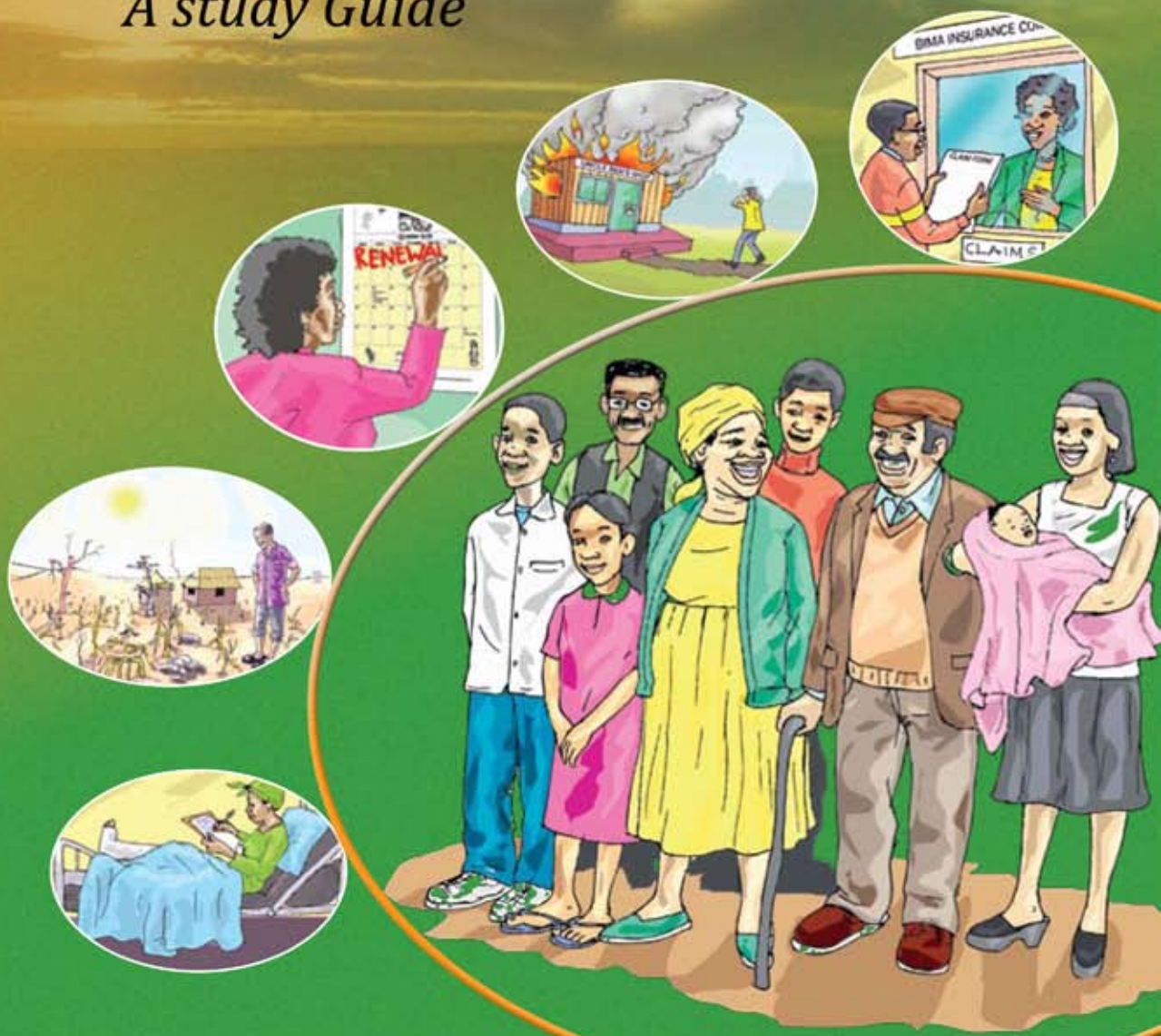


First Edition

Knowing *your* Risks *and how to* Manage Them

A study Guide



Knowing Your Risks and How to Manage Them

A Study Guide

First Edition

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Welcome to the study guide on Knowing your Risks and How to Manage them

This guide book has been developed with the understanding that risk management is an integral part of poverty alleviation and wealth creation. Low-income people have limited resources and they experience great financial difficulty when unforeseen events occur. These households do not only experience more difficulties coping with the financial aspects of risks but they also have higher exposure to potential risks. Without the tools and knowledge to cope with these events, low-income households will not have the opportunity and capacity to pull themselves out of poverty.

Hard earned incomes and accumulated assets can be eroded by unexpected shocks, though there are different risk management tools. The mobilisation of savings can mitigate some of the losses but the amounts of the savings are seldom enough to cover the full cost of a life-shock. Microinsurance is another valuable vehicle to reduce financial vulnerability. Like conventional insurance it involves the pooling of risks across individuals who make small, regular payments in exchange for the promise of future compensation in the event of a financial loss. However, microinsurance targets the low-income market; even small sums insured can ensure some protection, peace of mind and dignity.

Risk management is not new to this market, but only few people are familiar with formal insurance as a risk management tool. As a result, microinsurance products are often met by skepticism. Confidence in the insurance sector is low and negative perception abound. The myths surrounding insurance include that it only targets the rich, insurance companies rarely keep their promises and they make money of people's misfortunes. There is also reluctance to pay in advance for services one is not confident one may receive. Renewals are also problematic, especially if no claim has been made, as people are unwilling to pay again for a service they have not used. Changing

the consumer's knowledge, perception and attitudes toward insurance and creating an insurance culture is essential in facilitating the success of microinsurance. The consumers require a level of financial literacy that enables them to understand what they are getting when they pay a premium.

This guide book uses the study circle approach for ease of sharing knowledge and also to create long-term learning and behavior change. Embedded are skills that have potential to create long-term and permanent benefits to the user. This knowledge will hopefully increase the target market's trust of the insurance industry by increasing their understanding of the concept of insurance, improving their ability to use insurance correctly, raising awareness regarding consumer rights and informing how to evaluate different insurance products available.

It is my sincere hope that this guide book will go a long way to inculcate risk management knowledge amongst all our principal actors and other users. In the long term we hope to contribute to the reduced vulnerability and improved living conditions of our target group through access to and correct use of microinsurance.



Nelson C. Kuria, OGW

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Chairman - Association Kenya Insurers (AKI)

Chairman Development Committee - The International Cooperative and Mutual Insurance Federation (ICMIF)

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The overall development of this guide book was managed and co-ordinated by Therese Sandmark and Charles Mutua at the SCC-Vi. They would like to thank Microfinance Opportunities for a successful and fruitful partnership.

The curriculum is based on Risk Management and Insurance: Protect Your Family's Future, a training guide written by Candace Nelson with the Global Financial Education Program (a program of Microfinance Opportunities and Freedom from Hunger supported by the Citi Foundation). Danielle Hopkins adapted this training guide with technical support from Ana Klincic Andrews. Monique Cohen and Candace Nelson provided invaluable technical assistance.

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Microfinance Opportunities

Microfinance Opportunities was established in 2002 as a microenterprise resource centre that promotes client-led microfinance. It seeks to help low-income people increase their access to well-designed and delivered financial services. Microfinance Opportunities provides action-research, training and technical assistance in three areas focused on the clients of microfinance services: financial education, microinsurance and client assessment.

Swedish Co-Operative Centre

SCC-Vi is a non-profit, non-governmental organization that was established in 1958 to provide development support to co-operatives and other pro-poor people's organizations. In the Sub-Sahara Africa, SCC-Vi targets women and men who are members, or potential members of cooperative organisations or other democratic associations or informal groups working to achieve common goals. The target groups compromise smallholder farmers, entrepreneurs, and the low-income segment of the communities. It is critical for them to manage and protect the little they have in order to deal with life cycle events and unexpected emergencies. Promotion of risk management skills is a major strategic area for SCC-Vi in the region in order to change the situation of the target group and keep them from falling back into the vicious cycle of poverty. In the development of this guide book, we continue to show our commitment to our vision of a 'world free from poverty and injustice'.

1

Introduction to Study Circle Methodology

1.1 Learning Objectives

By the end of this session, you will be able to:

1. Explain what a study circle is
2. Describe why and how adults learn
3. Understand how to use the study circle methodology
4. Elect the study circle leader
5. Explain the role of the study circle leaders and the role of the participants.

1.2 What is a Study Circle?

A **study circle** is a group of people with a common goal to learn together. You meet to share ideas that give you the opportunity to learn new things, improve skills and strengthen your personal development. A study circle group meets on a regular basis. The group members decide on time and place. The participation in the group is voluntarily and learning together happens in a democratic environment where everyone has equal rights. The group holds between 5 and 10 meetings to study a selected topic. Each meeting lasts for about two hours. You meet to learn and share experiences.

In a study circle, work is built around:

- Your desire to learn more about a subject that will help you to improve your daily lives;
- Democratic values that ensure equality and mutual respect for one another;
- Effective communication because participants sit in a circle and face each other;
- Discussions to share and analyze individual experiences;
- Study materials that provide factual information that is relevant to your life; and

- Your involvement in the planning and implementation of the work in the study circle.

1.1 Think. Discuss. Share.

- Why did you join this study circle? Share your expectations.*
- How will you meet these expectations?*

A Study circle discussion. Members of this group are discussing the importance of savings



1.3 How do Adults Learn?

You, as an adult, learn because you have a reason and an objective to meet. For instance, you might want to produce enough milk on your farm or attract new customers to your shop. You learn best when the lesson and the information is relevant to your work, your daily life and your family.

In the learning process, most adults:

- Need respect and appreciate who they are and what they know;

- Like learning at their own pace and at a convenient time and place;
- Learn well if they are allowed freedom to choose what, where and when to learn;
- Learn well when they are given an opportunity to share their knowledge and experiences;
- Like practical application of what they learned; and
- Prefer exchange visits to learn from their peers.



Mr. Wafula seeks advice from Mr. Ochieng on how to deal with a weevil that is destroying his maize.

1.2 Think. Discuss. Share.

a. How do you like to learn?

b. What makes you uncomfortable in a learning process?

1.4. Choosing a Study Circle Leader

The study circle leader is selected by members of the group. The leader needs to be reliable and must have strong leadership qualities. The study circle leader is often trained in the study circle methodology. The leader requires continuous support during the study circle work.

The study circle leader needs to have:

- Ability to set the goals;
- Ability to make other people achieve their goals; and
- Good organizational skills to bring people together to perform a task.

1.3 Think. Discuss. Share.

What characteristics should you consider when selecting your study circle leader?

You can also consider these behaviors:

- Encourages discussion among members with different backgrounds
- Avoids showing off that she/he is more knowledgeable than members of the group
- Controls temper (exhibits tolerance)
- Remains friendly even when disagreement arises within the group
- Encourages all participants to open up discussions
- Takes ideas from other participants
- Demonstrates good listening skills
- Prepares and studies ahead to be familiar with the study materials
- Summarizes discussions or key lessons learned
- Is easily approachable
- Shows interest in people and their opinions
- Never acts in an authoritarian manner

1.5 Roles and Responsibilities of a Study Circle Leader

The responsibilities of a study circle leader are to:

- Create and develop the learning processes that stimulate and encourage the participants to actively look for knowledge
- Participate in the study circle and learn together with participants. The leader is not authoritative and does not impose his or her opinion on others
- Focus on the participants' learning. He or she needs to initiate the dialogue between participants and the learning materials and encourage them to seek solutions and ask further questions.
- Develop team spirit so that participants feel secure.
- Strengthen participants' self-confidence by encouraging participation, asking questions and sharing experiences
- Encourage participants to arrive at common decisions and apply what they have learned to everyday situations.
- Acknowledge different opinions
- Clarify different options and provide guidance when needed.
- Encourage cooperation among participants and prevent competition.
- Be a resource person in organizing the studies but not necessarily an expert in the subject matter.
- Guide members in discussing questions and encourage them to record the answers.
- Be an active participant in the learning process.

1.4 Think. Discuss. Share.

Having read and discussed the qualities and responsibilities of the study leader, write down a few names for your study circle leader.

1.6 Role of Participants

1.5 Think. Discuss. Share.

What do you think your responsibilities are as a study circle participant?

Study circle participants help each other to build knowledge and solve problems together. As a participant you must understand and accept the responsibility of using your experiences to benefit others. Once you share an idea, it becomes a group idea and everyone is welcome to share their experiences and knowledge. Sharing ideas together improves the group's knowledge and allows each member to make a contribution.

All study circles should encourage cooperation and discourage competition. You share the responsibility for the success or failure of your study circle.

Work in the study circle is made up of:

- Learning materials
- Skill of the study circle leader
- Knowledge and experiences of members

1.7 Planning Learning Sessions

Before starting a study learning session, it is important that all participants discuss and agree on the study plan.

A study plan is the plan that outlines the way learning sessions will be run, how the group will work together, the venue, time frame and the roles of each group member.

The study plan consists of the following elements:

- **Topic of the study** – What will you study?
- **The study material** – Where can you find information about the topic?

- **Venue** – Where will you meet?
- **Time schedule** – When, how often and for how long will you meet?
- **Responsibilities** – Who does what?
- **External facilitator** – Who can provide guidance if you get stuck?
- **Assessment** – Are you reaching your objectives?

The topic of the study should be decided by everyone. After you identify the topic, you need to consider where you will obtain the study materials. Once you know the topic and have the study materials, you need to make the study plan..

A study plan can be prepared in a planning session and includes these steps:

- **Deciding on the objectives of the study circle** – What are you trying to achieve?
- **Setting time frame**: Which days are best for you to meet, what time do you have available? One hour or two?
- **Dividing the topic into a set of smaller topics appropriate for the time available**. During the planning session, the group should agree on the time frame to be spent on a particular topic(s).
- **Decide where will you meet**: Are you meeting in someone's house or in a SACCO?
- **Share and agree on rules to make your learning session effective**: For example: timely arrival, agreeing on a note taker.

The success of the study circle will depend on good planning and preparation in order to achieve goals together in an effective manner.

1.8 Conclusion

A study circle is a group of people with a common goal to learn together. You meet to share ideas that give you the opportunity to learn new things, improve skills and strengthen your personal development.

1.9 Application

In this session you discussed what a study circle is, its participants and their responsibilities.

a. List three key things you learned about the study circle.

I learned: _____

I learned: _____

I learned: _____

b. Make a study circle plan together.

Select a study group leader: _____

Topic: _____

Time to meet: _____

Place to meet: _____

Notes:

2

Risks

2.1 Learning Objectives

By the end of this session you will be able to:

1. Explain what risk is
2. Explain characteristics of different types of risks
3. Explain how risks can affect you
4. Rank different risks according to their greatest financial cost
5. Calculate health risks and their associated costs

2.2 Introduction

There are many events throughout your life that will affect you emotionally, physically and financially. Different types of events cause different financial responses. Some events are more costly than others. In this session you will discuss what types of events can affect you financially and which ones can cause the most hardship for you and your family.

2.3 What is a risk?

Think of a happy moment in your life, a joyful occasion, some event or moment when you remember feeling very happy. Sometimes these happy times are threatened by loss or injury.

2.1 Think. Discuss. Share.

- a. *What kind of events can cause loss or injury?*
- b. *What can happen to you if these events occur?*

In your life you have both happy times and difficult times. Hopefully, you have more joy than sorrow. But just by being alive, you face expected and unexpected events that can negatively affect your life. These events are called risks.

Risk is the possibility of loss or injury.

2.4 How can risks affect you?

Risks include sickness, theft, fire, accident or hunger. For a farmer, a risk could be a drought that destroys his/her crops. For a small business owner, a risk could be a fire that destroys the business. For a home owner a risk could be a thief who steals savings from his/her home.

2.2 Think. Discuss. Share.

Here are some pictures of different risks you can face.

Match a picture with the description of the risk by drawing a line between the picture and the risk.



Main income earner can not work due to injury

Fire destroys family business

How would these events affect your family income?



Child has a serious case of malaria and must stay in the hospital

Accident destroys family transport



Drought destroys family crops

Drought destroys house

If this happened to you or your family how much would it cost?



Thieves steal savings from the house



Risks you face

2.5 Which risks pose the greatest threat?

Risks can cause different levels of financial pressure on your income. Some risks cause greater financial pressure than others. For example a long term sickness costs more than just buying a pill for a headache. Some risks result in expenses that are very costly for you and your family. You may not be able to afford some costs such as hospitalization.

2.3 Think. Discuss. Share.

- Look at the pictures of risks again. Chose one risk you or someone you know has experienced.*
- How did the risk affect your income?*

There are different risks present in your daily lives and in your community. Weather risks are common among farmers for example. Health risks are common both in villages and in towns.



Medication



Transportation to the clinic



Lab costs for blood tests



Bed



Doctor's fee

Margaret is thinking of medical expenses. These costs are typical for most types of sickness.



2.4 Calculate costs of sickness

This part is practical. You need to use your book to go through the exercise.

Sickness can happen many times in a year. Malaria, for example, can happen in your family once a month during the rainy or hot season. Do you know how much an illness costs?

Look at the pictures of typical medical expenses. Think how much you would need to spend for each type of medical expense. Write your figures in the box below. This exercise will help you to calculate how much a bad case of malaria may cost you.

<i>Sickness name:</i>	
<i>Doctor's fee /Consultation</i>	<i>Kshs</i> _____
<i>Transportation</i>	<i>Kshs</i> _____
<i>Lab Costs</i>	<i>Kshs</i> _____
<i>Medication</i>	<i>Kshs</i> _____
<i>Bed</i>	<i>Kshs</i> _____
<i>TOTAL COST</i>	<i>Kshs</i> _____

2.5 Think. Discuss. Share.

- What are the total costs in your example?*
- What are some other costs that might occur with sicknesses like malaria or typhoid?*
- What happens if you do not treat sickness right away?*

If you get into an accident, you could face high costs such as bed, doctors' fees and medicines. If you don't treat a sickness right away, the condition could worsen. The sick person may end up in the hospital for a long time which will cost even more money.

To pay for these expenses you may have to use your savings. You may have to borrow money. You may even be forced to sell animals like a goat to cover medical costs.

You may live in fear of the financial problems you will have if a sickness occurs. If you own a business and you get sick you may need to close your business. If your business is closed it means you make less money for you and your family.

2.6 Think. Discuss. Share.

What makes it difficult to plan ahead for sickness?

The following things might make it hard to plan ahead for sickness:

- It is hard to know when or how often the sickness might occur.
- It is hard to know how serious the sickness will be.
- You try to meet your daily needs and don't have much left over to cope with unexpected expenses.
- Planning ahead for sickness might bring you bad luck.
- You do not like to plan ahead.

2.6 Conclusion

There are several different types of risks that can affect you such as sickness, theft or accident. **Risk is a possibility of a loss or injury.** One common risk is sickness. If health risks are not treated right away a person's condition could worsen resulting in greater costs. It is important to prepare for possible financial costs for unexpected events like sickness, funeral or theft.

If you do not prepare ahead of time you will have to sell your animals, borrow or stop working in your business or on your farm.

2.7 Application

In this session you discussed what risk is, how it can affect you and how expensive it can be. Do the following exercise:

a. List three key things you learned about risks

I learned: _____

I learned: _____

I learned: _____

b. List three key risks that will be the most difficult to deal with financially. Why?

The most difficult risk: _____

The most difficult risk: _____

The most difficult risk: _____

Notes:

3

Risk Management Tools

3.1 Learning Objectives

By the end of this session you will be able to:

1. Explain what protection is and how you can protect yourself against risks
2. Identify different protection and reaction measures
3. Explain advantages and disadvantages of protection and reaction measures

3.2 Introduction

You can respond in different ways when risks happen to you and your family. Some responses are more efficient than others. In this session you will learn about different ways of financially protecting yourself and your family.

3.3 What is protection?

Protection is similar to prevention. You try to prevent bad things from happening. You do this every day in many ways. When you want to cross the street, you look to your right and to your left, before crossing. Why do you do that? You are protecting yourself from getting hit by a car.

3.1 Think. Discuss. Share.

- a. Look at the pictures below. Do you do any of these things now to protect yourself, your family or your home from risk?*
- b. Apart from these things, what other things do you do?*

Now that you understand what protection is and the things you already do to protect yourself and your family, you will learn about different ways you can protect yourself financially from a risk. Maybe you are already doing some of these things.



Roof repair



Locking up pigs



*Putting out fire to
protect the house from
catching fire*



Locking up tools

Ways to protect yourself against unexpected events

3.4 Identify Protection (Before) and Reaction (After) Measures

As an adult, you have responsibility for your family, home, farm, business, and parents. This is often the time of greatest rewards in your life. It is also the time of greatest risks as you have the most to lose. In your adult life you can expect some risks, but some, like natural disasters or accidents, you cannot predict.

Read two stories about John and Moses, to see how two different people respond to one type of a risk, a bus accident.



Last year, a terrible bus accident occurred on the hilly road from Nairobi up to the villages. Most of the passengers suffered only cuts and bruises. However, two young men, John and Moses had injuries that required hospitalization.

John works as a farmer. His wife Helen has a food stall in the market where she prepares breakfast. When John fractured his hip in the accident, he was unable to work for eight weeks.



To pay the medical bill, Helen approached the merry-go-round she belongs to for financial assistance. The group was able to lend her enough money to pay for $\frac{1}{2}$ the bill.

The other $\frac{1}{2}$ would come from an old debt owed to the family by Helen's brother. She would have to insist that he repay it now.



Normally she opens her food stall very early and closes by 10 am. However, to replace John's income, Helen would keep her food stall open for lunch. Their three children would have to go without their lunch allowance and eat, instead, at Helen's stall.

John's story

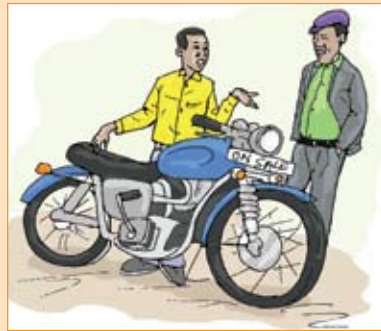
Moses operates a motorcycle taxi in town while his wife Sara tends to their small farm. She grows maize to eat and keeps goats. His earnings are spent first on school fees for their two children. When Moses broke his leg in the bus accident, the family had no savings that they could use to pay their medical bills.



At first, they borrowed from the moneylender to pay the hospital bill, but with Moses unable to work, they had no income from which to make loan payments.

He had just enough money left over for school fees for the younger daughter.

Finally, Moses had to sell the motorbike to pay off the loan.



The older daughter had to leave school and find a job as a maid at a small hotel.

To pay for daily expenses, Sara sold half of her goats.



Moses' story

3.2 Think. Discuss. Share.

This part is practical. You need to use your book to go through the exercise. You can share your answers with others.

*a. Which family did something **BEFORE** the accident?*

b. What did the family do?

*c. What did John's family and Moses' family do **AFTER** the accident?*

John's family did something **before** the accident ever occurred to **protect** them in case something like that did happen. John's family took "**protection steps**." John's wife belonged to a merry-go-round **before** the accident took place that could lend her money.

"**Protection steps**" are actions you take **before** a crisis or emergency occurs to help you respond.

The rest of the steps John's family and Moses' family took to pay these unexpected costs happened **after** the accident. They **reacted** to the accident and resulting costs in any way they could. They took "**reaction steps**". Moses had to sell his motorbike to pay the moneylender for the hospital bill **after** the accident took place.

"**Reaction steps**" are actions you take in response to something that happens **after** the fact.

3.2 Think. Discuss. Share.

This part is practical. You need to use your book to go through the exercise. You can share your answers with others.

These are the steps that John's and Moses' families took. Review the steps.

John's steps	Moses' steps
His wife collected the money her brother owed them. Expand income	They borrowed from a moneylender. Borrow
His wife kept her food stall open for lunch. Expand income	Moses sold his motorbike to pay off the loan. Sell assets
Their children stopped buying lunch and ate at his wife's stall instead. Reduce expenses	His older daughter quit school and found a job. Expand income sources
His wife belonged to a merry – go round Borrow	His wife sold half of her goats. Sell assets

a. Which steps could result in positive consequences for the family? Why?

b. Which steps could result in negative consequences for the family? Why?

3.5 Identify Advantages and Disadvantages of Protection and Reaction Steps

Read the following examples of reaction and protection steps and then discuss advantages and disadvantages of these steps using the questions below.

EXAMPLES

Protection steps

- Have more than one source of income. For example if you are a coffee or maize farmer, you can also plant a garden to have vegetables to sell;



Mary sold clothes at first but then she started to sell fruits for extra income

- Purchase small assets like a goat or radio;
- Save money for emergencies;
- Join a merry-go round or welfare aid association;



Jane joined merry – go round.

Reactions steps

- Borrow money from friends, family, or financial institution;



Peter is borrowing from SACCO

- Sell assets like cow, goat or radio;



Philip is selling his goat to Agnes.

- Reduce expenses

3.2 Think. Discuss. Share.

a. *Looking at the table above, what are some things you do now to protect yourself financially from an emergency BEFORE it occurs?*

b. *Looking at the table above, what have you or someone else you know done AFTER an emergency has occurred?*

c. *What are advantages of the steps you used, what has worked well? What are the disadvantages, what has not worked well?*

3.6 Conclusion

Protection is similar to prevention. You try to prevent bad things from happening like getting hit by a car when you cross the street. **Protection steps** are something you do to prepare yourself **before** a difficult situation or unexpected event takes place. **Reaction steps** are actions you take to address the unexpected event **after** it occurs.

You can prepare for crises by taking protection steps such as saving, joining a merry-go-round or welfare association, having more than one source of income or purchasing small assets.

To react to an event after it happens, you may need to reduce expenses, borrow, or sell some of your assets. If you are unable to work during this time you could have trouble repaying the loan.

3.7 Application

In this session you have learned about protection and reaction steps and their advantages and disadvantages. Do the following exercise:

- a. List three key things you learned about protection and reaction steps:

- b. What will you do differently now to protect yourself from unexpected events?

Notes:

Notes:

4

Savings

4.1 Learning Objectives

By the end of this session you will be able to:

1. Identify ways of saving more money
2. Determine which savings methods are commonly used
3. Identify which savings methods are most helpful in responding to emergencies
4. Explain when to use savings or credit for an emergency

4.2 Introduction

When faced with an unexpected event, you may be able to respond with your savings or by borrowing money. Although you know it is important to save, you might find it hard to do, and would like to know more about **how** to save. You may wonder when to borrow or use your savings to pay for the expenses caused by an emergency. In this session, you will look more closely at savings: the way you save, how to save more and when to use savings or borrow in response to an emergency.

4.3 How to save more money

The amount you save depends on the amount of money you have available. You have many things you need to spend money on. They include household items, food, school fees, transportation, and of course health-related expenses. Sometimes you may feel that you do not have control over your financial situation and as a result, saving can be difficult.

Read the story of Josephine to see how one family decided to save.

Josephine and her husband John, live on the outskirts of town. They have three children: Patrick, age 13; Mary, age 10; and Janet, age 4. Josephine has a small restaurant and John works as a day laborer on a big farm.

The restaurant does well during the hot season and around the holidays in December. John has steady work in the dry season, but no work during the rainy season. Josephine takes loans from a microfinance institution every year in early February to cover expenses when the restaurant is slow and John has no work.

Sometimes she also has to borrow from her women's group to pay for school fees for the two older children. She and John have talked about expanding their business by adding a small bakery that would provide some steady income all year, but they do not have the capital. It is tradition for the family to host a big party at Christmas.

Discuss Josephine's story using the questions below.

4.1 Think. Discuss. Share.

a. What are the savings goals of Josephine's family?

Her family goals are: _____

b. How else can Josephine's family save more money?

They can save more money: _____

Saving requires setting goals. In Josephine's case the family wanted to be able to pay school fees, survive the rainy season and expand the business.

Saving requires discipline. Saving also requires sacrificing other needs and desires.

You can develop a plan and make a commitment to yourself and your family to save.

Here is how you and your family can save more.

4.2 Think. Discuss. Share.

Ways of Saving More

a. Cut spending:

Unnecessary expenses are different for each family. These expenses are usually not necessary for your survival. For example, you can decide to buy less juice or soda.

b. Save a portion of income as soon as it is earned:

If you make Kshs 2000 on a monthly basis, you could decide to put Kshs 200 aside as soon as you receive your payment

c. Use extra money and start another small business:

You may have some extra income every month. Instead of spending it you can start another small business that can bring you even more extra cash.

d. Use loans wisely to earn income:

You can use a loan to invest in a business activity and avoid using loans for household expenses, like buying food. In both cases, you have to make the loan payments. But in the first case, you will be building a business which should bring in extra income as well as earn money to repay the loan. You will have the business even after the loan is repaid. Using a loan to pay daily expenses does not bring these benefits.





e. Increase your income:

You can increase your income by expanding your business or planting additional crops to sell. For example you could expand your hours if you own a small store. Or if you own a small food stand you could serve both breakfast and lunch if you normally just serve one type of meal.

f. Think of one more way of saving more and write it here. Share with the group.

4.4 Where can you save?

Some savings methods are good because they force you to save and make it hard for you to withdraw your savings. You may prefer methods that give you more freedom and flexibility to use your savings whenever you need to and for any purpose. Any way you save is good, but some methods are more useful than others for managing emergencies.

Different ways you can save			
Formal ways		Informal ways	
<i>Savings in a SACCO, microfinance institution or bank</i>	<i>Joining a merry – go round or welfare association</i>	<i>Purchasing animals</i>	<i>Savings at home</i>
			

These pictures show different savings strategies but these strategies have some advantages and disadvantages. This largely depends on the type of situation you need to use your savings for. Informal strategies are those that you use at home, while Semi Formal and Formal are those that you use with a group or organization like a welfare association, microfinance institution, cooperative like SACCO or a bank.

4.1 Think. Discuss. Share.

Make two groups: Group A and B. Group A will discuss the formal savings strategies found in the pictures on the left hand side of the page and Group B will discuss the informal savings strategies on the right hand side of the page. In your groups, discuss advantages and disadvantages of these strategies. Write your answers in the table below and share with the other group.

Savings Strategy Name	Advantages	Disadvantages
1. _____	_____	_____
	_____	_____
	_____	_____
	_____	_____
2. _____	_____	_____
	_____	_____
	_____	_____

Compare your answers with suggestions below.

Advantages and Disadvantages of Different Savings Strategies

Advantages

- The value could increase over time.
- You may be able to sell animals very quickly
- If you have more than one, you can sell it for different emergency purposes
- In an emergency situation, you can use it to feed the family

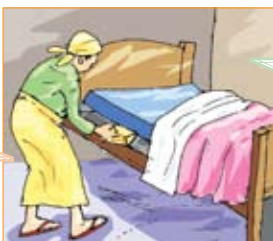
You have easy access to money when it is kept at home in the case of an emergency.

Advantages

- The group provides great support
- A group treasurer keeps the money safe so it is not easy to access money fast therefore you will be less tempted to spend it.

- Banks or microfinance organizations provide safety and offer less temptation to spend the money.
- You may also earn interest or additional money if you keep your savings in a bank.

Informal



Semi-formal and Informal



Disadvantages

- The value could decrease over time.
- In an emergency situation when you need money immediately, you might be forced to sell your animals at a lower price.
- Time you need to sell may be longer dependent on the type of animal you are selling
- You may be tempted to spend left over money on unnecessary things
- In the case of animals there is a risk of theft or death.

- Money is too accessible and therefore easily spent.
- When you have money at home you may feel tempted to spend it on unnecessary expenses.
- Children and family members often pressure you to spend any money you have on hand.
- Your money may not be safe at home because someone could take it.

Disadvantages

- Sometimes you might have to wait for your turn to receive the group funds and not be able to respond quickly to the emergency.
- The funds available from the group may not be enough to cover the total costs of a serious emergency.

- There may be fees for saving your money in a bank or microfinance institution.
- You may have to wait in a long line.
- The terms of the account may be confusing.

4.5 Use Savings or Credit?

You have two choices when you need money to deal with an emergency – borrow money or use savings.

Borrowing from friends or family often requires no interest. Borrowing from a bank, microfinance institution or cooperative will allow you to build up a credit reputation.

Savings can help you cover **some** of the costs of the emergency so the event is less stressful on you and your family but may not be enough to cover a large risk. Saving for unexpected events before they occur may be less expensive than paying interest on a loan later.

Sometimes, it is better to borrow. This may be true when the emergency does not affect your ability to earn income. If you have income that allows you to make loan payments, you might consider taking a loan and keeping your savings for something in the future – perhaps a situation that **will** keep you from earning money and for which you might not have any other choice but to use savings.

Read the guidelines below for when to use savings and when to use credit to deal with an emergency.

Guidelines for When to Use Savings or Credit

If the emergency you face affects your ability to earn income, use savings to pay for your expenses. For example, if sickness keeps you from working, use savings to pay your expenses.

If the emergency does not stop or reduce income, consider taking a loan to pay for unexpected expenses. For example, if you are sick but have someone to run your business or work at your farm in your absence, you can still make money and repay your loan.

Read the stories of Mary, Peter, Sara and David to help them decide whether to use savings or credit. When deciding, make sure you follow the guidelines for when to use savings or credit.



Mary's 7-year old son was hit by a motorbike. He will need to be taken to the hospital immediately. Mary sells vegetables at the market and makes regular income. The family needs to pay Kshs 5,000 before their son can be treated in the hospital.

Mary should use: _____

Mary's son needs to go to the hospital immediately



Peter works as a carpenter and his income is the main source of support for his wife and three children. He falls off a ladder and breaks his leg. The doctors tell him that he will not be able to work for 2 months.

Peter should use: _____

Peter falls off a ladder



Sara and her husband have a retail shop that covers all their expenses. This week, Sara's father has passed away after a long sickness. The family expects a large number of people to attend the funeral.

Sara should use: _____

Sara's father passes away



David is a farmer who depends on his coffee crop. In previous years he saved with a SACCO. Unfortunately, during this growing season, a drought has reduced his harvest significantly. He estimates that his income will be half of what it normally is.

David should use: _____

Drought reduces David's harvest

Mary can still make income so she should use credit. Peter is a main income earner so the family depends on his income. If he takes a loan the family will not be able to repay it so he should use savings. While Sara attends to her father's funeral her husband can keep their business going so she should use credit. David's income will be reduced during the drought so he should use savings.

You should choose to use savings when an emergency affects your ability to earn income on regular basis like in Peter's case. The loss of income will make it difficult for you to repay a loan. If you cannot repay a loan, you might be forced to sell assets, making your situation even worse like in David's case. If David borrowed and was unable to repay his loan he might have to sell his land. Without his land David could not make income. He might also be unable to qualify for a new loan once he has a bad credit record and no land to serve as a loan guarantee.

When an emergency seriously reduces income, it will be less stressful to cover expenses with savings than with a loan. If the emergency does not affect income, you may choose to borrow, and reserve your savings for a future emergency like Mary and Sara did. The emergencies Mary and Sara faced did not affect their ability to make money.

4.6 Conclusion

You can save more by cutting your expenses. You can also save by increasing your income or saving a portion of your income as soon as it is earned. Different ways of saving have both benefits and limits. Savings can be used to start a new activity or to reduce your debt.

It is important to consider your situation carefully before you decide if you will use savings or credit to respond to an emergency. You should choose to use savings when an emergency affects your ability to earn income. If the emergency does not affect your income, you may choose to borrow, and keep your savings for another future emergency.

4.7 Application

In this session you learned about the importance of savings, and you also learned when to use savings and credit. Do the following exercise:

- a. List three key things you learned about using savings and credit in emergency situations.

I learned : _____

I learned : _____

I learned : _____

- b. Think about your family's saving goals. Write three things you plan to do by the end of the year to have more savings.

I will: _____

I will: _____

I will: _____

Notes:

Notes:

5

Introduction to Insurance

5.1 Learning Objectives

By the end of this session you will be able to:

1. Identify common myths about insurance
2. Define insurance
3. Explain pooled risk and how it works
4. Compare welfare association and insurance
5. Identify benefits of insurance

5.2 Introduction

You might have heard something about insurance that may or may not be true. Or maybe you know someone that had a good or bad experience with insurance. Insurance can be hard to understand. Your task in this session is to learn what insurance is and how it works.

5.3 Myths about insurance

5.1 Think. Discuss. Share.

- a. *What do you think about insurance?*
- b. *What types of insurance have you heard about?*

Read the following statements and decide if you think they are true or not.

- Insurance is only for rich people
- Insurance is a business where somebody makes money off of other people's unhappiness
- Insurance will not help a person when he/she is sick
- Buying insurance will bring bad luck to my family
- Receiving money from insurance companies takes a very long time

- There is no reason to buy insurance when no one in my family has any sickness or other health problems right now.

You may believe these things about insurance, but none of them are facts. You may think that if you buy insurance for a sickness, emergency or even death you will invite or cause these things to happen. You may think you only need insurance AFTER an emergency or unfortunate event has happened.

These statements about insurance are **myths**.

A **myth** is something that people may believe but in reality it is not true.

Like savings, **insurance** is another way of protecting yourself against the threat or possibility of loss/risks. It is a guarantee for payment if an emergency or a risk occurs.

5.4 Welfare Associations and Pooled Risk

You may know about or even be a member of a welfare/welfare association such as a funeral association. If so, you are already practicing something that is like insurance. You will now read and discuss about one way to prepare for a common crisis in your community, the crisis of death and the funeral that follows.



Mortuary



Food



Transportation of family and friends to the funeral



Help from neighbor



Transportation of the body



Coffin

In your community welfare associations are very common to cope with funeral expenses such as the coffin, transporting the body, transporting family members and friends to the burial ground, and food and drink for the guests.

5.2 Think. Discuss. Share.

- a. *Why is a welfare association able to give more money to a member who has a death in the family than he/she pays in contributions?*
- b. *If you are a member of a welfare association, what happens to your contribution if you do not have a death in your family?*

Each member contributes to the fund of a welfare association. The contributions of all members go into a joint pool. These contributions are later used to support the emergency needs of a few members.

By **pooling** your contributions in this way, you can receive more money from the welfare association fund than you each paid into it. This amount is also likely to be more than you are able to save on your own.

If you do not experience the crisis, you do not get any money back. The welfare association fund grows with small contributions from members so that it has enough money to help out those members in need.

Read Isaac's story.

Story of Isaac

Isaac belonged to a welfare association with other people from his village. Isaac had just paid his quarterly contribution.

Isaac's daughter fell very sick with typhoid and unfortunately passed away. Isaac went to the welfare association in hopes of getting financial help with the Ksh. 35,000 that he needed for his daughter's funeral. However, because some of the other members had also experienced a death in their family Isaac was only able to get Kshs 10,000. He would have to sell five goats to get the remaining Kshs 25,000.

Discuss Isaac's story using the questions below.

5.3 Think. Discuss. Share.

- a. *What are the benefits of belonging to a welfare association?*

Benefit _____

Benefit _____

- b. *What are some of the limits of a welfare association?*

Limits _____

Limits _____

A welfare association provides money to members who experience a death in their family. A welfare association can also give you social and emotional support like a friendly word or food from your neighbor.



Members contributing to a welfare association

A welfare association has some limits. For example, it may take a long time to respond to an emergency. If more than one member needs money at the same time, the welfare association may not have sufficient funds for all members experiencing loss. Some members may not contribute to the group on a regular basis, lowering the total amount of money available to those members who face an emergency. As a result, the money they receive may not be enough to cover their total costs.

5.5 Compare Welfare Association and Insurance

Continue reading Isaac's story to find out another way to prepare for the crisis presented by a funeral or death.

Story of Isaac, Continued

When Isaac was selling his goats at the market to pay for his daughter's funeral, he ran into his friend David. David had also recently lost his son to malaria. David told him how he had purchased funeral insurance that covers up to Kshs 30,000 towards the funeral expenses for him and his family.

Isaac said that the welfare association he belonged to ran out of money because there were other deaths among the members. David explained that insurance companies are different than welfare associations because they will not run out of money if many of its customers have emergencies at the same time.

Discuss the second part of Isaac's story using the questions below.

5.4 Think. Discuss. Share.

a. How is insurance similar to a welfare association?

Similarities are _____

b. How is insurance different from a welfare association?

Differences are _____

Both insurance and welfare associations offer protection against a potential risk. Like a welfare association, the insurance company collects payments from customers. These payments are put together, or "pooled," to create a larger fund that can pay benefits to a member or customer when she or he experiences a crisis.



A welfare association covers limited number of people from one area, while an insurance company covers many people in different areas around the country.

An insurance company has many more clients who live all over the country or region. As a result, an insurance company will not run out of money when many of its members have emergencies at the same time. You do not need to worry about where the money comes from with an insurance company.

A welfare association has a smaller number of members. A welfare association can run out of money if its members are unable to pay into the fund or if more than one emergency, like death, occurs at the same time to many members.

5.5 Think. Discuss. Share.

What questions do you have about insurance?

5.6 Conclusion

There are many potential costs related to sickness, death and accidents. A welfare association is one way that you can pay for the costs associated with a funeral. A welfare association is like insurance. It can give you social and emotional support in a case of an unfortunate event but it also has its limits since it can run out of money. When a welfare association runs out of money, it cannot help you.

Insurance is another form of protection that guarantees to cover unexpected expenses when an emergency occurs. Insurance companies will not run out of money. Insurance helps you protect assets such as livestock, farm or business; you will not need to sell them if an emergency occurs. Insurance also helps you to protect your savings since you will not need to use all of your savings to pay the costs of an emergency. Insurance gives you a peace of mind.

5.7 Application

In this session you learned about insurance and the differences between insurance and welfare associations.

a. List three key things you learned about insurance.

I learned: _____

I learned: _____

I learned: _____

b. List three benefits of insurance that you will share with your family.

Benefit 1: _____

Benefit 2: _____

Benefit 3: _____

Notes:

Notes:

6

How does Insurance Work?

6.1 Learning Objectives

By the end of this session you will be able to:

1. Identify different insurance terms
2. Analyze the costs and benefits of insurance
3. Explain the answers to frequently asked questions

6.2 Introduction

You will learn many new terms that will help you understand how insurance works. You will also learn the answers to some frequently asked questions about insurance that you may have.

6.3 Insurance Terms

Insurance has many terms that are new to you. When you speak to an agent of an insurance company, it is easy to get confused if you do not know these words.

Learn these terms through the story of Richard who was interested in purchasing insurance.

Story of Richard

Richard owns an electrical repair shop. He wants to purchase health insurance so that he and his family are covered for hospital expenses or accident related expenses that could occur in his shop or elsewhere. Richard goes to a SACCO to find out more information about insurance. There he gets a contract to review, which has many new words like: policy holder, policy, premium, benefits, beneficiary, eligibility, coverage, claim, payout and exclusions.

Before making a decision on purchasing an insurance policy Richard wants to review it with his wife first.

6.1 Think. Discuss. Share.

Here are pictures of important insurance terms that Richard needs to explain to his family. You will help Richard explain the terms to his family by doing this exercise. Match the description of the term with the correct picture.

Insurance Terms

Benefits are the money that the insurance company promises to pay to Richard if a loss covered by the policy occurs. For example, if Richard gets into an accident, the insurance company may pay for his doctor fees, bed charges and prescribed medication.



A **policy** is a contract between an insurance company and Richard. Once Richard pays a premium/contribution, he becomes a policy holder/insured.



The **beneficiary** is the person who receives the benefits that the insurance company pays. A health insurance policy will, for example, cover you and your children, so you are all beneficiaries.



The **premium/contribution** is the money that Richard has to pay the insurance company for the protection described in his insurance policy



Insurance Terms

A **claim** is the request for payment that the policyholder sends to the insurance company when he/she suffers a loss. For example, if someone in Richard's family dies, he may need to submit a claim to his insurance company to receive payment for the funeral expenses.



Exclusions/Limitations of coverage/ Terms and conditions are specific conditions or circumstances that the policy does not cover. For example, some health insurance policies may not include transportation to the hospital.



A **payout/claim settlement** is the amount of money you will receive once the claim has been processed.



Eligibility refers to the criteria that determine who can purchase an insurance policy. For example, there may be age restrictions that prevent people above or below a certain age from buying an insurance policy.



Insurance Terms

An **insurance card** is an ID card that must be presented at the hospital at time of admission. This card provides proof of health insurance, enabling the bearer to avoid paying a deposit for admission to hospital or paying cash for treatment received.



Coverage/Cover is a scope of protection under the insurance contract. For example Richard may have insurance that covers funeral costs.



6.4 Cost Benefit Analysis

Benefits of insurance are sometimes hard to understand. You may believe that insurance is too expensive for you and that you are better off taking your chances that an emergency will not occur and just paying the costs if it does.

Read the following story of Daniel to learn about the costs and benefits of a health insurance product called “Healthy Bora”.

The story of Daniel

Daniel is a farmer. Daniel is the principal member on the “Healthy Bora” health insurance policy. He just paid his premium of Kshs 3,000. One day Daniel was on his way into town on his motorbike when a truck coming in the opposite direction went out of control and hit him. He was taken to the hospital with severe injuries. He presented his “Healthy Bora” card right away to show that he had insurance. He had to stay in the hospital for two weeks.

He was worried that his family wouldn’t have enough money during that time but then he learned from the insurance agent that the “Healthy Bora” insurance includes a benefit for loss of income. He will receive Kshs 2,000 for each week that he is in the hospital and unable to work. Daniel will also receive additional benefits. His doctor fees of Kshs 2,000, x-ray costs of Kshs 1,000 and bed charges of Kshs 500 per day will be paid for. The bed charges alone are Kshs 7,000 for the two weeks.

Discuss the costs and benefits of Daniel's insurance using the questions below.

6.2 Think. Discuss. Share.

Daniel needs to stay in hospital. His medical costs include: doctor fees of Kshs 2,000, x-ray costs of Kshs 1,000 and bed charges of Kshs 7,000. However, his health insurance will pay these costs for him.

- 1. What are the total medical costs Daniel would have to pay if he did not have health insurance? _____*
- 2. How much in total will Daniel receive in benefits? _____*
- 3. How much did he pay for insurance cover? _____*
- 4. What is the difference between the benefits and costs? _____*

Should Daniel have purchased health insurance? Why yes or why not?

Insurance can seem complicated. But now that you understand the terms and benefits of insurance, you can evaluate if the protection from the insurance is worth the cost of the premiums.

Read the stories of Samuel and Charles to see how two different families react to the medical costs they face.

Stories of Samuel and Charles

Samuel and Charles live next door to each other. They have been best friends since secondary school. They both have three children who are the same age and go to school together.

During one rainy season Samuel's youngest daughter, Susan, and Charles's youngest daughter, Sharon, both came down with malaria.

Samuel had just recently paid the premium for the 'Insurance Best' health insurance. He took Susan immediately to the hospital and she needed to be admitted. After he presented his insurance card, she was seen by a doctor. The doctor prescribed her medication that they could get at the clinic. The doctor's fees and medication were covered by their insurance so they did not have to pay anything.

Charles, on the other hand, did not take his daughter Sharon to the hospital. He could not afford the hospital costs or medication since he did not have insurance. As a result Sharon's condition worsened. She missed several weeks of school while she was at home sick. Finally, Charles had to borrow money from his brother to take Sharon to the hospital. Her condition was so serious that she had to stay in the hospital for three days. At the end of the three days, Charles had to pay Kshs 7,000 for all of the hospital fees, blood tests and medications.

Discuss these stories using the questions below.

6.3 Think. Discuss. Share.

- a. *How did Samuel's and Charles' families react?*
- b. *Why did they react in different ways?*
- c. *What was the difference in the end result for both families?*

If you have insurance, you will most likely seek the necessary medical attention for you or your family right away. Delaying medical attention or treatment could cause complications or the condition to worsen resulting in a greater expense.

6.5 Frequently Asked Questions

Read Sara's story and Rebecca's story to find out the answers to these commonly asked questions:

- If I do not submit a claim during the period covered by my premium, do I get any refund?
- Can I sign up for an insurance policy only when I think I will need it?

Read the story first, then turn to the person to your right and discuss these stories using the questions below.

Sara is afraid that she cannot afford the premium on the new health insurance policy that is being offered through her MFI. But she knows that her son will need to have surgery in the next year. The insurance premium of Kshs 3,500 is set for one year of health care coverage. Sara wants to purchase the insurance for three months, starting one month before her son's surgery and ending two months after.

Can Sara purchase the insurance policy the way she plans? Why or why not?

Should Rebecca get a refund? Why or why not? _____

Rebecca signed up for a health insurance policy and used her savings to pay the premiums. During the first year, no one in Rebecca's family had any health problems. Rebecca thinks she should get a refund of at least some of her premiums because she did not use any of the medical care that they paid for.

Sara cannot purchase insurance for only three months because her insurance policy's premiums are set for one year. She cannot change the number of months she pays premiums.

Rebecca is not entitled to a refund because her health insurance protects against risk; even if her family does not become ill or need to see the doctor.

6.6 Conclusion

You have learned important insurance terms to help you understand the benefits and coverage of an insurance policy. The benefits of insurance usually are greater than the costs, especially since you will seek medical attention right away and avoid greater expenses if you have insurance. Insurance policies are typically good for one year and you will not receive a refund if you do not suffer a loss or emergency.

6.7 Application

In this session you learned about the terms and benefits of insurance.

a. List three key insurance terms you learned.

I learned: _____

I learned: _____

I learned: _____

b. How can insurance benefit you and your family?

Notes:

7

Different types of Insurance Products

7.1 Learning objectives

By the end of this session you will be able to:

1. Explain what you need to know about health insurance
2. Explain what you need to know about life insurance
3. Explain what you need to know about property insurance

7.2 Introduction

There are different insurance products, or policies, for different types of risk. You can purchase health insurance, car insurance, property insurance and/or life insurance. As the customer interested in buying insurance, you have to decide what type of loss you fear most and find the insurance policy that offers protection against that loss.

In sessions 5 and 6 you learned how insurance works. In this session, you will learn basic information about different type of insurance products.

7.3 Basics of Health Insurance

Health insurance is any insurance product that provides protection for cases of sickness, accident or disability. Insurance companies partner with different hospitals to provide health insurance.



7.1 Think. Discuss. Share.

a. What can happen to your family in a case of unexpected medical expenses?

b. What are some unexpected medical expenses?

Health insurance can help you and your family with the unexpected medical expenses you listed above.

There are different types of health insurance policies available. Different health insurance policies cover different risks. Health policy that covers only the costs of bed and hospital is called **Standard medical cover**. But often, health insurance products combine more than one risk. For example, one health insurance product can cover costs of going to the hospital and costs of accident or emergency. This type of policy is called **Enhanced cover**. If you want to be covered for additional benefits like funeral expenses, or ambulance you need to pay extra for this type of coverage.

Health insurance cover will be explained in the Health Insurance Policy. It is important to understand the health insurance policy well.

Health insurance common terms

➔ Health insurance can cover in-patient and out-patient medical costs.

In-patient care is any care that requires hospital admission and overnight stay. For example a woman who goes to the hospital to deliver a baby receives in-patient care.



John needs to spend a night at the hospital; he is in-patient

Out-patient care is any medical treatment that does not require hospital admission and overnight stay. For example if your child has the flu and needs medicine, he receives out-patient care.



*Daniel is getting a flu shot; He is **out-patient***

➔ Health insurance can cover Disability.



John is disabled and unable to work at his farm

Disability occurs when a severe injury results in the inability to perform previous income generating activities. Examples of disabilities include loss of a leg or an arm.

There are two types of disabilities: temporary and permanent. Disability is determined by a doctor.

➔ Health insurance can help you with compensation due to loss of income.

Loss of income happens when a person cannot work due to illness or an accident. This is also called **temporary disability**.



Moses broke his arm and lost his income for 5 Weeks

➔ Health insurance can help you with medical costs arising from an accident or an emergency

An **accident** or **emergency** is a sudden, urgent, unexpected event that requires immediate hospitalization. Examples of accidents include road accidents, domestic violence and snake bites.



Samuel was in a bus accident

7.2 Think. Discuss. Share.

Did you or any one you know have an experience with health insurance?

When choosing health insurance you need to be informed about:

1. **Limitations of cover** -- Health insurance often has limits to what is covered. This means that costs of sickness are covered up to a certain amount. You need to carefully read what is covered by your health policy and what its financial limits are.
2. **Type of cover** – Health insurance can come in two different forms: **standard health insurance** and **enhanced health insurance**. You need to carefully read the policy to see whether it meets your needs. Different types of cover have different premium charges.

Read the story of Elizabeth and Samuel to help one family decide what kind of health insurance to buy.

Story of Elizabeth and Samuel

Elizabeth and Samuel are trying to decide which kind of health insurance to buy: insurance that covers **in-patient care** such as an accident that requires admission to the hospital or insurance that covers **out-patient care** such as routine medical exams and vaccinations for the family.

Samuel works as a carpenter which puts him in harm's way every day. But the couple also has three children, and Elizabeth always seems to be struggling to pay one medical bill or another. Her 14-year-old son sometimes works as a day laborer and ends up handling chemicals and pesticides.

When one of the children gets sick, she usually has to borrow from the moneylender who charges very high interest. But the couple does not feel that they can afford to buy both types of insurance.

7.3 Think. Discuss. Share.

Should they buy insurance for in-patient care or out-patient care? Why?

You saw that Elizabeth and Samuel should purchase insurance that covers in-patient care such as an accident because Samuel's job puts him at a high risk for an accident. Also, their 14-year-old son is at high risk when he works with chemicals. Since Samuel and his son are the income-earners in the family, the financial consequences will be severe if they have an accident and do not receive proper medical care. If they cannot return to work, the family will lose its source of income. Even though Elizabeth usually has to borrow money to pay for her children's routine care, she still has a chance of repaying the loan if her husband and son continue to work.

7.4 Basics of Life Insurance

Life insurance is usually purchased by adults who have a family to look after. If a head of a family dies, the family is often left without money.

Life insurance offers a cash benefit to the beneficiary in a case of death. The family can use life insurance money to pay for funeral expenses and living expenses until they can replace the income of the person who died.



John and Grace have a life insurance policy to protect their family in a case of death

There are different types of life insurance products available. A common life insurance product is **Credit life insurance**.

Credit life insurance covers the loan balance in a case of death of the borrower. Some Credit life insurance policies also offer some fixed payouts to cover funeral costs and some immediate expenses to the beneficiaries. Sometimes these are called funeral benefits.

You learned earlier that special circumstances that the policy does not cover are called “exclusions”. In the case of life insurance, death by suicide is often excluded; in some areas death by murder is also excluded.

When you purchase a life insurance policy, you will be asked to name **a beneficiary/next of kin**. Often a beneficiary is a member of the immediate family.

Life insurance cash payments are often large sums of money so it is very important to choose a beneficiary well. You need to ask yourself the following question before choosing a beneficiary.

7.4 Think. Discuss. Share.

What characteristics should a person have to manage a large sum of money?

There is no “right” answer about who makes the best beneficiary. It will depend on your family circumstances. The person you choose should be trustworthy, since you need to trust that they will be able to use the insurance money to provide for your loved ones after you are gone. Whoever you name as beneficiary/next of kin should understand what your wishes are regarding the use of the insurance money in the event of your death.

Here are some guidelines for you to think about when thinking of potential beneficiaries for your life policy.

Next of Kin	Advantages	Disadvantages
Wife	<ul style="list-style-type: none"> • Will need help taking care of children • Will now be the only income earner in the family 	<ul style="list-style-type: none"> • May spend the money only for daily expenses and therefore use up the money fast
Husband	<ul style="list-style-type: none"> • Is usually the head of a household • Will need help caring for children • Will be able to invest money to improve family's wellbeing 	<ul style="list-style-type: none"> • Might drink the money • Might use it to take another wife
Child	<ul style="list-style-type: none"> • Money intended for children's welfare; best it go directly to them 	<ul style="list-style-type: none"> • Children not mature or responsible enough to make financial decisions
Your brother or sister	<ul style="list-style-type: none"> • Can protect money intended for children against demands or expectations from the husband and his family 	<ul style="list-style-type: none"> • Might run off with the money • Might spend it on his/her own children in addition to or instead of orphaned nieces and nephews

Life insurance can seem complicated. But now that you understand the basic idea, you can decide if life insurance is a good idea for your family. If you are the only income earner in your family you should consider having life insurance so that your family is protected should something happen to you.

7.5 Basics of Property Insurance

In your home and business you have different assets. Some assets, such as a small radio, are not very expensive and may be easily replaced. Other assets are very expensive and not so easily replaced like machinery in your business or a tractor on your farm.

You may operate a business and you may be scared of theft. Theft can ruin your business and your source of income.

You want to protect those assets that are more expensive and more valuable as they bring income to your family.

Property insurance can help you keep your assets safe.

It provides financial protection for losses or damage of your personal, household or business assets.

Events covered often include fire, theft or some weather related damage like lightning.

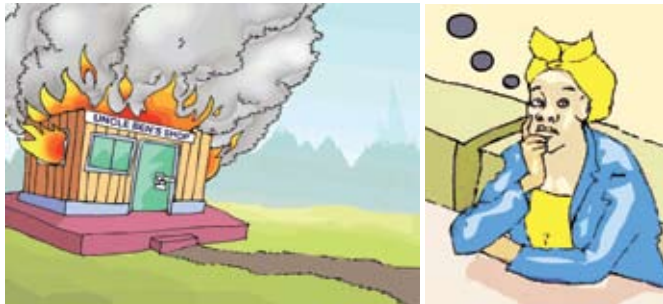


This is Joseph's house. He protected his house and a tractor against fire and theft.

Property insurance often does not cover any damage to your assets resulting from earthquakes, floods or acts of war.

If you have property insurance, the insurer will pay you for the value of your asset if it is lost or damaged so that you can replace it.

Read the story of Jaclyn who thought property insurance was too expensive.



Jaclyn thought property insurance was too expensive.

Jaclyn purchased property insurance to protect her business from fire and damage due to weather. She thought that the premium was high, and when her business was slow, she really struggled to pay. But thankfully, the end of the year came, nothing bad happened and she submitted no claim. Since she had already paid and not received anything in return, she felt she should not have to pay again the second year. Then a fire destroyed her business, but she did not have any rights to the benefits since she had not renewed her policy.

Discuss the story using the questions below.

7.5 Think. Discuss. Share.

a. What did Jaclyn do wrong?

b. What would happen to Jaclyn's business if she had insurance?

If you have an asset that you use to earn income like a shop, you should insure it. If Jaclyn had her business insured the insurance company would pay her for the loss, and she would have capital to repair her business. Without this Jaclyn cannot repair her business and may be without income for many months.

7.6 Conclusion

Before making a decision on the type of insurance that best suits you and your family, you need to consider your needs. The most common products are health insurance, life insurance and property insurance. Each of these products covers a different type of risk, and you need to decide which type of protection you need most. Also, each type of insurance differs on what it covers, what is excluded, and how benefits are paid. Therefore you need to carefully read the policies. **Health insurance** helps you and your family with unexpected medical expenses. **Life insurance** offers a cash benefit in a case of death which can be used to pay for funeral expenses and living expenses until the family can replace the income of the person who died. **Property insurance** protects your assets against theft or fire and can help you to replace them.

7.7 Application

In this session you learned about three types of insurance: health, life and property. Do the following exercise:

- a. List three key things you learned about the different types of insurance products

I learned the following things about health insurance:

I learned the following things about property insurance:

I learned the following things about life insurance:

- b. Which of the three insurance products would be the most useful to you and your family and why?

Notes:

8

How to Submit a Claim

8.1. Learning Objectives

By the end of this session you will be able to:

1. Identify different terms in a claim form
2. Practice filling out claim form
3. Explain techniques to ensure payment of claim

8.2. Introduction

You will learn some new terms that will help you better understand the different parts of a claim form. You will then practice filling out a claim. Finally you will learn some tips on how to properly fill out and submit a claim to make sure that you receive a prompt payout for your expenses.

8.3. Terms for a Claim Form

Review some key terms before you practice filling out a claim.

A **claim** is the request for payout that a policy holder submits to the insurance company. To submit a claim you need to submit a **claim form**.

A **claimant** is a person who has experienced the loss.



Jannet Wambua is in a hospital. She is filling in her claim form so that she can be paid by the insurance company. Jannet is a claimant.

8.4. Practice Filling out a Claim Form

Read the story of David and Jannet Wambua and help them to fill out the claim form.

Practice filling out the claim form on the next page using the information below. Then compare your answers to the claim form on the following page.

These details belong to the “Policy Holder” section of the claim form.

David Wambua is the policy holder of his family’s health insurance policy. He lives at 555 Banda Street. His telephone number is 271-1440. His policy started on January 1, 2009. His policy number is 5578. His birthday is January 10, 1970.

These details belong to the “Claimant details” section of the claim form.

David’s wife Jannet Wambua owned a food stall in the local market. A week ago she was in a bad bus accident. As a result of the bus accident she broke her leg and needed surgery. The surgery cost Kshs 25,000. Her birthday is April 3, 1976.

These details belong to the “Declaration” section of the claim form.

The final part of the form is the ‘Declaration.’ David must sign and date this part of the form to verify that all of the information provided is truthful and accurate. He also needs to sign and date the form using the date of the claim, July 11, 2009, and sign it as David Wambua.

SAMPLE CLAIM FORM

POLICY HOLDER

Full Name: _____

Sex: _____

Date of Birth: _____

Home address: _____

Effective Date of Policy: _____

Policy Number: _____

CLAIMANT DETAILS

Full name: _____

Relationship to the policy holder: ☐ Child ☐ Husband/Wife

Sex: _____

Date of Birth: _____

CLAIM DETAILS

Type of claim: _____

Details of claim: _____

Date of claim: _____

Amount of the claim: _____

Attach all required documents such as a doctor's report.

DECLARATION

I hereby declare and certify that all information here is correct.

Principal Holder:..... Date:.....

Insurance Authorized Personnel:..... Date:.....

SAMPLE CLAIM FORM

POLICY HOLDER

Full Name: David Wambua

Sex: Male

Date of Birth: January 10, 1970

Home address: 555 Banda Street

Effective Date of Policy: January 1, 2009

Policy Number: 5578

CLAIMANT DETAILS

Full name: Jannet Wambua

Relationship to the policy holder: ☐ Child ☒ Husband/Wife

Sex: Female

Date of Birth: April 3, 1976

CLAIM DETAILS

Type of claim: Accident

Details of claim: Broken leg and needed a surgery

Date of claim: July 11, 2009

Amount of the claim: Kshs 25,000

Attach all required documents such as a doctor's report.

DECLARATION

I hereby declare and certify that all information here is correct.

Principal Holder: David Wambua..... Date: July 11, 2009.....

Insurance Authorized Personnel:..... Date:.....

8.5 Advice for Filling out a Claim Form

It is important to keep in mind that claim forms that are **not** properly filled out can cause delays in receiving your payout.

Remember that a **payout** is the amount of money you will receive once the claim has been processed.

8.1 Think. Discuss. Share.

Did you or anyone you know have experience with submitting claims?

Read the advice below on how to fill out a claim form.

ADVICE FOR FILLING OUT A CLAIM FORM

1. Once the insured risk occurs (e.g. death, hospitalization or accident) you need to submit the claim fast – within a few days. **DELAYING SUBMISSION OF THE CLAIM CAN DELAY YOUR PAYOUT.**
2. If you are hospitalized – do not pay your hospital charges in cash. **YOUR CASH PAYMENT CAN CAUSE REJECTION OF YOUR CLAIM.**
3. Make sure that you have all the required supporting documents when submitting a claim (i.e. death reports, hospitalization bills or any other required reports). **LACK OF SUPPORTING DOCUMENTS CAUSES DELAYS IN CLAIM PROCESSING.**
4. Make sure that the **information you provide is accurate** and matches the supporting documents. Make sure that your handwriting is clear and easily readable.
5. Make sure **the form is signed and dated.**
6. Have someone else in your **family look it over** before you submit it.
7. **Make a copy** of the claim form for yourself.
8. If you have difficulty writing, someone else in your family can fill out the form for you.
9. You can also contact your insurance company if you have any questions.

8.6 Conclusion

A **claim form** is a form that you fill out to submit your claim and receive covered benefits. A **payout** is the amount of money you will receive once the claim has been processed. Make sure you have all the required documents when submitting the form. Also be sure to submit the form right away so that you prevent delays in receiving your payout from the insurance company. It is important to practice filling out the claim form a few times so that you get better at it.



Peter is talking to his family about insurance. Claims are often left unpaid because your family does not know you have insured them. Talk to your family about insurance. Tell them they are insured.

8.7 Application

In this session you learned about claims.

- a. List two key things you learned about claims.

I learned _____

I learned _____

- b. What will you do in the future to make sure you receive your payout on time?

I will _____

I will _____

Notes:

Notes:

9

How to Find the Best Insurance Product for You and Your Family

9.1 Learning Objectives

By the end of this session you will be able to:

1. Identify the best insurance provider
2. Identify questions to ask the insurance provider
3. Explain good and bad techniques for communicating with family members and making decisions together.

9.2. Introduction

It is important to understand and accept all the conditions of the insurance policy before making a decision about purchasing insurance. If something is not clear in the policy you should identify the right question to ask the insurance agent. Asking the right question will help you find the best insurance for you and your family. In this session you will also learn how you can involve other family members in your decision and reach an agreement together.

9.3. Choosing the Best Insurance Provider

It is important to identify a good insurance company and weed out the bad insurance companies.

First and foremost an insurance company should have a good reputation.

You can learn about the reputation of an insurance company by talking with other people in the community about their experience with that same company.

An insurance company should also meet the following criteria:

1. **Is registered and has a license to prove it.**
2. **Is convenient and easily accessible to your home.**
3. **Has clinics/hospitals close to your home (for health insurance).**
4. **Pays claims within two weeks to one month if there is no problem with the claim.**

9.1 Think. Discuss. Share.

How can you find out what the reputation of an insurance company is?

To find out if an insurance company is a good company you should also talk to the insurance agent. The insurance agents should respond to your questions and behave in a patient, professional, respectful, non-threatening way.

9.4 Questions to ask the Insurance Provider

Below is a series of questions that you can ask the insurance company to make sure you understand the different terms of the insurance product such as the policy, premium, benefits and claims process.

Daniel is interested in purchasing a new insurance policy.

He is asking **the insurance agent Mr. Wanjanchi** different types of questions.

Read Daniel's questions on the right hand side of the page.



Exclusions

What situations or conditions are not included in the policy?

Policy

- What type of policy is it?
- What situations does it cover?

Premium

- What is the amount of the premium?
- How can it be paid? (for example: in cash or with a loan)
- How frequently do I need to pay the premium? (for example: monthly, quarterly, annually)

Benefits

- What benefits does the insurance policy guarantee?

Beneficiary

- Who can be named as a beneficiary?
- Who is not eligible to be a beneficiary?
- How many beneficiaries can be named?

Claim

- How do I (the policyholder) submit a claim?
- What type of documentation does the policy holder need?
- When should she or he submit a claim?

Eligibility

- Who is eligible to purchase the policy?
- Who is not included in the policy?

9.2 Think. Discuss. Share.

What are some other questions that you think Daniel should consider when purchasing insurance?

As an insurance customer you also have an opportunity to voice your concerns about an insurance company or an insurance product. In Kenya, you can contact the Consumer Protection Department of the Insurance Regulatory Authority.

You can call: (254)-020-4996000, 4997000, 0727 563110

Or write: Consumer Protection Officer, Insurance Regulatory Authority, PO Box 43505, 00100 Nairobi

Or visit their offices: Zep- Re Place Off Mara Road - Upper Hill, Nairobi

Our visit their website: www.ira.go.ke

9.5. Good and Bad Techniques for Communicating with Family Members and Making Decisions Together

Once you have obtained the necessary information from the insurance company, it is important that you share this information with your family members and show them the value of insurance.

Read a story about two family members. As you read, pay attention to what they do in the conversation that prevents them from making a decision together.

One person should read the role of Person A, and another person should read the role of Person B.

Family “Not so Happy”

Person A: When I went to the SACCO meeting today I learned about something called insurance. It could help protect us from the unexpected costs of an emergency or sickness.

Person B: How much does it cost?

Person A: We have to pay a premium of Kshs 3,650 each year.

Person B: That is too much money. We are poor, woman and cannot afford this. Besides we do not get sick that much. We can just go and see Charles in our village to give us herbs for any sickness.

Person A: It is not that much money. You spend at least that much money on cigarettes, tea and going into town.

Person B: You spend much more going to the hair salon and buying things we don't need for the house. You do not manage the money I give you well.



“Not so Happy” Family

9.3 Think. Discuss. Share.

What result did this family achieve?

These two family members did more arguing than communicating. They were rude to each other and did not really listen to the other person's position.

Read another story about two family members. As you read, pay attention to what they do in the conversation that helps them make a decision together.

Family “Very Happy”

- Person A:** When I went to the SACCO meeting today many people were talking about something called insurance. Some of them had purchased insurance to protect their families from medical emergencies and accidents. They said it had saved them a lot of money.
- Person B:** How does this insurance work? How could it save them money? We have no money to save. We have difficulty meeting our expenses already.
- Person A:** Well, you have to pay a premium of Kshs 3,500 to purchase the insurance. But it will pay for any costs if you are admitted to the hospital including bed fees, doctor fees, x-rays and medication.
- Person B:** But many of these things are provided for free at the government hospital.
- Person A:** Yes, but let’s say you have an accident. Insurance would also give us money to replace the income we would lose while you were in the hospital, or if you become disabled.
- Person B:** That sounds like a good deal. But how will we pay for this premium? It is a lot of money right now especially during a time of drought.
- Person A:** I learned at the SACCO meeting we can take out a loan to pay for the insurance.

9.4 Think. Discuss. Share.

What did you like about this family's communication? Why?



“Very Happy” Family

This communication worked well because each person listened to the other person's opinion. They were polite and respectful with one another. They worked together to reach a solution that they could both accept.

Read below for things you should do to communicate better and things you should avoid so you can reach a decision together with your family.

HOW TO REACH DECISIONS TOGETHER

Things to do:	Things to avoid
<ul style="list-style-type: none"> • Listen to the other person's opinions • Acknowledge his/her point of view • Be confident in your opinion • Reframe the other person's ideas to move towards a solution 	<ul style="list-style-type: none"> • Interrupting one another • Getting angry • Being rude or insulting • Rejecting the other person's ideas immediately • Seeing only one point of view • Allowing yourself to get distracted by other topics or issues

Decisions about purchasing insurance should be discussed with all members of your family because insurance benefits the entire family.

Once you have made a decision together to purchase insurance, you can then work together, just like the people in the story did, to find ways to pay for the premium.

9.5 Think. Discuss. Share.

What are some ways to get money for the insurance premium?

You can use your savings or sell a small asset to pay for the insurance premium. You can also take out a loan to pay for the premium. You can check with your SACCOs, self help groups, welfare associations or microfinance institutions to see if loans are available to help you pay for the premium.

9.6. Develop an Action Plan to Purchase Insurance

Insurance can be expensive and you may not be able to afford it at the moment. However, you can create a vision for a safe and protected future for you and your family. Remember that insurance can give you and your family peace of mind.

You can take these steps to protect your family:

1. Talk to your wife/husband and family about what you learned about insurance.
2. Talk to your family and identify the key risks you face which are expensive for you.
3. Visit a SACCO or talk with an insurance agent to get more information about specific insurance products.
4. Share information collected with your husband/wife and other family members using good communication techniques.
5. Identify ways of obtaining money for the insurance premium with your husband/wife and family.
6. Insure your family.



Joseph is talking to his family about insurance

In the table below, make a promise to yourself that you will create a safe and protected future.

CREATE A VISION FOR A SAFE AND PROTECTED FUTURE FOR YOU AND YOUR FAMILY

In the future I would like to protect my family against these risks:

List the risks: _____

I will take the following steps to protect my family in the future:

The steps I will take are: _____

I will make a promise to myself by putting a date until which I will take action to fulfill this vision:

I will fulfill this vision by this date _____

9.7 Conclusion

It is important that you understand and accept all of the conditions of the policy. Ask questions about the policy, benefits, exclusions, beneficiary, eligibility and claim process. Make sure you understand your policy well.

Discussion with your family and insurance agents will help you choose the best insurance provider and the best insurance product for you and your family.

Once you find out this information you can use good communication techniques to show your family members the value of purchasing insurance. Purchasing insurance should be a family decision.

9.8 Application

In this session you learned about how to choose the best insurance product and also about the importance of making decisions together. Do the following exercise:

- a. List two things you learned about choosing the best insurance policy.

- b. List two things you learned about how to communicate with family members about insurance.

Notes:

Notes:

10

How, When and Why to Renew?

10.1 Learning Objectives

By the end of this session you will be able to:

1. Define renewal of an insurance policy
2. Explain what can happen if you don't renew your insurance policy
3. Evaluate different factors before you renew your insurance policy
4. Decide whether or not to renew your insurance policy.

10.2 Introduction

An insurance policy is not valid forever but only for a certain amount of time. You will learn what can happen if you do not continue your insurance policy. You will also learn what to consider when making the decision whether or not to continue your insurance policy.

10.3 What is a renewal?

10.1 Think. Discuss. Share.

What does the word renewal mean? Have you heard that word before?

A **renewal** is when you pay the premium again before your policy expires to ensure that you continue to have insurance coverage the next year. Renewals typically occur every year.

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