albania. Results Of Exploratory Qualitative Study." Microfinance Centre for Central and Eastern Europe and the New Independent States. Mimeo.

Wiedmaier-Pfister, Martina and Ellis Wohlner. 2004. "Microinsurance Sector Study Sri Lanka." Eschborn 2004. Deutsche Gesellschaft Fur. Tehnische Zusammenabeil (GTZ).

Yin, Robert K. 1994. Case Study Research: Design and Methods. Applied Social Research. Methods Series, Vol. 5. SAGE Publications: Thousand Oaks, CA.

ANNEX A: CONCEPTS AND DEFINITIONS RELATED TO THE DEMAND FOR MICROINSURANCE

¹¹ GLOSSARY

Benefit	The amount payable by the insurer to a claimant or beneficiary upon the occurrence of the insured event. The benefit amount should be consistent with the insurable interest. Allowing coverage above the insurable interest creates fraud and moral hazard risks.
Claim	A request for payment under the terms of an insurance contract when an insured event occurs.
Claims processing	The system and procedures that links the occurrence of an insured event with a payout. It is extremely important that microinsurers minimize the time spent in processing claims so that payouts can be made as quickly as possible.
Co-payment	Mechanism used by insurers to share risk with policy holders and reduce moral hazard, which establishes a formula for dividing the payment of losses between the insurer and the policy holder. For example, a co-payment arrangement might require a policy holder to pay 30% of all losses while the insurer covers the remainder.
Cover or coverage	The scope of protection provided under an insurance contract.
Credit life	Insurance coverage that repays the outstanding balance of a loan if a borrower dies.
Economic Stressor, Economic Stresses	A predictable event that puts pressure on household cash flow such as a marriage or school fees.
Funeral or Marriage Society	An informal community savings group similar to a ROSCA.
Endowment Insurance	Similar to a term insurance except that if the insured survives the term, they receive a lump sum payment representing the cash value of accumulated premiums plus interest. Also called cash value policies. Premiums are more expensive than for term insurance.
Health insurance	Protection from the costs of illness, accidents and other health-related risks.
Informal Insurance	Any number of methods currently used by low-income households to protect themselves against loss, either <i>ex post</i> or <i>ex ante</i> . (Examples: savings, holding of liquid assets, funeral or marriage societies, etc.)
Insurance	A system under which individuals, businesses and other entities, in exchange for a monetary payment (a premium), are guaranteed compensation for losses resulting from certain perils under specified conditions.

¹¹ Sources: Churchill, Craig F., Dominic Liber, Michael J. McCord, and James Roth. Making Insurance Work for Microfinance Institutions: [A Technical Guide to Developing and Delivering Microinsurance](#). (ILO: Geneva, 2003). Brown, Warren and Craig Churchill. Providing Insurance to Low-Income Households. [Part I: Primer on Insurance Principles and Products](#). (USAID: Washington, DC, 1999).

Insurable Risk	Risk event that is deemed to be insurable because it is idiosyncratic, easily defined, will attract a large risk pool and easily estimated probability and loss.
Insured	The policyholder, the person or entity protected in case of a loss or claim.
Insured event	The trigger event that leads to the submission of a claim (e.g., death of the policyholder).
Life insurance	Coverage providing for payment of a specified amount on the insured's death, either to the deceased's estate or to a designated beneficiary; or in the case of an endowment policy, to the policyholder at a specified date.
Market Segment	The portion of the entire local market that a given insurance product is targeted toward.
Microinsurance	A subset of insurance that provides financial protection to the poor from certain risks in a way that reflects their cash constraints and coverage requirements.
Payout Schedule	The period of time over which the insurance benefit is paid out to the client, whether it is a lump sum payment, or paid out over weeks, months or years.
Policy	The legal document issued by the company to the policyholder that outlines the conditions and terms of the insurance; also called the policy contract or the contract.
Policyholder	A person or entity that pays a premium to an insurance company in exchange for the coverage provided by the insurance policy.
Premium	The sum paid by a policyholder to keep an insurance policy in force.
Premium Schedule	The payment schedule for insurance premiums. Payments can be made in a lump sum upfront, every week, or every month for the period of the policy.
Protection	Ability of an insurance product to provide compensation for losses incurred. Protection can be full or partial.
Product Champion	A person within the organization who oversees the market research and program development and implementation. This will help the program to be more effective and to improve communication between stakeholders.
Risk	The chance of a loss.
Risk Exposure	The possibility of financial loss based on the probability of an event occurring.
Risk Management Strategies/Financial Services	Besides insurance, emergency loans and accessible savings accounts can help low-income persons to manage their risks.
Term Insurance	Provides basic insurance protection for a fixed period of time (the term). Credit life insurance, where the balance of the insured's loan is paid off in the event of their death is an example of a term insurance.
Verification	The process by which claims are determined as being valid, i.e., for life insurance requiring a death certificate and/or attending the funeral of the deceased. Verification needs to balance two objectives: a) to provide proof that the insured event occurred from two independent parties, b) without causing undue hardship for beneficiaries. Also known as claims validation, claims underwriting or adjusting.

ANNEX B: EXAMPLES OF TOPICS FOR DEMAND STUDIES

TABLE B1: THE RELEVANCE OF DEMAND STUDY TOPICS FOR PRODUCT CONCEPT DEVELOPMENT

Demand Topic/Questions	Relevance To Product Concept Development
<p>DEMOGRAPHIC CHARACTERISTICS OF THE TARGET MARKET</p> <ul style="list-style-type: none"> • Age • Gender • Marital status • Family members • Quality of living conditions • Education/literacy • Institutional affiliations 	<p>To differentiate/segment the market</p> <ul style="list-style-type: none"> - Age may affect demand for life cycle products (education, pensions) - Gender and marital status relates to differences in vulnerabilities; differences in access to self insurance; social capital, participation in informal insurance schemes not gender neutral. - Information on family members helps define the scope of coverage, cost of premiums, possible exclusions - Quality of living conditions relates to the risk profile of individuals or households (e.g., health risks) - Education/literacy relates to delivery systems, client education, marketing and promotion - Institutional affiliations suggests institutions that potentially could be involved in the delivery of microinsurance products
<p>ECONOMIC CHARACTERISTICS OF THE TARGET MARKET</p> <ul style="list-style-type: none"> • Household poverty level • Household monthly income • Cash flow patterns of various market segments • Savings and loan use 	<p>To differentiate/segment the market across wealth levels</p> <ul style="list-style-type: none"> - To assess the size of a loss relative to household income – significant relative losses suggest a potential role for insurance - To analyze affordability issues -- distinguish between those who can afford insurance and those who are too poor - To assess feasibility of different premium payment structures related to

TABLE B1: THE RELEVANCE OF DEMAND STUDY TOPICS FOR PRODUCT CONCEPT DEVELOPMENT

Demand Topic/Questions	Relevance To Product Concept Development
	<p><i>the amount and timing of payments</i></p> <p><i>- To understand the relationship and complementarities of savings, credit, and insurance</i></p>
<p>NATURE OF RISKS</p> <p>Nature of potentially insurable risks –e.g. health, life, property loss</p> <ul style="list-style-type: none"> • What are the risks associated with ill health, loss of life, property loss? • Which of these risks are poor people most vulnerable to? • How often do they occur? • How common or widespread are they? • Do they happen to households at the same time (co-variant risk) or by chance to individual households at different times (idiosyncratic risk) • Do they meet the test of potentially insurable risks? 	<p><i>To identify risks that meet the test of an insurable risk</i></p> <p><i>To prioritize the types of coverage that will have real impact</i></p> <p><i>To identify complementary activities to prevent and protect against risks ahead of time</i></p>
<p>LIFE CYCLE STRESSES</p> <p>Nature of life cycle events that cause high levels of economic stress</p> <ul style="list-style-type: none"> • Identify life cycle events cause the highest levels of economic stress? • How often do they occur? • How likely are they to occur? • Is the timing predictable? • How much do they cost? • How do people currently cover these costs? 	<p><i>To identify life cycle events that cause high levels of economic stress</i></p> <p><i>To identify economic stresses that can be reduced through endowment policies</i></p>
<p>IMPACT OF RISK EVENTS</p> <p>What is the 'thing' at risk – physical integrity, assets, income?</p> <p>What are the direct damages (financial losses, asset losses, loss of productive capacity)?</p> <p>What are the indirect losses (interrupted flow of income, human suffering, and insecurity)?</p>	<p><i>To identify priority areas of coverage</i></p> <p><i>To identify the amount of coverage required</i></p> <p><i>To identify complementary activities to help reduce and manage risks</i></p>

TABLE B1: THE RELEVANCE OF DEMAND STUDY TOPICS FOR PRODUCT CONCEPT DEVELOPMENT

Demand Topic/Questions	Relevance To Product Concept Development
<p>Is there a difference in impact across family members? To what extent to which the loss intensifies normal risks intrinsic to borrowing and running a business? To what extent to is the loss irreversible or permanent? What is the amount of the loss? - What is the severity of loss in relation to household income</p>	<p><i>To design a responsive claims settlement process – people who don't have a surplus, can not cover costs during lag in claims process</i> <i>To determine the importance of a speedy claims process</i></p>
<p>COPING STRATEGIES Current strategies to protect against and manage risks.</p> <p>- How do individuals and households protect ahead of time against risks associated with [a specific risk] (ill health, loss of life, and property loss)?</p> <p>- How do people manage losses associated with [a specific risk] after it occurs? To what extent do they use the following strategies? → self insurance (e.g., reduce consumption, use income, mobilize labor, use savings, borrow money, sell assets, get help from friends) → informal group based insurance (e.g., funeral societies, mutual aid groups, reciprocal social networks); → formal insurance; and → government insurance/social protection.</p> <p>- How do coping strategies differ by poverty level (income, assets), by age, by life cycle stage, by gender?</p> <p>- How do coping strategies vary by access to social networks or other institutional affiliations?</p> <p>- How effective are current strategies to protect against and manage these risks in terms of: → coverage – do they cover the full loss or part of it? who is covered? → timeliness – is the response timely? → accessibility - is the strategy available to</p>	<p><i>To identify gaps in types of coverage</i></p> <p><i>To identify gaps in proportion of loss covered</i></p> <p><i>To identify gaps in the timeliness of coverage</i></p> <p><i>To identify gaps in coverage for different market segments</i></p> <p><i>To identify how credit and savings may complement insurance</i></p> <p><i>To identify positive attributes of informal insurance mechanisms that can be replicated in microinsurance</i></p> <p><i>To help assess affordability of different levels of premiums</i></p>

TABLE B1: THE RELEVANCE OF DEMAND STUDY TOPICS FOR PRODUCT CONCEPT DEVELOPMENT

Demand Topic/Questions	Relevance To Product Concept Development
<p>everyone or more difficult for some groups to access? → pricing – is the cost affordable to different segments of the population?</p> <p>- Are strategies low, medium, or high stress strategies (in terms of long term consequences)? - What positive attributes of existing coping mechanisms could be incorporated into the design of microinsurance?</p>	
<p>PRIORITY RISKS BY TARGET MARKET</p> <ul style="list-style-type: none"> - Geographic location - Gender - Poverty Level - Type of enterprise - Country/region 	<p><i>To feed into the development of product concepts for different market segments</i></p> <p><i>To identify potential areas of insurance for which demand is likely to be high</i></p> <p><i>To identify potential areas of insurance that will address priority needs</i></p> <p><i>To identify potential areas of insurance that can have substantial impacts</i></p>
<p>PERCEPTION AND UNDERSTANDING OF INSURANCE</p> <p>Existing perceptions and understanding of insurance</p> <p>How do poor people perceive their ability to manage risk? Do they see shocks as so far beyond their control that they can't do anything to protect against them? What do they know about insurance? Do they understand how insurance works? What are their perceptions about the use of insurance? What is their experience or perception of formal insurance?</p>	<p><i>To help determine client education needs</i></p> <p><i>To design field agent training programs (to train agents in how to explain insurance to clients)</i></p> <p><i>To design marketing strategies</i></p>
<p>INSTITUTIONAL ASSESSMENT</p> <p>Identification of organizational structures in catchment area that reach potential target</p>	<p><i>To identify potential delivery systems</i></p> <p><i>To identify structures and positive features of systems that can be</i></p>

TABLE B1: THE RELEVANCE OF DEMAND STUDY TOPICS FOR PRODUCT CONCEPT DEVELOPMENT

Demand Topic/Questions	Relevance To Product Concept Development
<p>group and already handle a large volume of financial transactions – credit unions, cooperatives, farmers unions, labor unions, churches, schools, big employers, etc.</p>	<p><i>incorporated into insurance delivery systems</i></p>
<p>HUMAN RESOURCE ASSESSMENT Assessment of potential staff, agents, or others delivering insurance for their knowledge of insurance principles and practices and for their familiarity with the risks and financial strategies of the target market, especially poor people in the target market</p>	<p><i>To identify strategies for recruiting or assigning microinsurance field agents</i> <i>To identify staff training needs</i></p>

TABLE B2: THE RELEVANCE OF DEMAND STUDY TOPICS FOR PRODUCT DESIGN AND DELIVERY: CLIENT SATISFACTION WITH EXISTING INSURANCE

Demand Topics/Questions	Relevance for Product Design and Delivery
<p>Coverage and exclusions Description of insurance policy - What is covered? What is excluded? - Who is covered? Who is excluded?</p>	<p><i>To explore people's understanding or misunderstanding of the insurance product:</i></p>
<p>Premiums <i>Premium amount</i> - How much do you pay for your premium? - How often do you pay your premium? - How much is this in relation to your income [for same time interval as premium]? - Have you had to reduce other expenditures to afford this premium? - Has payment of insurance premiums affected MFI or other loan repayments?</p>	<p><i>To understand affordability</i></p>
<p>Premium collection <i>Method of premium collection</i> - How is your premium collected? - Is it convenient? - Is it safe? - What do you like about the process? - What do you dislike about the process?</p>	<p><i>To improve premium collection procedures</i></p>
<p>Claim process <i>Claim process</i> - Have you ever made a claim? If so, what was the process? - Was it easy? - Was it convenient? - Was there a lot of paperwork? - Was it timely (how much time did it take)? - Did you have any problems? - What did you like about it? - What did you dislike about it?</p>	<p><i>To improve the claim process</i></p>
<p>Impact of insurance <i>Impact of the insurance</i> - If you made a claim, did it cover the total loss? - If it did not cover the total loss, how did you make up the difference (what other resources did you draw upon)? - Whether or not you have made a claim, how have you benefited from this insurance? - What would you have done if you had NOT had insurance? - Describe how your life has changed as a result of this insurance - How did you use your payout?</p>	<p><i>To assess future demand</i></p>
<p>Perception and understanding of insurance <i>Understanding of insurance product</i> - Have the terms and conditions of the insurance</p>	<p><i>To identify staff training needs</i> <i>To assess client education needs</i> <i>To improve written materials</i></p>

<p>product been clearly communicated to you?</p> <ul style="list-style-type: none"> - Are written materials easy to understand and complete? - Were verbal descriptions clear? - Do you believe you have a good understanding of the insurance product? 	
<p>Client satisfaction <i>Client Satisfaction</i></p> <ul style="list-style-type: none"> - If you have not made a claim, how do you feel about continuing to pay your premium? - Are you satisfied with what the insurance covers? - What changes would you suggest in the design of this insurance product? - Do you have plans to continue coverage though this insurance product? - Are there other losses/risks you would like to be insured against? <p>Are you aware of any other insurance products?</p> <p>Probe to determine changes in scope of coverage (who is covered, level of coverage, exclusions); premiums, claim process, pay outs, clarity of information provided about the product; convenience of service</p>	<p><i>To assess future demand</i></p>

ANNEX C: SAMPLE SELECTION APPROACHES FOR QUALITATIVE RESEARCH

Basic for sample selection	When To Use and Why
Typical	→ When the aim is to know what is happening and why among typical clients.
Representative	→ To determine important differences between individuals chosen to represent important variations
Cluster	→ To determine how different groups of clients, market segments or other characteristics compare with each other.
Best cases	→ When the aim is to understand what accounts for an effective behavior, product, or delivery system
Worst cases	→ When the aim is to understand factors impinging on successful behaviors, products or delivery systems.
Bracketing (selecting people at the extremes)	→ When the aim is to know what is happening at the extremes and what explains the differences. Extreme heterogeneity.
Convenience (selecting people who are readily available)	→ When expediency is important and the data are to be used to inform survey design.

[\(Adapted from Table 2.5 in GAO 1990\)](#)

ANNEX D: EXAMPLES OF RESEARCH TOOLS

Example 1: Focus Group Discussion Guide on Risk and Coping Strategies

Purpose: To get a general sense of the range of risks and especially the coping strategies that people use and the effectiveness of these strategies. The guided discussion usually leads into the use of one of the other PRA tools below.

Strategy: Identify 6-8 people to correspond to one of the categories in the sample frame. Plan for 1.5 to 2 hours. To the extent possible, focus in on the costs associated with the risk, details of the coping strategies, and effectiveness of the coping strategies.

Welcome	
<ul style="list-style-type: none"> • Thank you for coming – we are grateful for your time. • We are from an organization that looks at financial services for poor people and tries to ensure that their voices and ideas are heard by organizations that provide these services. • We are holding these discussions to understand what people do when they require a large sum of money all at once to respond to an event that you cannot plan for or that is out of your control. We would like to understand how you deal with this challenge. • We will use this information to advise the possibilities for developing microinsurance products. 	
Warm Up	What are the most common economic activities families are involved in, in your community?
Core questions	Related probe questions
What do you understand by the word risk?	What do we mean when we say risk is “the chance of an unexpected economic loss?”
What are the biggest or most important risks that you and families similar to yours face in your community?	<p>What are the risks you encounter in the course of running your business?</p> <p>In the course of your day-to-day life, what other risks do you face?</p> <p>In general, what other risks do people in your community face?</p>
<i>Generate a list of key risks. You can write them down on cards. For each risk on the list ask the following questions:</i>	
Which of these risks have the greatest impact on family life? Rank the risks according to their impact on family life.	<p>Describe the level of financial pressure related to this risk.</p> <p>How frequently does this risk occur?</p> <p>How widespread is the risk?</p> <p>What is the cost (estimated amounts broken down by cost components)?</p> <p>Does it lead to other problems?</p> <p>Is the impact short term or long term?</p>
Talking about the most important shocks/risks you identified, how do families in your community cope with these risks <u>when</u> they happen? (Ask about each of the key risks individually.)	<p>How do families respond or manage the shock when it happens?</p> <p>What do families do to acquire the necessary lump sum of money?</p> <p><u>Probe</u> self insurance (borrowing, use of savings, use of ROSCA funds, sale of assets)</p> <p><u>Probe</u> assistance from friends and relatives</p> <p><u>Probe</u> precautionary measures that could be</p>

	taken in the future to reduce/mitigate the risk
How effective is this response?	<p>Does strategy cover the full cost of the loss? (coverage)</p> <p>Is it timely? (timeliness)</p> <p>Is strategy accessible to everyone (gender, wealth level) (accessibility)? Who is it accessible to?</p> <p>Is strategy effective for risks which happen over and over again?</p> <p>Is strategy effective for risks which effect everyone in your community (i.e., such as flood or drought)?</p> <p>What are the costs of this strategy? Is strategy very expensive relative to your income and other resources?</p> <p>Is this strategy very stressful or burdensome on you or your family?</p> <p>Does strategy reduce your ability to cope with future risks?</p>
Talking about the most important shocks/risks you identified please explain to me how families in your community protect themselves from these risks (in advance)?	<p>What do they do to protect themselves from shocks?</p> <p><u>Probe</u> self insurance (borrowing, use of savings, use of ROSCA funds, sale of assets)</p> <p><u>Probe</u> assistance from friends and relatives</p> <p><u>Probe</u> participation in informal group based insurance systems</p> <p><u>Probe</u> use of formal insurance</p> <p><u>Probe</u> precautionary measures that could be taken in the future to reduce mitigate the risk</p>
In what ways is this strategy effective? What are the shortcomings of this strategy? (or mix of strategies)?	<p>Does strategy cover the full cost of the loss? (coverage)</p> <p>Is it timely? (timeliness)</p> <p>Is strategy accessible to everyone (gender, wealth level) (accessibility)? Who is it accessible to?</p> <p>Is strategy effective for risks which happen over and over again?</p> <p>Is strategy effective for risks which affect everyone in your community at once?</p> <p>What are the costs of this strategy? Is strategy very expensive relative to your income and other resources?</p> <p>Is strategy very stressful?</p> <p>Does strategy reduce your ability to cope with future risks?</p>
Understanding of insurance: What do you understand by the word insurance? Could you explain how insurance works?	
If someone mentions insurance: What is your opinion about the insurance scheme mentioned?	<p>What do you like about it?</p> <p>What should be improved about it?</p> <p>Would you be interested to pay for the insurance product if it was adjusted to your needs and</p>

	preferences?
If insurance is not mentioned: Why do families not use insurance products in your community?	What are the biggest barriers to insurance? What do you know about insurance?
Closure Thank you. Your answers and discussion have been helpful and informative. Do you have any questions for us?	

Example 2: Analysis Matrix For Focus Group Discussion On Risks And Coping Strategies (Example)

Risk event	Impact of the risk	Coping strategy	Effectiveness of the coping strategy	Coping strategy	Effectiveness of the coping strategy	Implications
		Managing loss after it occurs		Precautionary measures		

Example 3: Criteria for ranking respondents understanding of insurance

Strong: Respondent had a clear definition of insurance and how it works, i.e., payment of premiums and a conditional benefit if the insured event occurs.

Limited: Basic grasp without full knowledge of how insurance works.

No Understanding: Captures both misunderstanding as well as inability to define insurance.

Example 4: Participatory Rapid Appraisal On Seasonality Of Risks

Purpose: To identify the seasonality of risk.

<p>Welcome</p> <ul style="list-style-type: none"> • Thank you for coming – we are grateful for your time. • We are from an organization that looks at financial services for poor people and tries to ensure that their voices and ideas are heard by organizations that provide these services. • We are holding these discussions to understand what people do when they require a large sum of money all at once to respond to an event that you cannot plan for or that is out of your control. We would like to understand how you deal with this challenge. • We will use this information to advise the possibilities for developing microinsurance products.

Strategy: Identify Key Risks

What do you understand by the word risk?	What do we mean when we say risk is “the chance of an unexpected economic loss?”
What are the biggest or most important risks that you and families similar to yours face in your community?	What are the risks you encounter in the course of running your business? In the course of your day-to-day life, what other risks do you face? In general, what other risks do people in your community face?
<i>Generate a list of key risks. You can write them down on cards. For each risk on the list ask the following questions:</i>	
Which of these risks are the most important in your community based on their impact on family life?	Obtain a list of the top 4.

1. The seasonality chart can be drawn on flip chart paper or with chalk on the floor (months across top, up to 4 key risks down the side).
2. The moderator should explain the reason for conducting the seasonality calendar – what information he/she wants from it. We want to understand more about the top risks that they and their families face throughout the year. In particular, we want to know during which months the possibility of these risks or the incidences of these risks are at their highest level.
3. Participants should then be asked to place small counters (minimum 0, maximum 5 per variable per month) to indicate the relative magnitude of the four key risks under consideration for that month. Start with the risk at the top. Ask them to indicate the months during which the incidence of that risk is highest in their community. Then ask them to fill in the relative levels of this risk during the rest of the year. Once you are done with the first risk, go to the second risk.
4. Once the seasonality calendar is filled out, probe the participants for the loss management strategies that they use during high months (i.e., months with high risks or significant shocks). For example, how do families cope with risk #1 during the

months when it is at the highest level? Where do they get the lump sums of money to cope? After exploring risk #1 fully, go to risk #2.

5. Probe for the precautionary strategies that participants use during low months (months with less risk or significant shocks). What strategies can families like yours use during the months with low levels of risk in order to prepare for the months with high levels of risks?

WRAP UP Thank the participants for their time and contributions. Give out refreshments.

Example 5: Analysis Matrix for Seasonality of Risks

Risk Event	Reason	Impact	Coping Strategy	Effectiveness of Coping Strategy	Implications
Risk event 1 [specify]					
High months (specify)					
Low months (specify)					
Risk event 2 [specify]					
High months (specify)					
Low months (specify)					
Risk event 3 [specify]					
High months (specify)					
Low months (specify)					
Risk event 4 [specify]					
High months (specify)					
Low months (specify)					