

Risk Management and Insurance

PROTECT YOUR FAMILY'S FUTURE



Trainer's Guide



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RISK MANAGEMENT AND INSURANCE: Protect Your Family's Future

Trainer's Guide

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Global Financial Education Program

Washington, D.C.

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Citi Foundation





MICROFINANCE OPPORTUNITIES

Microfinance Opportunities was established in 2002 as a microenterprise resource center that promotes client-led microfinance. It seeks to help poor 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.



FREEDOM FROM HUNGER

Founded in 1946, Freedom from Hunger is a nonprofit, international development organization bringing innovative and sustainable self-help solutions to the fight against chronic hunger and poverty. Freedom from Hunger specializes in ensuring that the poor have access to microfinance and health protection services, and life skills training to achieve food security for their families.

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The Citi Foundation is committed to enhancing economic opportunities for underserved individuals and families in the communities where it works throughout the world. Globally, the Citi Foundation is focusing its giving on Microfinance and Microentrepreneurship, which helps individuals become economically self-sufficient; Small and Growing Businesses, leading to economic expansion and job creation; Education, which prepares young people for personal and professional success; Financial Education, which helps individuals make informed financial decisions; and the Environment with a focus on sustainable enterprises that generate jobs and stimulate economic growth while preserving the environment. Additional information can be found at www.citigroupfoundation.com.

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INTRODUCTION

WELCOME to *Risk Management and Insurance: Protect Your Family's Future*. It is one of nine modules in a unique financial education curriculum that promotes financial literacy among low-income people in developing countries. This curriculum can guide you to help others build basic knowledge, skills, and attitudes to improve how they manage their money.

Before you start, however, let's ask and answer two key questions:

What is financial education? Why is it important?

People who are poor share the same goals as everyone—economic security for themselves, their families, and future generations. With limited resources, skillful management of what little money they do have is especially critical to meet day-to-day needs, cope with unexpected emergencies, and take advantage of opportunities.

Financial education teaches people concepts of money and how to manage it wisely. It offers the opportunity to learn basic skills related to earning, spending, budgeting, saving, and borrowing. When people do become more informed financial decision-makers, they can plan for and realize their goals. Moreover, once people have acquired financial literacy skills, they cannot be taken away. A one-time course in financial education can have lifelong rewards.

The Global Financial Education Program, led by Microfinance Opportunities and Freedom from Hunger, initially started with a focus on clients of microfinance programs. This was in response to the challenges they face in choosing from an increasing number of financial institutions and their credit and savings products. To weigh alternatives and select the products most appropriate for their needs, clients need to understand how the features differ, how to calculate and compare the costs, and how to determine what financial products and services they can afford.

This module on risk management and insurance focuses on the challenge of protecting one's family against the unexpected shocks that can erode financial stability in seconds. Natural disasters destroy crops and homes without warning; illness and death bring grief and threaten family income; theft can close a business. One does not have to be poor to lose one's life's savings or hard won assets when paying the cost of these unexpected events. But low-income families are more vulnerable to potential crises, and less prepared to cope financially with their negative impact. This module reviews the strategies—both proactive and reactive—that can be used to manage risk. It highlights how saving for emergencies and other proactive risk mitigation

measures in anticipation of a crisis can reduce the financial costs of strategies employed after the fact, such as borrowing, working longer hours or selling assets under duress.

The curriculum also introduces insurance, a concept widely misunderstood and often mistrusted among low-income families. It helps participants understand the concept of pooled risk and guides them through common insurance terms, equipping them with the knowledge and skills they will need to make informed choices about insurance. The growing availability of microinsurance products is a positive development, but only if potential customers are fully informed about how they work and how they can help protect financial welfare.

The Global Financial Education Program goes beyond providing information about insurance products. It prepares people with the knowledge, skills, and attitudes to make informed and strategic decisions, including decisions about the use of risk managing financial services—savings, emergency loans, and insurance. Its goal is to strengthen those behaviors that lead to increased saving, more prudent spending and borrowing, and building assets to help protect against risks. To achieve sustained behavior change, the curriculum is based on a learner-centered approach, capturing how adults learn best. It builds on what adult learners already know, makes the new content relevant to their lives, and provides the opportunity to practice the new skills.

This module builds on the core curriculum developed by the Global Financial Education Program between 2003 and 2005. The core modules are:

- Budgeting: Use Money Wisely
- Savings: You Can Do It!
- Debt Management: Handle With Care
- Bank Services: Know Your Options
- Financial Negotiations: Communicate With Confidence

Starting in 2006, the Global Financial Education Program developed four additional modules, each targeting a specific population or a specific product. The modules are:

- Young People: Your Future, Your Money
- Remittances: Make The Most Of Them
- Risk Management and Insurance: Protect Your Family's Future
- Consumer Protection: Balancing Rights and Responsibilities

For each module, the curriculum offers:

- a content note that provides a basic discussion of the topic;
- a trainer's guide with detailed instructions for the conduct of each learning session in the module; and
- a training of trainers manual to prepare those who will conduct the training.

Because each module starts with basic information and progresses to more complex aspects of the topic, you can choose only those learning sessions within each module that address your specific needs. The next section, "How to Use This Guide," provides more guidance on these options.

Turn the page. Read on. The Content Note and the Learning Sessions at a Glance section will give you a good idea of the content, while the step-by-step instructions for the trainer capture the participatory, learner-centered activities that make this training in financial education both fun and effective.

HOW TO USE THIS GUIDE

Risk Management and Insurance: Protect Your Family's Future is a complete training course to help low-income families understand how to protect their fragile financial welfare from the potential devastation of an unexpected crisis. It guides them through what for many will be their first exposure to insurance in a “safe” educational context. It contains both background information to orient you, the trainer, to the topic and step-by-step descriptions of learning activities you can carry out with participants.

The Content Note

The Content Note at the end of this guide provides a discussion of risk management strategies, including insurance. Reading this short piece will give you a good idea about the content of the module—the concepts that participants will learn and the skills they will practice. You will see that this module—and the others in the series—are targeted to those with limited education and experience. Therefore, you don’t need to be an expert on the topic in order to help others develop some very useful skills. If you are confused about something in the Content Note, don’t be alarmed. Find someone to help you clarify the information. If, on the other hand, you find that the Content Note is very basic, don’t be surprised. It is not, and does not need to be, a full textbook on the topic.

The Learning Sessions

This module contains a total of twelve learning sessions, including Sessions 8, 8A, 8B, and 8C. Session 8 provides an overview of insurance terms while Sessions 8A, 8B, and 8C examine types of insurance products. Each session takes between 35 and 75 minutes to complete. The “Learning Sessions at a Glance” on page one provides an overview to these sessions, listing the title and purpose of each one. With this and all the financial education modules, you should use your own judgment to decide which learning sessions are most relevant and useful for your clients. You can use one, two, or all of them, depending on the experience participants have with the topic, or the time they are able to commit to training.

Each session contains three to five learning activities that are described in step-by-step detail. These learning activities are based on the principles of adult learning. They include stories, exercises, small-group discussions, and

role-plays which actively engage the participants in the learning process. They also promote teamwork and learning from peers. As you read the instructions, give yourself permission to imagine a training session that is active, sometimes noisy, and fun. As the trainer, you will not be doing all the talking. Instead, you will be part of a dynamic learning process.

A Word About Adaptation

Because the learning sessions are spelled out in detail, you do not have to create anything from scratch. However, you must spend time preparing before the training begins, and its success depends on your work at this stage. When you have selected the learning sessions you want to facilitate, you will need to adapt each one to your specific situation. Read them carefully and take note of those details that must be changed in order to make the materials familiar to your participants. In the stories, you may need to change the names of the people and places to reflect your culture and geographic location. Take note of the types of businesses presented as examples. Are they familiar, common businesses in your area? Should you change them? Do you need to change the currency used in the exercises?

In addition to these types of adjustments, you may find the opportunities to add activities to the module that are not in the guide. Field trips to relevant sites are a great way to expose participants to new experiences. A visit to the local bank will help demystify an institution that the poor often perceive as closed to them. At the bank, participants can gain practice asking questions about loan products in order to make decisions about where and how much they will borrow. Also, think about inviting professionals from the community who have expertise related to the topic at hand to speak to your group.

In the event that the module needs significant re-working to fit your context, don't take on this job alone. See the "Adaptation Guidance" in the Global Financial Education Program's *Implementation Guidance* for direction on what needs to be a team effort.

Don't Leave the Learning Materials to the Last Minute!

Each learning session starts with a "trainer's information box" that summarizes the session objectives, materials and activities. Review the list of materials well ahead of the actual training session. Most sessions require flip chart paper, markers, and tape. You will use these materials to record important points of participants' discussions. As you fill each sheet of paper with their responses, you should tape it to a wall for display and reference.

However, many items of the materials list will require that you prepare charts or checklists. All of these are provided for you in the guide, but you will need to re-create them in a large format that everyone can see. Most often this involves re-drawing the chart or table or form on a large piece of paper such as a flip chart or even inexpensive brown wrapping paper. Some sessions call for cards that you can cut from heavier card-stock paper (if it is not available, regular paper will do). Take note if the instructions call for cards of different colors. Session #5 asks the facilitator to take on the identity of the owner of a beauty salon and describe an emergency situation to the group. Read this description beforehand so you can present it with some emotion, and even dramatic flair.

Handouts and pictures mentioned in the step-by-step instructions are located at the end of each session. They are identified by number for easy reference. They should be photocopied and distributed to participants at the appropriate time.

Don't underestimate the time you will need to prepare. You don't want to be caught unprepared in the middle of a session! If you are ready ahead of time, you can spend your time during the session facilitating and enjoying the process.

RISK MANAGEMENT AND INSURANCE: PROTECT YOUR FAMILY'S FUTURE

Learning Sessions at a Glance

The goal of this module is to help participants understand how to protect their financial welfare against an unexpected crisis and understand how different types of formal insurance can help manage risk. The following table presents the learning sessions for the Risk Management and Insurance Module and their purposes.

SESSION TITLE	PURPOSE OF THE SESSION
1. Understanding Risk	<ul style="list-style-type: none"> ■ Describe the events in life that cause financial difficulties ■ Assess which life events cause the most hardship and why ■ Describe how people deal with the financial costs after an unexpected crisis ■ Explain what protection is
2. Responding to Risk	<ul style="list-style-type: none"> ■ Discuss the various ways people respond to shocks ■ Sort responses by “before-the-event” and “after-the-event” ■ Define protection and reaction measures ■ Compare protection and reaction measures
3. React and Recover	<ul style="list-style-type: none"> ■ Identify additional, longer-term costs of recovering from emergencies ■ Compare available reaction steps: borrowing, selling assets, finding additional income ■ Evaluate the impact that these strategies would have on one’s family
4. Save Regularly	<ul style="list-style-type: none"> ■ Identify how to make money available to save ■ Identify factors that make saving easier

5. Savings and Risk Management	<ul style="list-style-type: none"> ■ Identify which savings methods are most commonly used ■ Describe which savings methods are most helpful in responding to emergencies ■ Explain when to use savings or credit to respond to an emergency ■ Decide how the "Guidelines for Using Savings or Credit" applies to one's life
6. Understanding Pooled Risk	<ul style="list-style-type: none"> ■ Trace the movement of cash in and out of a funeral fund ■ Identify the benefits and risks associated with a funeral fund ■ Compare a funeral fund and savings
7. Introducing Formal Insurance	<ul style="list-style-type: none"> ■ Identify how a disaster affected those with and without insurance differently ■ Discuss the negative and positive perceptions people have of insurance ■ Compare formal insurance with informal insurance ■ Debate whether or not to buy insurance
8. What You Need to Know about Insurance	<ul style="list-style-type: none"> ■ Define the terms basic to an insurance policy: policy, premium, beneficiary, eligibility, benefits, claim, and exclusions ■ Identify additional information they need to know about each of the terms
8A. What You Need to Know about Life Insurance	<ul style="list-style-type: none"> ■ Define the terms and benefits of a basic life insurance policy ■ Debate the common choices of beneficiaries
8B. What You Need to Know about Property Insurance	<ul style="list-style-type: none"> ■ Identify the features and benefits of property insurance
8C. What You Need to Know about Health Insurance	<ul style="list-style-type: none"> ■ Recognize the benefits of health insurance ■ Identify some of the common questions that arise regarding health insurance
9. Final Question and Answer	<ul style="list-style-type: none"> ■ Voice opinions about formal insurance ■ Formulate questions that articulate ongoing confusion or uncertainty about insurance ■ Identify a next step to take to learn more about insurance

FEATURES OF THE LEARNING SESSIONS

Trainer's Information Box

The box at the start of each learning session contains four elements.

Objectives—list of actions that the steps in the learning session are constructed to accomplish.

Time—the estimated time needed to implement all of the steps designed for the learning session.

Preparations/Materials—list of materials that the trainer must prepare before the activity can be presented.

Flip charts are listed and incorporated into the step in which they occur. Their shaded borders easily identify the flip charts.

Handouts and pictures needed for each activity are found at the end of the session. They are identified by number for easy reference.

Steps—a list of activities needed to complete the learning session. The titles capture the process to be used and the content to be covered.

Steps

The steps needed to complete the learning session are listed in the order in which they should be implemented. Special features for the trainer to note include the following:

Italics font (*italic*) = instructions for the trainer (not to be read to the participants)

Regular font (regular) = specific information, instructions or questions for the trainer to read or closely paraphrase to the participants

Arrow (➤) = symbol that highlights specific open questions to ask

Box = special technical or summary information to share with the participants

Box with Shaded Borders = recommended flip chart design to consider using with the participants

[Square Brackets] = the “correct” answer to expect from a technical question

(Parenthesis) = additional instructions or information

Each learning session in this module begins with a summary box that contains the following:

- Learning objectives for the session.
- The estimated time you will need to conduct the session.
- A list of materials you will need to prepare **before** each session. Being prepared for the learning session will make your job much easier. **Review this information carefully.**
- A list of the steps for each activity. The guide provides detailed instructions for the learning activities that will help participants learn and work with the concepts of the session. Please follow the steps as outlined. However, you should use your own words to explain each point.

The box below is a reminder of some important principles and practices of adult learning to keep in mind as you lead each session. Remember that you, the trainer, do not have all the answers. The participants come to the learning sessions with a great deal of experience and have many things to add. It is important that all participants (including you) teach and learn.

IMPORTANT PRINCIPLES TO REMEMBER

- Create a **safe** learning environment.
- Give feedback to the participants and **praise** them for their efforts.
- Think about ways of making the topic **useful** to all the participants present.
- Let the participants know that you are a **learner** with them.
- Use **small groups** (as suggested in the session guide). Small groups help involve all participants, build a sense of teamwork and create safety.
- Show **respect** by valuing the participants' knowledge and experience with the subject.
- Be sure that throughout the session there is an opportunity for **thinking, acting** and **feeling**.

OBJECTIVES

BY THE END OF THE LEARNING SESSION, PARTICIPANTS WILL HAVE:

1. Described the events in life that cause financial difficulties
2. Assessed which life events cause the most hardship and why
3. Described how people deal with the financial costs after an unexpected crisis
4. Explained what protection is

PREPARATIONS/MATERIALS

■ CARDS

Step 4:

- Risk cards

■ FLIP CHARTS FOR USE IN THE FOLLOWING STEPS:

Step 4:

- How Will an Unexpected Crisis Affect You?

Step 5:

- Definition of Risk

■ BLANK FLIP CHART PAPER

■ MARKERS OR STICKERS

TIME

65 MINUTES

STEPS

1. Introductions
15 MINUTES
2. Introduce the insurance module
5 MINUTES
3. Brainstorm happy occasions, events or memories
10 MINUTES
4. Reflect on the hardships caused by difficult events
20 MINUTES
5. Identify measures we can take to protect ourselves
15 MINUTES

Understanding Risk

STEP 1

Introductions

15 MINUTES

Divide the group in half. Ask each group to “number off”—the first person is “1,” the second is “2” and so on. Form pairs by joining the people from each group who have the same number. Ask the partners in each pair to introduce themselves to each other—telling their name, where they live, their business and one thing that is special or unique about themselves. Give the pairs five minutes for this conversation. Then ask each person to introduce his or her partner to the rest of the group.

STEP 2

Introduce the Insurance Module

5 MINUTES

Explain:

In this module, we will learn about how we can protect our families when confronted with unexpected events that create problems for us. We will teach each other about what we already do in these situations and how we can do better. Some of us have savings accounts for emergencies, some hide money away, some buy assets. We will also learn about a financial product that offers protection. This product is called “insurance.” In this training, you will learn what insurance is and how it works. You will know enough to be able to make your own decision about whether you will purchase insurance if you have the opportunity.

STEP 3:

Brainstorm Happy Occasions, Events or Memories

10 MINUTES

Say:

To begin, I am going to ask you to close your eyes. Keep your eyes closed and think of a happy moment in your life, a joyful occasion, some event or moment when you remember feeling very happy. Try to see that moment.

Ask:

➤ **Where are you? Who is there? What are you doing? Are you smiling?**

Say:

Keep that image in your mind, with your eyes closed. When I tap your shoulder, name the event or moment you are thinking about out loud. If I tap you and you really do not feel comfortable sharing the happy moment you are thinking about, just shake your head silently, and I will move on to someone else. *[Answers you might expect include: holding my first baby when he was born, playing football with my friends, my wedding, singing in church, making a big sale at my business.]*

Say:

These are wonderful moments and memories. But there are things that happen to threaten these happy times.

Ask the following questions. Write participants' answers on a blank flip chart.

- **What kinds of events can occur to threaten our happiness?** *[They might include: death of loved ones, accidents, illness, natural disaster, theft, fire, job loss.]*
- **What are the consequences of such events?** *[Grief, financial hardship, loss of income, loss of assets, lost opportunities for children]*

Explain:

In our lives we have both happy times and difficult times. Hopefully, we have more joy than sorrow. But just by being alive, we all face unexpected and unwelcome events. No one is fully shielded from them. Something bad can happen to anyone, and often it is totally unpredictable, coming as a terrible shock. Our responsibility is to learn how to prepare for and respond to these events.

STEP 4:

Reflect on the Hardships Caused by Difficult Events

20 MINUTES

Ask participants to select a person sitting next to them to be a partner. Distribute a risk card to each pair. Use the possible crises listed below or write new ones that are meaningful to your participants. You should have as many cards as you have pairs of participants.

RISK CARDS

**Husband is injured in accident;
cannot work for two months**

**Child has serious illness;
must stay in hospital**

Fire destroys business

Elderly parent dies

Flood destroys house

**Main income earner
loses job**

**Thieves steal savings
from house**

Disease kills animals

Drought destroys crops

Husband runs away

**Accident destroys family transport
(motorbike, bicycle, car, etc.)**

**Wife falls ill; stays in
bed for weeks**

Ask:

- **If this event happened to your family, how would it affect your financial situation?**

Post the following flip chart.

HOW WILL AN UNEXPECTED CRISIS AFFECT YOU?

- What is the impact on family income and expenses?
- What do you have to do to cover those expenses (such as changes in routine, children's schooling, work, plans for the future)?

Tell the pairs to consider the questions as they discuss the risk written on their card. Give them five minutes to discuss. Select some of the pairs to report on their discussion. Record answers on a blank flip chart.

Explain:

So, we have identified many crises that could happen to our families and have discussed how such emergencies can really cause financial problems for us. Now let us find out which of these possible situations can be the greatest threat to us.

Post a blank sheet of flip chart paper on the wall. Collect the risk cards and tape them to the flip chart. Distribute three stickers or markers to each person.

Say:

Consider the situations on the cards and the discussions you have just had about how they can affect us. Decide which event or events are most threatening to you. Place your stickers next to the events that you think would bring about the greatest hardship (or write a check mark next to them with a marker). You may place all three stickers (or check marks) next to one event, or you may distribute them however you feel reflects your own concerns.

Send participants to the risk wall in groups of two or three at a time until all the participants have "voted."

Review the voting results with participants. Identify the risks they fear the most.

For each of the top two, ask:

- **Raise your hand if you selected this event. Can one of you explain why you fear this event?**

Discuss the impacts that these shocks can have.

Explain:

Our next task will be to examine our options for preparing for or responding to such events. We will answer the questions: How do we respond? Is there a better way?

STEP 5:

Identify Measures We Can Take to Protect Ourselves

15 MINUTES

Post the following flip chart.

DEFINITION OF “RISK”

Risk is the possibility of loss or injury.

Explain:

The crises or threats that we have discussed so far can be called “risks.” This is a word we will use throughout the workshop. Knowing that we face so many different risks, we do things to protect ourselves. This may be another new word. What does this word “protection” mean? Protection is similar to prevention. We try to prevent bad things from happening. We do this every day in many ways. Let me give you an example. When I am in the city, and I want to cross the street, I look both ways, to my right and to my left, before crossing. Why do I do that? I do not want to get struck by a car. I am *protecting* myself.

Here is another example. I take my children to the clinic for vaccinations. Why? I am *protecting* them against deadly diseases.

Ask:

- **What are some examples of things you do to protect yourself, your family or your home from the risks you face?**

If the group needs prompting, some additional examples are:

- Repair the roof to protect your home against damage from wind and rain
- Lock your door to protect your home (or business) against theft
- Tether the pigs to protect your home and crops from getting trampled
- Douse the cooking fire to protect the house against catching on fire
- Hold your small child's hand when you walk in a crowd to protect her from getting lost
- Observe prenatal practices to guard against risks during pregnancy
- Seek good nutrition to protect children's health

Say:

Okay, you understand what "protection" means and the many things we already do to protect ourselves and our families. Now let us talk about how we can protect ourselves against the financial losses associated with some of the life risks we have identified.

Ask:

- **What are some of the things we can do to protect ourselves financially against those difficult events that will cost us money if they occur?**
[Diversify income sources, save money, purchase assets, join a savings club, take a loan, join an informal mutual aid society if these societies exist in your area]

Explain:

In this workshop, we will explore and learn about all of these ways to respond to unexpected emergencies or protect ourselves against them.

Name one thing you do now to protect yourself against financial losses. Tell the person next to you.

After a few minutes, ask the pairs to discuss this final question:

- **What is one thing you will consider doing in the future to protect yourself?**

Say:

Thank you for your active participation.

Risk Cards

Husband is injured in accident; cannot work for two months

Child has serious illness; must stay in hospital

Fire destroys business

Elderly parent dies

Flood destroys house

Main income earner loses job

Thieves steal savings from house

Disease kills animals

Drought destroys crops

Husband runs away

Accident destroys family transport (motorbike, bicycle, car, etc.)

Wife falls ill; stays in bed for weeks

OBJECTIVES

BY THE END OF THE LEARNING SESSION, PARTICIPANTS WILL HAVE:

1. Discussed the various ways people respond to shocks
2. Sorted responses by “before-the-event” and “after-the-event”
3. Defined protection and reaction measures
4. Compared protection and reaction measures

PREPARATIONS/MATERIALS

- HANDOUT FOR USE IN THE FOLLOWING STEP:

Step 1:

- Handout 2.1: One Accident, Three Responses

- FLIP CHARTS FOR USE IN THE FOLLOWING STEPS:

Step 1 and 2:

- Blank flip charts with title: Coping Strategies (one for each of the three groups)

Step 2:

- Definition of “Protection Steps”
- Definition of “Reaction Steps”

Step 3:

- Blank flip chart with title: Comparing Reactions and Protection Strategies

TIME

60 MINUTES

STEPS

1. Three different responses to the same shock
30 MINUTES
2. Identify protection (“before”) and reaction (“after”) measures
10 MINUTES
3. Debate advantages and disadvantages of protection and reaction strategies
20 MINUTES

Responding to Risk

STEP 1:

Three Different Responses to the Same Shock

30 MINUTES

Explain:

The time of greatest risk in our life is when we have the most to lose. As adults, we have responsibility for our family, home, farm, business, and parents. We have identified many different risks that we face, from everyday things like crossing the road, to life cycle events that we can anticipate, to unexpected illnesses, accidents and natural disasters. Today we will look at one type of risk—an accident—and the many ways that three different victims responded.

Read the first paragraph of the following story:

ONE ACCIDENT, THREE RESPONSES

Last year, a terrible bus accident occurred on the hilly road from the district capital up to the three villages along the same northern route. An animal darted in front of the bus, startling the driver just as he was going around a curve. When he swerved, he lost control, and the bus rolled over. Most of the passengers only suffered cuts and bruises. But three young men had injuries that required hospitalization.

Explain that each of the three victims handled his hospital stay and recuperation in different ways according to his family situation. Divide

the participants into three small groups and assign each group one of the victims. Give each group copies of Handout 2.1: One Accident, Three Responses and a blank flip chart labeled "Coping Strategies."

COPING STRATEGIES

Ask them to review their victim's story and make a list of each action his family took to cover the cost of his treatment on their flip chart. Tell each group to write the name of their victim under the heading "Coping Strategies" on their flip chart.

After ten minutes, ask each group to read the description of its accident victim and how his family responded to the accident. Post the three flip charts on the wall, side by side. The lists should include the following:

COPING STRATEGIES

<i>Pedro</i>	<i>Alberto</i>	<i>Juan</i>
<ul style="list-style-type: none"> ■ They borrowed from Pedro's aunt and uncle. ■ They used their savings which was set aside to purchase a dairy cow. ■ Pedro's mother took in laundry. ■ Pedro's two younger brothers began working on the farm after school. 	<ul style="list-style-type: none"> ■ His wife belonged to a village savings and loan group that lent her money. ■ His wife collected the money her brother owed them. ■ His wife kept her food stall open for lunch. ■ Their children stopped buying lunch and ate at his wife's stall instead. ■ They canceled their annual pig roast. 	<ul style="list-style-type: none"> ■ They borrowed from a moneylender. ■ Juan sold his motorbike to pay off the loan. ■ His older daughter quit school and found a job. ■ His wife sold half of her goats.

After the three groups have reported, ask:

- **Which family was in the best position to respond to this accident?**
Why? *[Alberto's family will have the easiest time handling the accident. Alberto's wife belonged to a savings and credit group that used its emergency fund to help her. She could expand her business relatively easily; they could reduce unnecessary expenditures to find additional funds they needed.]*
- **Which family was in the worst position? Why?** *[Juan's family had no savings, so they got a loan. But with no income, they could not repay it and had to sell their only productive asset.]*

STEP 2:

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

10 MINUTES

Ask:

- **Remember our discussion about protecting ourselves? What were some of the actions we take to protect ourselves, our children or our homes?**
[Repair our house to keep it from falling down; eat nutritiously to stay healthy; hold a child's hand on a crowded street to keep her from getting lost, etc.]
- **In these examples, does the protective action happen before or after the feared event?** *[Before the event]*
- **What happens if you fail to protect yourself and the event you fear actually happens? For example, if you choose not to repair the roof and a big rain storm comes, your home may suffer damages. What will you do then?** *[You react any way you can. Somehow you find the money to repair the damages and the roof.]*

Explain:

Now if we look at the different ways in which our three families in the bus accident responded, we will find a few things families did **before** the accident ever occurred to **protect** themselves in case something like that did happen. These are "protection steps."

Post the following flip chart and read it.

DEFINITION OF "PROTECTION STEPS"

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

Say:

Let us look at your lists on the wall again and label the actions that took place **before** the accident with a "P" for "protection" or "prepared."

Ask volunteers to identify the actions that families took before the accident. Write a "P" next to the action on the flip charts.

Make sure the two following protection steps are identified:

PROTECTION STEPS

<i>Pedro</i>	<i>Alberto</i>
They used their savings which was set aside to purchase a dairy cow.	His wife belonged to a village savings and loan group that lent her money.

Ask:

- **Can you think of any other steps one could take as protection before, or in anticipation of, an emergency?** *[Build an emergency savings account, diversify sources of income with more than one income earner in the household, join a funeral/burial society if these societies exist in your area]*

Explain:

The rest of the steps our families took to pay these unexpected costs happened **after** the accident. They were not planned. People **reacted** to the accident and its costs in any way they could—by borrowing, working longer hours, finding new ways to earn money, reducing expenditures, and selling assets. We will call these “reaction steps.”

Post the following flip chart.

DEFINITION OF “REACTION STEPS”

“Reaction steps” are actions we take in response to something that happens **after** the fact.

Say:

Let us look at the remaining items on your lists and mark them with an “R” for “reaction.” As we do this, we will identify which one of the following reaction steps they are:

- borrow
- work longer hours
- find new ways to earn money
- reduce expenditures
- sell assets

For example, “taking in laundry” on your list becomes “find new ways to earn money.”

Make sure the following reaction steps are identified:

REACTION STEPS

Pedro	Alberto	Juan
They borrowed from Pedro's aunt and uncle. <i>Borrow</i>	His wife collected the money her brother owed them. <i>Find new ways to earn money</i>	They borrowed from a moneylender. <i>Borrow</i>
Pedro's mother took in laundry. <i>Find new ways to earn money</i>	His wife kept her food stall open for lunch. <i>Find new ways to earn money</i>	Juan sold his motorbike to pay off the loan. <i>Sell assets</i>
Pedro's two younger brothers began working on the farm after school. <i>Work longer hours</i>	Their children stopped buying lunch and ate at his wife's stall instead. <i>Reduce expenditures</i>	His older daughter quit school and found a job. <i>Find new ways to earn money</i>
	They canceled their annual pig roast. <i>Reduce expenditures</i>	His wife sold half of her goats. <i>Sell assets</i>

Ask:

- **What is the main difference between protection and reaction steps?**
[Protection is something you do **before** a difficult situation or emergency takes place to prepare yourself to respond. Reaction steps are actions we take to address the crisis **after** it occurs.]
- **Why do you think there are more reaction steps?** [People struggle to deal with day-to-day life and do not think ahead to anticipate a possible emergency. It is difficult to plan for the future.]

STEP 3:

Debate Advantages and Disadvantages of Protection and Reaction Strategies

20 MINUTES

Explain:

Two of the three families used both protection measures and reaction measures. Both involve paying for the costs of the emergency. Nobody was able to escape that. With savings, you pay up front; with loans or finding ways to increase your income, you pay later.

Divide the group into two teams. (If you have a large group, you may need to have four teams.) Explain that the teams will debate each other about the merits of protection measures vs. reaction measures in handling the costs of an emergency. Assign one team to argue in favor of each. Give them ten minutes to prepare their arguments. Each team will then have two minutes to present its case.

Post the following flip chart.

COMPARING REACTION AND PROTECTION STRATEGIES

	<i>Advantages</i>	<i>Disadvantages</i>
Protection Strategies		
Reaction Strategies		

As each team presents its arguments, fill in a table drawn on the flip chart. Remember, when the “protection” team states the disadvantages of reaction strategies, you need to record these in the box corresponding to “disadvantages/ reaction strategies,” in the second row. Similarly, when the “reaction” team is outlining the disadvantages of the protection strategies, record these in the first row, in the box corresponding to “disadvantages/ protection strategies.”

At the conclusion, the comparison table should look something like the completed table below:

COMPARING REACTION AND PROTECTION STRATEGIES

	<i>Advantages</i>	<i>Disadvantages</i>
Protection Strategies <ul style="list-style-type: none"> ■ Savings ■ Savings/loan groups ■ Mutual aid groups <i>(if they exist in your area)</i> 	<ul style="list-style-type: none"> ■ Having money saved to cover at least some of the costs is less stressful ■ May avoid going to family and friends or to the moneylender for money ■ Saving for emergencies before they occur is less expensive than paying interest on a loan after they occur 	<ul style="list-style-type: none"> ■ Requires discipline ■ Requires sacrificing other needs and desires ■ Requires having surplus income to save or pay for membership in a mutual aid group ■ It is difficult to save enough to pay all the costs of a serious crisis ■ If no emergency occurs, you may pay for nothing other than "peace of mind"
Reaction Strategies <ul style="list-style-type: none"> ■ Borrow ■ Work longer hours ■ Find new ways to earn money ■ Reduce expenditures ■ Sell assets 	<ul style="list-style-type: none"> ■ You pay only when and if something happens ■ You can invest your surplus cash in other things like a business ■ You do not have to make sacrifices in the present for something that might or might not happen in the future 	<ul style="list-style-type: none"> ■ Interest on loans is expensive ■ Loan payments are another burden, on top of the struggle to recover from lost income ■ If you do not have enough income to make loan payments, you may be forced to sell assets ■ Reduces the ability to earn income in the future ■ Reduces the ability to cope with future emergencies ■ May reduce the ability to borrow in future if the assets sold could have been used for collateral

(Note: If you prefer not to set up a debate between two teams, divide participants into four groups and assign each group one option from the list below to discuss and present. This may be easier for participants, but it is less dynamic.)

Group 1: Protection/Advantages

Group 2: Protection/Disadvantages

Group 3: Reaction/Advantages

Group 4: Reaction/Disadvantages

After the teams have presented, ask if anyone on either team has anything to add.

Ask:

- **How does this discussion apply to you and your family?**
- **What action can your family take to be more prepared for an emergency?**

HANDOUT 2.1

One Accident, Three Responses

Last year, a terrible bus accident occurred on the hilly road from the district capital up to the three villages along the same northern route. An animal darted in front of the bus, startling the driver just as he was going around a curve. When he swerved, he lost control, and the bus rolled over. Most of the passengers only suffered cuts and bruises. But three young men had injuries that required hospitalization.

PEDRO

Pedro lives with his parents and younger brothers on their farm north of the capital. Most of the family works on the farm, but he is a teacher in town and rides the bus there each day. In the accident, he broke his leg in two places, and had to stay home from work for several weeks until he was strong enough to move around on crutches. At first, his family was in shock. How would they pay the hospital bill and meet daily expenses without Pedro's salary? But they sat together to figure out how much they would need and made a plan to raise the money.

- They could borrow $\frac{1}{2}$ of the total amount needed from Pedro's aunt and uncle.
- Their savings (set aside to purchase a dairy cow) would cover $\frac{1}{4}$.
- Pedro's mother would take in laundry to earn $\frac{1}{4}$ and eventually repay the aunt and uncle.
- Pedro's two younger brothers would quit their after-school soccer team to replace their mother on the farm.

ALBERTO

Alberto works as a mason. His wife, Helen, has a cooked food stall in the market in town where she prepares breakfast for the government office workers. She opens very early and closes her stall by 10 am. When Alberto fractured his hip in the accident, he was unable to work for eight weeks. To pay the medical bill, Helen approached her village savings and loan group 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. To replace Alberto'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. This year, they would cancel their annual pig roast to celebrate the nation's birthday.

JUAN

Juan operates a motorcycle taxi in town while his wife tends their small farm. She grows maize to eat and keeps goats. His earnings are spent first on school fees for their two children. When Juan 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 Juan unable to work, they had no income from which to make loan payments. Finally, Juan had to sell the motorbike to pay off the loan. He had just enough money leftover for school fees for the younger daughter. The older one left school and found a job in town as a maid. To pay for daily expenses, his wife sold half of her goats.

OBJECTIVES

BY THE END OF THE LEARNING SESSION, PARTICIPANTS WILL HAVE:

1. Identified additional, longer-term costs of recovering from emergencies
2. Compared available reaction steps: borrowing, selling assets, finding additional income
3. Evaluated the impact that these strategies would have on their own families

PREPARATIONS/MATERIALS

■ HANDOUT FOR USE IN THE FOLLOWING STEP:

Step 2:

- Handout 3.1: Juan's Story

■ FLIP CHARTS FOR USE IN THE FOLLOWING STEPS:

Step 1:

- Blank flip chart with two columns labeled "Juan's Options" and "Number of Votes"

Step 2:

- Questions for Juan's Story
- Blank flip chart with two columns labeled "Expenses" and "How the Family Pays"

■ CARDS

Step 3:

- Strategy cards

TIME

60 MINUTES

STEPS

1. Discuss reactive risk management strategies
10 MINUTES
2. Identify the long-term impacts of an emergency
30 MINUTES
3. Consider how an emergency can affect your family
20 MINUTES

React and Recover

STEP 1

Discuss Reactive Risk Management Strategies 10 MINUTES

(Note: If you start this session right after the preceding one, you should not have to read Juan's story again. Participants should remember it. You only need to remind them of Juan and his situation. You might start by saying:)

Do you remember our friend Juan from the bus accident? Of the three victims, we agreed that his family was in the most vulnerable position. The family had no savings and had to borrow. But because Juan could not work, they could not pay the loan payments. Eventually they had to sell his motorcycle.

However, if you are starting this session after a break of a few days, you should re-read Juan's story below.

Juan operates a motorcycle taxi in town while his wife tends their small farm. She grows maize to eat and keeps goats. His earnings are spent first on school fees for their two children. When Juan 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 Juan unable to work for three months, they had no income from which to make loan payments. Finally, Juan had to

sell the motorbike to pay off the loan. He had just enough money leftover for school fees for the younger daughter. The older one left school and found a job in town as a maid. To pay for daily expenses, his wife sold half of her goats.

Post the following blank flip chart with two columns labeled "Juan's Options" and "Number of Votes."

<i>Juan's Options</i>	<i>Number of Votes</i>

Ask:

- **With no savings, what options did Juan's family have?** *[Borrow money, sell assets, find other income]*

Write these answers on the flip chart. Ask:

- **What option would you choose first? Raise your hand if you would borrow first.**

Count the number of hands and record the number on the chart next to this option. Repeat the vote for selling assets and finding other income. Ask:

- **Which response received the most votes? Do you think this is what people really do?** *[Participants are likely to vote for "finding other income" as their first choice, but in reality, they would end up borrowing.]*

(Note: Be sure to emphasize this point. Participants should recognize and acknowledge how common borrowing is. Then it is easier to emphasize the costs of borrowing and the wisdom of saving for emergencies in order to reduce the amount one is forced to borrow. If appropriate, you might consider asking people what they did the last time they faced an unexpected emergency.)

STEP 2:

Identify the Long-Term Impacts of an Emergency

30 MINUTES

Say:

Juan's family did borrow to get the money they needed right away. But soon they realized that they could not make the loan payments and sold a valuable asset—the motorcycle. Do you wonder what will happen to this family? I do. In fact, I am so curious that I am going to ask you to tell me what happens to them. How do they recover?

Divide participants into groups of three. Give each group copies of Handout 3.1: Juan's Story.

Post the flip chart.

QUESTIONS FOR JUAN'S STORY

1. What medical expenses will the family have during Juan's recovery?
2. How will the family get money to pay for Juan's medical expenses?
3. How will they pay for daily expenses like food and transport after they spend all the money received from the sale of their goats?
4. School fees for the younger daughter are paid for the current term. What will the family do for the next term that starts in several months?
5. What will happen to the older daughter's education? Is she out of school permanently or will the family find a way to send her back to school?

Say:

Your task is to make up the future for Juan and his family. In so doing, you will answer the questions on this flip chart and on your handout. You can answer these questions any way you want, and you can add more details to Juan's story.

Encourage everyone to figure out how Juan and his family will get back to their normal life. They should make up a version of events that is both realistic and creative. For example, they can introduce new people in the story, but they cannot use magic to cure Juan overnight or have the family win the national lottery.

Give each group 15 minutes to make up the ending to Juan's story. They should make some notes to help them remember the story that they invent.

Post the following blank flip chart with two columns labeled "Expenses" and "How the Family Pays."

<i>Expenses</i>	<i>How the Family Pays</i>

Ask each group to tell their story. As participants tell their stories, write down the anticipated expenses and actions that the family takes to pay those expenses.

When each group has told its story, ask:

- **In the story, Juan is out of work for three months after the accident. How will the time needed for his recovery affect his family?**
- **How long do you think it will take for his family to recover the same position they were in before the accident?** *(Ask each group to give you an estimate of the number of months or years needed according to their story.)*
- **What are the reasons that make Juan's financial situation especially difficult?** *[He sold his asset, his motorbike, which helped him earn his income. Without his motorbike, he cannot make the same amount of money he earned before the accident. The family's loss of income forced his wife to sell her goats.]*

To summarize, review the list of actions that the stories included. Explain:

Without savings or some other form of financial support as a cushion in case of an emergency, most families will have to borrow. If the emergency forces the income earner to stop working, the family can have trouble repaying the loan, forcing it to sell assets. Eventually, with fewer assets to build on, perhaps the family will have to borrow again, pushing it into a debt trap that is hard to escape.

STEP 3:

Consider How an Emergency Can Affect Your Family

20 MINUTES

Say:

Now imagine that you have had a similar emergency in your family and took a loan to pay the unexpected expenses. Your immediate problem is solved. But what about the future? What do you have to worry about now?

Ask each person to work with their neighbor to their right. Prepare and distribute a strategy card to each pair. The card will give them one of the following three strategies for reacting to and recovering from the emergency: "Sell assets;" "Increase earnings;" and "Put off planned investments or expenses." Because there are only three distinct strategies, several pairs will be discussing the same one. You will need to prepare as many cards as you have pairs of participants.

STRATEGY CARDS

Sell assets

Increase earnings

**Put off planned
investments or expenses**

Explain:

Look at your card and discuss this strategy with your partner.

Ask:

- **If you had to carry out this strategy, how would you do it? What impact would it have on your family—both financial and emotional?**

Say:

For example, if your card says “sell assets,” discuss with your partner which assets you can sell to pay the expenses associated with your emergency, and all the different ways that selling that particular asset could affect you and your family.

After five minutes, ask for one volunteer for each type of strategy to report on their discussion. Ask if the other pairs who discussed the same strategy have anything to add or have a different opinion about the impact of that action.

Ask:

- **Which strategy will have the least impact?**
- **Which strategy will have the most severe impact?**
- **How can protection steps, like savings, help you avoid using those high-impact strategies like selling your productive assets?**

Conclude:

Crises can have long-term impacts such as *(summarize what the group identified)*. It can take years to recover. But one can prepare for them by saving *(and/or joining mutual aid groups if they exist in your area)*.

HANDOUT 3.1

Juan's Story

Juan operates a motorcycle taxi in town while his wife tends their small farm. She grows maize to eat and keeps goats. His earnings are spent first on school fees for their two children. When Juan 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 Juan unable to work for three months, they had no income from which to make loan payments. Finally, Juan had to sell the motorbike to pay off the loan. He had just enough money leftover for school fees for the younger daughter. The older one left school and found a job in town as a maid. To pay for daily expenses, his wife sold half of her goats.

Questions for Juan's Story

1. What medical expenses will the family have during Juan's recovery?
2. How will the family get money to pay for Juan's medical expenses?
3. How will they pay for daily expenses like food and transport after they spend all the money received from the sale of their goats?
4. School fees for the younger daughter are paid for the current term. What will the family do for the next term that starts in several months?
5. What will happen to the older daughter's education? Is she out of school permanently or will the family find a way to send her back to school?

Strategy Cards

Sell assets

**Put off planned
investments or expenses**

Increase earnings

OBJECTIVES

BY THE END OF THE LEARNING SESSION, PARTICIPANTS WILL HAVE:

1. Identified how to make money available to save
2. Identified factors that make saving easier

PREPARATIONS/MATERIALS

■ HANDOUT FOR USE IN THE FOLLOWING STEP

Step 1:

- Handout 4.1: Maria's Family

■ FLIP CHARTS FOR USE IN THE FOLLOWING STEPS

Step 1:

- How Do You Find Money to Save?

Step 2:

- Blank flip chart with title: Internal/External Factors Supporting Savings

Step 3:

- Two Rules for Savings

■ FLIP CHART PAPER

■ MARKERS

TIME

50 MINUTES

STEPS

1. Explain how to save using a story
20 MINUTES
2. Identify factors that can help people to save
15 MINUTES
3. Reinforce the rules of saving with a song
15 MINUTES

Save Regularly

STEP 1

Explain How to Save Using a Story

20 MINUTES

Explain:

We know that to manage the risks we face, we can either take protective steps before the event, or simply respond however we can after the crisis has occurred. For many, this means either saving for the possibility of a crisis, or borrowing money to cover expenses afterwards. We know it is important to save, but many of us still want to know **how** to save. We also need to know when to borrow and when to avoid borrowing. We will review both of these key questions during this session.

Ask the following:

- **What can people do to save more money?** *[Cut spending, save a portion of income as soon as it is earned, invest and use a portion of the returns, have less debt, etc.]*

Explain:

The amount you can save depends on the amount of money you have available. For many people, having money to save depends on the time of year. Let us examine one family's situation and determine how they can save more.

Read the story to the group. (If the participants read well, you can distribute Handout 4.1: Maria's Family and ask them to read the story.)

MARIA'S FAMILY

Maria and her husband, Joseph, live on the outskirts of town. She has a small restaurant and he works as a day laborer on a big farm. They have three children: Jorge, age 13; Orianna, age 10; and Lulu, age 4. The restaurant does well during the warm season, June through August, and around the holidays in December and April. Joseph has steady work in the warm season, but no work during the cold winter months. Maria takes loans from a microfinance institution (MFI) every year in early February to cover expenses when the restaurant is slow and Joseph 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 Joseph 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 and at Easter.

Ask:

- **What are the savings goals of Maria's family?** *[Paying school fees, surviving the cold season, expanding the business]*

Divide participants into groups of three or four. Tell them to be prepared to report back to the large group after they finish discussing the following question.

- **When and how can Maria's family save?**

Make sure the following points are covered by the groups:

- Save during the summer when the restaurant is doing well.
- Reduce holiday spending and save the money instead.
- Purchase food and supplies in bulk when there is money to get a discount and save on expenses.
- Use the loan money to invest in another income-generating activity during the winter when Joseph does not work on the farm and business at the restaurant is slow. *(Highlight that using a loan to make an investment that will increase income is much better than using a loan to pay daily expenses. In both cases, you have to make the loan payments, but in the first case, you will be building a business to bring in extra income that you will have even after the loan is repaid.)*
- Avoid using loan capital for family consumption.

Say:

Take a few minutes to think of two ways your own family can save more.

After a few minutes, ask for volunteers to share their ideas. Summarize the ideas of the group, making the following point:

Maria and Joseph's options to save more are the same for anyone. To save, we have to cut costs and increase income. Maria and Joseph have several ways to reduce their expenses and increase their income. If they are disciplined and save the extra money they get by doing these two things, they will slowly build their savings.

Post the flip chart and review.

HOW DO YOU FIND MONEY TO SAVE?

- Cut costs (household expenditures, debt payments, unnecessary expenses)
- Increase income (expand or diversify business; find additional work)

STEP 2:

Identify Factors that Can Help People to Save

15 MINUTES

Explain:

For some of you, these wise words are obvious. To save, you have to reduce expenses and/or increase income. But even when we are able to get a little money in these ways, many of us have trouble putting it aside and out of sight—really saving it for future goals or emergencies that may come up.

Ask:

- **Why is it hard to save the little extra money that you are able to get?**
What are the demands or pressures you face to spend that money?

Say:

In your same groups (*from the previous step*), please discuss the following:

- **What would make it easier to save? What factors can help people to save?**

Take five minutes to list everything you can think of. We will see which group has come up with the most ideas.

While they are working, post the following flip chart.

INTERNAL/EXTERNAL FACTORS SUPPORTING SAVINGS

After five minutes, ask the groups to tell you how many ideas they have. Congratulate the group with the most ideas. Ask this group to report all of its ideas. As they report, record the ideas on the flip chart. Then ask the other groups to add any ideas that have not been mentioned. The ideas may include the following:

INTERNAL/EXTERNAL FACTORS SUPPORTING SAVINGS

- Motivation to meet personal goals (house, marriage, education, etc.)
- Good savings plan
- Discipline to reduce expenses
- Discipline to not spend savings
- Family support for the decision to save
- Safe place to keep savings
- Convenient place to save (close to home, easy to get to, etc.)
- Savings institution or program that allows small deposits
- Savings institution that pays interest on savings
- Opportunity to earn more income

Say:

Now, let us look at this list and underline those items that we ourselves can control. These are all things that do not depend on external factors such as other people or the environment.

Differences of opinion are likely to emerge as group members identify those factors within their personal control. When there are differences, encourage a short debate between participants with different opinions.

Ask a participant who thinks that the factor in dispute is within a person's control:

► **Why is this factor for saving within our control?**

Ask a participant who thinks the factor is outside of a person's control:

► **Why is this factor for saving not within our control?**

Say:

Often people will say that they do not have control over a situation when, in fact, they could. They are not confident that they can take action to save. They give up too easily. If you know which actions are in your control, you can develop a plan and make a commitment to yourself and your family to follow it. Saving requires discipline!

STEP 3:

Reinforce the Rules of Saving with a Song

15 MINUTES

Explain:

We have learned about how to save and when to borrow. Now, we will close this session with some fun! We want to give you two rules of saving that can guide you as you try to save. Taking action can be harder than discussing ideas. It is easy to understand why saving is so important for our financial well-being. But it is harder to find the discipline to actually save. It is easy to conclude: "We have no money to save." It is much harder to force ourselves to find a little something to save each day or each week, even if it is only a penny. To do this, you must follow the basic rules of saving.

Post the following flip chart.

TWO RULES FOR SAVING

1. Spend less than you earn!
2. Save something every day or week!

Divide participants into two groups and assign each group one of the saving rules. Their task is to make up a short song about this rule.

Explain:

Each group will make up a short song to sing about their assigned saving rule. Your tune should be easy to remember so that you can sing the song often. You can use a tune you already know, or make up a new one. The song can include other words in addition to the saving rule, or it can simply repeat the saving rule to music.

Give them ten minutes for this exercise. Ask the groups to perform and teach their song to each other.

Thank the participants for their hard work, creativity and musical entertainment!

(Note: *Have fun with the song! It may seem awkward at first, but if participants come up with a song that is funny or memorable, you should ask them to sing it again periodically throughout the training. You can offer a prize to whoever remembers the song, whoever volunteers to sing it, whoever initiates singing at the end of a session, etc. Use your own creativity!)*

HANDOUT 4.1

Maria's Family

Maria and her husband, Joseph, live on the outskirts of town. She has a small restaurant and he works as a day laborer on a big farm. They have three children: Jorge, age 13; Orianna, age 10; and Lulu, age 4. The restaurant does well during the warm season, June through August, and around the holidays in December and April. Joseph has steady work in the warm season, but no work during the cold winter months. Maria takes loans from a microfinance institution (MFI) every year in early February to cover expenses when the restaurant is slow and Joseph 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 Joseph 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 and at Easter.

OBJECTIVES

BY THE END OF THE LEARNING SESSION, PARTICIPANTS WILL HAVE:

1. Identified which savings methods are most commonly used
2. Described which savings methods are most helpful in responding to emergencies
3. Explained when to use savings or credit to respond to an emergency
4. Decided how the “Guidelines for Using Savings or Credit” applies to their own lives

PREPARATIONS/MATERIALS

- STICKERS OR MARKERS (TWO DIFFERENT COLORS)
- FLIP CHART PAPER
- CARDS
 - Step 2:
 - Scenario cards (one for each group of three participants)
- FLIP CHARTS FOR USE IN THE FOLLOWING STEPS:
 - Step 2:
 - Use Savings or Credit
 - Step 3:
 - Guidelines for Using Savings or Credit
- HANDOUT FOR USE IN THE FOLLOWING STEP:
 - Step 2:
 - Handout 5.1: Scenario Cards
- PROP FOR HAIRDRESSER ROLE-PLAY (SCARF, HAIRBRUSH, ETC)
- CONTAINER (HAT, BASKET, BOX, ETC)

TIME

50 MINUTES

STEPS

1. Brainstorm the ways we have to save in the community
15 MINUTES
2. Use savings or credit?
25 MINUTES
3. How does the “Guidelines for Using Savings or Credit” apply to you?
10 MINUTES

Savings and Risk Management

STEP 1:

Brainstorm the Ways We Have to Save in the Community

15 MINUTES

Say:

In this session, we will look more closely at savings: the way we save and when to use savings or borrow in response to an emergency. We will compare borrowing and saving to understand how to best use each.

Let us quickly list the different ways people save in this community.

Write participants’ answers on a sheet of blank flip chart paper posted on the wall. The list should include:

- Saving in a bank account
- Saving “at home”
- ROSCA
- Savings club
- Savings and credit association
- Saving with a MFI/ Village Bank
- Purchasing animals
- Purchasing jewelry

Add any of these items that participants did not mention.

Distribute stickers or markers of one color to participants. Ask everyone to come up to the flip chart and place the stickers (or write a check mark) beside the savings method they use currently or have used in the past. Summarize what the results show about preferred savings methods. For the most popular methods, ask a volunteer to tell the group what she likes about it.

Say:

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

Distribute one sticker or marker of a different color to each participant. Ask participants to return to the flip chart and select the savings methods that would be most helpful in an emergency.

Discuss the choices they made. Ask:

➤ **Why are these methods most helpful in an emergency?**

Review the remaining savings methods on the list. Ask:

➤ **What do you think about these other methods for saving for emergencies?**

Summarize and/or add to their answers by highlighting the following:

<i>Saving at home</i>	Money is too accessible.
<i>ROSCA</i>	You might have to wait for your turn to receive the group funds. You might not be able to get them to respond quickly to the emergency.
<i>Purchasing animals or jewelry</i>	You might be forced later to sell them at lower prices because you need money immediately.

STEP 2:

Use Savings or Credit?

25 MINUTES

Say:

Most of us have two choices when we need money to deal with an emergency—borrow money or use savings. Raise your hand if:

- You would use your savings first to pay the expenses associated with an emergency.
- You would borrow money instead of spending your savings.

You can anticipate that many people will choose to use their savings before borrowing. You want to introduce the idea that, in the right circumstances, borrowing might be a better option. To communicate this idea, provide the following explanation and then role play the following scenario. Use something small, like a scarf to “dress up” or a hairbrush as a prop.

Explain:

Sometimes, it is actually 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 should consider taking a loan and keeping your savings for something in the future—perhaps a situation that **does** keep you from earning money and for which you might not have any other choice but to use savings.

Let us pretend that I am a hairdresser and I have a busy shop. I will now turn my back to you to get ready to play my role. When I turn around, I will no longer be the facilitator you know; instead, I will be Rolanda, the hairdresser. Ready?

When you turn back to the “audience” as Rolanda, say the following with emotion:

“Ah, my daughter became very sick, and she had to go the hospital. Oh, my goodness, what is wrong? I have received bad news. She needs an operation! Now how am I going to pay for that? I can use all of my savings, or I can ask my MFI for an emergency loan. If I use my savings, I will not have any left. If something else happens, I will not have any way to deal with it. And it will take me so long to save up that much money again! The MFI offers good terms on emergency loans; I can afford to pay, but I will have to sacrifice. I will keep the shop open longer and cut my expenses by giving up my special Sunday ham. I just have to get my MFI solidarity group to approve.”

Turn your back to your audience, and remove whatever prop or costume you used to indicate your role as Rolanda, the hairdresser. Then face the audience again as their facilitator and ask:

- **Why is Rolanda hesitant to use her savings to pay for her daughter's operation?** *[She will not have any savings left, and it will take a long time to replace it.]*
- **How will Rolanda manage her loan?** *[She will try to get a special emergency loan from her MFI. If she succeeds, she will work longer hours and cut her expenses to have enough money for the loan payment.]*
- **Would the situation be different if Rolanda herself was ill and had to close her shop? Why?** *[Yes, if Rolanda got sick and had to close the shop, she would not have the income to repay the loan. To repay, she might have to sell an asset, or take another loan to repay the first one. When the emergency affects your ability to earn money, it is better to use savings to pay the expenses you face.]*
- **What would you advise Rolanda to do?**

Say:

Now we will play a game to think a little more about this choice between using savings or taking a loan when faced with the unexpected costs of an emergency.

Divide participants into groups of three. Ask one member from each group to select a scenario card from a container.

SCENARIO CARDS

Maria and Enrique's 7-year old son has fallen ill; the doctor has put him in the hospital and ordered expensive medicines for the child. The family needs to pay \$100 before their son can be treated.

Alex 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 two months.

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

Miguel is a farmer who depends on his coffee crop. 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.

Josephine is a single mother and owner of a successful bakery. She has to have an operation that will force her to close the bakery for 6 weeks. She will need money during that time to pay her bills.

Explain:

Each card describes a situation. Each group will discuss the situation they select and decide whether they will use savings or credit to respond. In this game, the imaginary family in each situation has **both** savings **and** a source of loans. But they cannot use both savings and credit. They must choose one or the other.

You will have five minutes for discussion. After the discussion, each group will present its decision and explain why to the larger group.

Post the following flip chart.

USE SAVINGS OR CREDIT

<i>Situation</i>	<i>Savings</i>	<i>Credit</i>
Maria and Enrique		
Alex		
Sara		
Miguel		
Josephine		

After five minutes, ask each group to present its decision. Distribute Handout 5.1: Scenario Cards so everyone can follow the situations being discussed.

After each presentation, discuss the decision with the larger group. Ask:

► **What do you think about this decision? Why?**

Let the larger group discuss the decision until they reach consensus. When a consensus is achieved, put a check mark in either the "Savings" or "Credit" column on the flip chart, next to the situation in question. (If needed, guide participants by asking how those whose income is reduced by the emergency will be able to repay a loan.)

Make sure that the answers are the following:

USE SAVINGS OR CREDIT

<i>Situation</i>	<i>Savings</i>	<i>Credit</i>
Maria and Enrique		✓
Alex	✓	
Sara		✓
Miguel	✓	
Josephine	✓	

After the flip chart is completed, review the situations. Ask:

- **What do the “credit” choices have in common?** *[The common element is that the borrower has a source of income that makes it possible to repay a loan.]*
- **What do the “savings” choices have in common?** *[The person responsible for paying for the emergency lost his or her income, making it difficult to repay a loan.]*

Explain:

Families should choose to use savings when an emergency affects their ability to earn income. The loss of income will make it difficult for a family to repay a loan. If they cannot repay a loan, they might be forced to sell assets, making their situation even worse. When an emergency seriously reduces income, it will be less stressful to meet a shortfall in income with savings. If the emergency does not affect income, a family may choose to borrow, and reserve their savings for a future emergency.

Post the following flip chart.

GUIDELINES FOR USING SAVINGS OR CREDIT

- If the emergency you face affects your ability to earn income, use savings to pay your expenses.
- If the emergency does not stop or reduce your income, consider taking a loan to pay the unexpected expenses.

STEP 3:

How Does the “Guidelines for Using Savings or Credit” Apply to You?

10 MINUTES

Ask participants to turn to the person sitting next to them and discuss the following questions:

- **How does the advice in these guidelines compare to how you responded to an emergency in the past?**
- **What will you do differently now that you have learned these guidelines?**

Ask a few volunteers to share the results of these discussions and thank everyone for their work!

HANDOUT 5.1

Scenario Cards

Maria and Enrique's 7-year old son has fallen ill; the doctor has put him in the hospital and ordered expensive medicines for the child. The family needs to pay \$100 before their son can be treated.

Alex 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 two months.

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

Miguel is a farmer who depends on his coffee crop. 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.

Josephine is a single mother and owner of a successful bakery. She has to have an operation that will force her to close the bakery for 6 weeks. She will need money during that time to pay her bills.

OBJECTIVES

BY THE END OF THE LEARNING SESSION, PARTICIPANTS WILL HAVE:

1. Traced the movement of cash in and out of a funeral fund
2. Identified the benefits and risks associated with a funeral fund
3. Compared a funeral fund and savings

PREPARATIONS/MATERIALS

- FLIP CHART FOR USE IN THE FOLLOWING STEP:

Step 2

- Blank flip chart with title:
Comparing Advantages of
Savings and Funeral Society

- SEVERAL DOZEN COUNTING OBJECTS (BOTTLE CAPS, STONES, NUTS, ETC.)
- PIECE OF CLOTH
- CONTAINER (HAT, BASKET, BOX)
- FOLDED SLIPS OF PAPER (ONE FOR EACH PARTICIPANT; SOME WILL BE MARKED WITH AN "X")
- NOTE CARDS (TWO DIFFERENT COLORS)
- MARKERS
- TAPE

TIME

50 MINUTES

STEPS

1. Understanding pooled risk
30 MINUTES
2. Compare individual savings and a funeral society
20 MINUTES

Understanding Pooled Risk

STEP 1:

Understanding Pooled Risk

30 MINUTES

The following simulation activity is based on the idea of a group of people who share or "pool" their resources to create an emergency fund to help any member in need. To demonstrate this example of shared/pooled risk, participants will create a hypothetical funeral fund because death is an event that all families everywhere have to cope with. In some countries, especially in Africa, funeral societies are common because funeral expenses add up to more than one person can afford to pay. Members join by paying a fee, and they are entitled to the payment of benefits if they experience a death in the family.

In the exercise, you will handle small objects that represent money. The numbers will vary depending on the number of participants you have. The numbers in the following activity are based on ten participants. You will have to anticipate how the amounts of "money" contributed to the group fund and paid out to members will change based on the number of participants in your group. Review the exercise ahead of time to make sure you know how these numbers will work with your group.

Explain:

Come sit in a circle on the floor. Today we are going to talk about a difficult event: a death in the family. We will discuss where we can go for help when someone in our family dies.

Ask:

- **When someone dies, what are some of the funeral expenses a family has to pay?** *[Casket, transporting the body, food and drink for the guests]*
- **How do people you know cope with these costs?** *[Savings, loans, contributions from friends and family]*
- **What groups or institutions exist in your community that you can go to for help in such an emergency?** *[Women's groups, savings and loan groups, church, mutual aid groups if they exist in your area]*

Explain:

Now we are going to test an idea for how to cope with the crisis a funeral often presents. We are going to pretend that we are members of a special group called a "funeral society." We live in the same community and know each other. We all fear the day when a family member dies; we face both grief and the high cost of a funeral. So, as a group, we will create a funeral fund.

(Note: If mutual aid groups, such as burial or funeral societies are known in your area, you can ask participants to explain how they work instead of you. Make sure that the points below are covered.)

Continue:

How does it work? Let me explain. We will all contribute money to the fund. When one of us has to pay for a funeral, she will get money from the fund. To build the fund, we will pay a joining fee at the beginning. We will also pay membership dues every three months so that we can replace any funds we give to members to help with their funeral costs. By pooling our funds in this way, those of us who face a death in our family can receive more money from the fund than we each paid into it. This amount is also likely to be more than we are able to save on our own.

Ask:

- **What questions do you have about our new funeral fund?**

Discuss any questions that participants raise. Ask the group the following questions if participants do not raise them.

- **How is the group able to give more to a member than she paid in?** *[Each member contributes, but not everyone “withdraws,” or makes a claim. The pooled funds of all members support the emergency needs of a few members.]*
- **What do you think happens to your money if you do not have a death in your family during the year?** *[You do not get any money back if you do not experience the crisis. The fund grows with small contributions from members so that it has enough money to help out those members in need.]*
- **What types of emergencies will the fund cover?** *[In this case, our funeral fund only provides money to members who experience a death in their family. If it covered many kinds of emergencies, more members would likely ask for money from the fund, and the fund would quickly become low or empty. The fund does not have enough to pay for all types of crises.]*
- **How much money will each member receive as a benefit?** *[The group determines what benefits it pays based on the size of the group and the priorities of its members. Benefits can include more than cash; members can often contribute labor, food to feed people who attend the funeral, etc. In this case, our group has already determined cash is the benefit and determined the amount, which you will find out as this activity continues.]*

Explain:

Now we will play a game to see how our funeral fund actually works. I am giving each of you five objects which we are going to use as money.

Give each person five small objects (stones, nuts, bottle caps, paper clips, etc.).

Explain:

We are going to use these objects as money. I am the leader of our group. I will collect the joining fee of one object and the quarterly membership dues of one object from each of you. So, please put one object in the middle of the circle for the joining fee.

Place a piece of cloth on the floor in the middle of the circle. Put the collected “money” there, so everyone can see how much is in the “fund.”

Say:

Now please put a second object in the “pool” for your quarterly dues.

With ten participants, you will now have 20 objects in the fund.

Pass a container holding small folded pieces of paper (the same number as you have participants) and ask each participant to pick one. Two are marked with an X. The two members who draw these marked slips of paper have had a death in the family and have many funeral expenses to pay for.

Say:

Did anyone draw a piece of paper that is marked with an X? I am very sorry to inform you that you have had a death in your family. However, we are here to help you. You each receive benefits of four objects.

Pay the "benefits" to the two unfortunate members by placing the money in front of them so that everyone can see the amount. You will have 12 objects left in the fund. Stop the role-play here for a minute. Ask participants:

- **How did these two unfortunate members benefit from this group?**
[They received money.]
- **How much did they pay in to the group? How much did they receive? Would this benefit be worth membership in this group for you?** *[Each member paid in two, and as victims, they received four.]*
- **What about you other members? Do you receive anything for the money you have paid in?** *[The other members do not receive a cash benefit. They are paying for peace of mind, to know that they will have help in case they have to face the risk covered by the group.]*
- **In the group, who is sharing the risk for the event that could happen to any one of us?** *[In this case, the members all share the risk, spreading it among themselves.]*

Now start the role-play again.

Say:

Please contribute your second quarter payment of one object. *(After the payments, you should have 22 in the fund.)*

In this round, place the same number of slips of paper in the container, but mark four of them. Pass the container again. The four members who draw the marked slips have had a death in the family. Each of these members receives four objects. You should now have six objects remaining in the fund.

Say:

It is now the third quarter. I ask you to please contribute your membership dues of one object for the third quarter.

Now you should have 16 objects in the fund. Stop the role-play here for a minute. Ask participants:

- **How many objects do we have?** [16]
- **How many victims will this amount cover?** [Four]
- **What will happen to the group fund if four more members have a death in their family?** [The fund will have no money left.]
- **What will happen if five or six members have a death in their family?** [The fund will not have enough money to pay four objects to each victim in need. It will have to reduce the amount of benefits it pays to each person.]

On this round, mark three of the slips of paper in the container. Pass the container around again. Three unfortunate members each receive four objects. There are now four objects left in the fund.

Stop the role-play. Ask:

- **What happened to the fund?** [It almost ran out of money.]
- **Why did this happen?** [Many members had funerals and needed the benefits at the same time.]
- **Can you imagine a situation or a crisis that would cause many members to need help in a short period of time?** [A disease or a natural disaster that causes many deaths in a short period of time]

Explain:

The purpose of our little group fund is to help members with funeral expenses only—just one type of crisis.

Ask:

- **What would happen if we tried to use our fund to pay benefits for several types of emergencies like fire, theft and accidents?** [The number of victims, and as a result, the number of claims for benefits would increase by a huge amount. The demand for benefits would be greater than the amount of money in the fund.]

STEP 2:

Compare Individual Savings and a Funeral Society

20 MINUTES

Explain:

This exercise is our first step in understanding “pooled” or “shared” risk. In our fund, we all contributed money to a common fund that could pay a lump sum to a member in need. In this way, we agree to share the risk of a crisis among ourselves. Why? Because we saw that this type of fund can provide a lump sum of money that we might not get otherwise.

It is also important to note that we created our fund **before** a crisis occurred, so it is a protection step, like savings. Both savings and a funeral fund like ours will make it easier for us to cope with an emergency. But they are different.

Ask:

- **What do savings and our funeral society have in common?** *[Both help protect you against an unexpected event; both involve “paying” for the emergency before it happens.]*
- **Can anyone suggest one way that our funeral society differs from savings?** *[The funeral society only covers one specific type of risk. You can use your savings for many different purposes, but you might not have enough savings to cover your needs in an emergency. You have control over your savings, but the money you contribute to a funeral society is controlled by the rules of the society.]*

Divide participants into groups of three. Give each group markers and a handful of note cards of two different colors, one for savings and the other for the funeral society.

Say:

Please discuss what you appreciate about savings, and write each answer on a _____ (name a color) card.

Demonstrate this. Give them five minutes for this task.

Say:

Please discuss what you appreciate about our funeral society, and write each answer on a _____ (name the other color) card.

Post the following flip chart.

COMPARING ADVANTAGES OF SAVINGS AND A FUNERAL SOCIETY

<i>Savings</i>	<i>Funeral Society</i>

Have one member from each group tape its note cards in the appropriate columns.

Review the cards together with participants. As you review each column, rearrange the note cards so that similar responses are grouped together. Ask participants for comments and any other additions.

The following points should be noted:

COMPARING ADVANTAGES OF SAVINGS AND A FUNERAL SOCIETY

<i>Savings</i>	<i>Funeral Society</i>
<ul style="list-style-type: none"> ■ More control over money ■ Readily available ■ Diverse uses (instead of the one purpose of the funeral society) 	<ul style="list-style-type: none"> ■ Access to a lump sum payment that is greater than amount you would have otherwise ■ Provides peace of mind ■ Social benefits of membership in group

Say:

You have more control over your savings. But if you are faced with the costs of a funeral, you will receive a lump sum from your funeral society to help you with the expenses. The amount you receive from the funeral society is likely to be more than you paid in, and it is likely more than you are able to save. However, if you do not experience a death in the family and do not have to pay for a funeral, your money is not returned to you.

Ask:

➤ **What questions do you have about the idea of "shared or pooled risk?"**

SESSION 7

OBJECTIVES

BY THE END OF THE LEARNING SESSION, PARTICIPANTS WILL HAVE:

1. Identified how a disaster affected those with and without insurance differently
2. Discussed the negative and positive perceptions people have of insurance
3. Compared formal insurance with informal insurance
4. Debated whether or not to buy insurance

PREPARATIONS/MATERIALS

- FLIP CHART PAPER
- MARKERS (TWO DIFFERENT COLORS)
- FLIP CHART FOR USE IN THE FOLLOWING STEP:
 - Step 2:
 - Definition of Insurance
- FAKE MONEY (DRAW ONE NOTE WORTH \$10 AND PHOTOCOPY IT; DOLLARS ARE THE CURRENCY USED IN THIS EXERCISE. IF YOU USE LOCAL CURRENCY, CHOOSE ONE AMOUNT FOR ALL NOTES THAT IS EASY TO ADD, LIKE 100 OR 1000.)
- SIGNS (ONE OF EACH OF THE FOLLOWING: STRONGLY AGREE, STRONGLY DISAGREE, AGREE SOMEWHAT, DISAGREE SOMEWHAT, NOT SURE)
- BALL OF STRING

TIME

65 MINUTES

STEPS

1. Brainstorm “insurance”
5 MINUTES
2. Listen and discuss story
10 MINUTES
3. Define insurance
10 MINUTES
4. Understanding pooled risk: a simulation
30 MINUTES
5. Agree or disagree statement
10 MINUTES

Introducing Formal Insurance

STEP 1: Brainstorm “Insurance” 5 MINUTES

Explain:

In this session, we will learn about a protection measure you might not know much about. It is called insurance. Some of you may have *heard* something about insurance, or you know someone who has had insurance. So, I ask you to call out any thought you have, anything you know or have heard about insurance, good or bad.

As the participants respond, write a list of their responses on a sheet of blank flip chart paper. When they are finished, review the flip chart with them. Put a check mark next to the positive words and statements about insurance. With a different colored marker, put an “x” to identify the negative words and statements. Ask volunteers to explain their negative impressions.

Say:

We have both positive and negative impressions about insurance. People commonly hold misconceptions about insurance, and often do not trust it because there is not much information about it. Plus, it is hard to understand. Our task is to learn what insurance is and how it works. Let us start with a story.

STEP 2:

Listen and Discuss Story

10 MINUTES

Read the story below.

I have a sad story to tell you. Last week a big fire swept through our market. It destroyed at least half of the stalls and all their goods. Luckily no one was hurt. It was a windy day, so the fire spread quickly. All the market vendors rushed in to help in some way. Some carried water while others beat the fire with blankets. Others kept the children far from danger. But by the time they were able to put it out, the fire had destroyed many things. Many vendors were left with nothing. The fire was put out before it reached this section of the market, so my little restaurant is okay.

Now I am hearing all kinds of stories from my customers. Some are so sad about vendors who lost everything and still have to repay their loans! How will they repay their loans, I wonder? One lady was actually sleeping at her stall because her husband's relatives had chased her out of her home after his death. Now she has nowhere to go. So many people are desperate for a way to start over. They are worried about finding working capital and losing their customers while they rebuild.

During all this misery, I heard something very strange. Some vendors are receiving payment for the full value of everything they lost. I could not believe my ears. I thought it was just gossip. But I kept asking questions and learned that these lucky vendors had something called "insurance." What is that, I asked? I had no idea. It seems that with this "insurance" thing, you have protection against certain types of accidents or disasters like this fire. If that bad thing happens to you, the insurance company gives you money so you can start over. I guess you have to pay for it in advance. But how? How can someone charge you money for something that might not even happen? I do not understand. But some vendors who had insurance are actually planning to expand and improve their stalls with better products to sell. I wonder how people in the same place could suffer the same loss and come out of it so differently?

Discuss the story with participants.

Ask:

➤ **How did the fire affect some vendors differently from others?**

[Some vendors lost their businesses and were still in debt. Other vendors could rebuild and even expand their businesses.]

- **Why were those who had insurance able to rebuild and even expand their business?** *[They received money from the insurance company to pay for the value of their lost property.]*
- **Who might be interested in having this kind of protection for their business or house?**

STEP 3:

Define Insurance

10 MINUTES

Post the following flip chart.

DEFINITION OF INSURANCE

Insurance is a form of protection against the threat or possibility of loss.

Present the definition.

Ask:

- **Remember the funeral fund we created during the last session? Where does the money come from to pay benefits to the affected member?** *[The money comes from the members.]*
- **How is insurance similar to our funeral fund?** *[Both offer protection against a potential risk. Both use members' or clients' payments to create a larger fund that can pay money to a member when she experiences a crisis.]*

Explain:

Like the funeral fund that we created, the insurance company collects payment from customers for their insurance coverage. These payments are put together, or “pooled,” to create a fund that can pay benefits to the unlucky customers who suffer a loss. However, an insurance company is different from a funeral fund because it has many more clients who live all over the country or region.

Ask:

- **How many members did our funeral society have?**
- **Where did they live?** *[In the same community]*

Say:

Insurance is usually provided by a commercial company that works across the whole country, maybe even in neighboring countries too. An insurance company will attract thousands of customers who pay into the pooled fund. These customers will live all over the country. Some will live in cities, some in rural areas, some in the north, some in the south. Many people in very different situations all pay to protect themselves against the same type of risk.

STEP 4:

Understanding Pooled Risk: A Simulation 30 MINUTES

Say:

Let us look at how the “pooled” funds of a formal insurance company can be a little different from our funeral society or other informal groups you have in your community.

Ask everyone to stand up. Divide the group into two unequal groups, one with 75% of the participants, the other with the remaining 25%. (If your group is small, you can divide them 1/3 and 2/3.) Give everyone the same amount of fake money (e.g. two notes of \$10 for a total of \$20 for each participant).

Say:

Those in the smaller group are all business owners **in the same section of town**. This group does not belong to any kind of emergency fund, and it does not have insurance.

The members of the large group are customers of an insurance company.

Turn to the large group and say:

You live in different parts of the country, and each of you purchased a policy to protect your property against damage caused by fire and flood. For this policy, you pay a “premium” or fee of \$20 for the year. I will now collect that \$20, please.

Collect the premium payment from each participant in the large group (business owners who are insured). Then divide the large group into three smaller sub-groups of equal size. Send one of these sub-groups to stand near the small group (business owners who are not insured). Place the other two sub-groups in different spots in the room.

Explain:

Now, members of this group (*first sub-group*) are all business owners in the same section of town where the uninsured group has its businesses.

The remaining two groups (*sub-groups*) are customers of the same insurance company. They purchased the same policy, but they each live in a different town. (*Assign the two remaining sub-groups to two distinct towns in your country.*)

Stand near the two groups of business owners in the same section of town, and make the sound of a fire alarm. Shout to them:

FIRE! FIRE! EVERYBODY OUT!! A disaster has struck!

Explain (with emotion):

A fire destroys several blocks of buildings, including all of the businesses belonging to the members of the uninsured group and those who purchased insurance. Thankfully everyone survives!

Say to the members of the uninsured group:

This is a tragedy! The fire has ruined each of your businesses. What will you do now? Some of you will borrow money to re-build. Some may have to find other work. Some will return to your villages.

Show the money that the insurance company has to pay their customers who suffered damage to their property.

Explain:

Now, for those of you who are insured with my company, I can help you. Look, I have \$300 in premiums that I will divide up among the five of you. That means each of you will receive \$60.

Pay the insured customers the money they are due as per their insurance policy.

Ask:

- **What happened to the business owners who did not have any insurance? What will they do?** *[They lost everything. They will borrow money, find other work or return to their villages.]*
- **What happened to the group of business owners that had a formal insurance policy? Why was the insurance company able to pay all these business owners?** *[The insurance company collects premium payments from customers all over the country. Since many of them were not affected by the fire, the company has enough money to pay those who did experience loss.]*
- **What about the insurance customers who were not affected by the fire? Do they receive any benefit?** *[The insurance customers in the two other locations were not affected by the fire, so they did not have any claim to a payment.]*
- **What has happened to the money that these unaffected policyholders paid to the insurance company? Do they ever get it back?** *[The money these customers pay for their insurance policy is collected with other customers' payments to create the fund that pays benefits to those who make claims. If a customer never experiences an emergency that qualifies for an insurance payment, her premium payments will not be returned. You are paying for protection against the threat of something bad happening that could devastate you and your family. You are paying for peace of mind.]*

Ask participants to turn to a person sitting next to them to work with as a partner. Ask them to discuss the following question.

- **What are the advantages of having a large number of insurance customers living in so many different situations to cover losses when they happen?** *[There is a bigger fund to cover losses. With customers spread out across the country, it is less likely that the same event will affect everyone.]*

Review their answers together.

Ask:

- **In the story, two groups have insurance, but only one group has to make a claim. One group pays for the insurance but is not affected by the fire and does not get any money back, and the other group loses their businesses in the fire and receives an insurance payment to cover at least part of their loss. Who do you think suffers more?**

STEP 5:

Agree or Disagree Statement

10 MINUTES

For this activity, you will need to create space along the entire length of the training room. In this space, use string to create a line that is long enough for participants to stand side by side along it. Mark one end of the line with a sign that reads “Strongly Disagree” and the other end with a sign that says “Strongly Agree.” Place the sign “Not Sure” in the middle of the line. Use the two remaining signs, “Agree Somewhat” and “Disagree Somewhat” to mark other positions along the line between the two ends.

Read the following statement:

“Insurance offers protection against the **possibility** of loss. When you buy an insurance policy, you pay first for protection against something that might or **might not** happen. It is not worth it. I prefer to gamble that the loss never happens. I will save a lot of money by not buying insurance.”

Ask participants:

Do you agree or disagree with this statement? If you strongly agree, go all the way to the end of the line and stand by the “Strongly Agree” sign. If you strongly disagree, move to the opposite end by the “Strongly Disagree” sign. If you are not sure, place yourself in the middle of the line by the “Not Sure” sign. If you agree or disagree only somewhat, place yourself where you think you should be between the middle and either end of the line.

Ask volunteers at different points along the line to explain their position.

Explain:

We have different opinions about the value of insurance. That is natural. Some of you may feel that you do not have anything worth insuring. But remember insurance is one more way you can protect your home, business or family health *before* something bad happens. This can be hard to do and there are not many ways to do it.

Ask:

► **What will you tell your spouse or other family members about insurance?**

Thank everyone for their hard work!

SESSION 8

OBJECTIVES

BY THE END OF THE LEARNING SESSION, PARTICIPANTS WILL HAVE:

1. Defined the terms basic to an insurance policy: policy, premium, beneficiary, eligibility, benefits, claim and exclusions
2. Identified additional information they need to know about each of the terms

PREPARATIONS/MATERIALS

■ BLANK FLIP CHART PAPER

■ CARDS

Step 3:

- Insurance Matching Activity cards (Cards should be colored coded; one for terms, a different one for definitions.)

■ FLIP CHARTS FOR USE IN THE FOLLOWING STEPS:

Step 3:

- Insurance Terms and Definitions

Step 4:

- Questions about Insurance (Leave enough space underneath each insurance term for you to write the questions that participants identify)

■ CONTAINER (HAT, BASKET, BOX)

■ PRIZES (CANDY, PENS)

TIME

75 MINUTES

STEPS

1. Identify types of insurance
10 MINUTES
2. Basic insurance vocabulary
25 MINUTES
3. Matching game
20 MINUTES
4. Identify what you need to know about an insurance policy
20 MINUTES

What You Need to Know about Insurance

STEP 1:

Identify Types of Insurance

10 MINUTES

Review the previous session. (If your group did not do Session 7, skip these first two questions.) Ask:

- **What did you learn in the previous session that you did not know before?**
- **What questions do you have about how insurance works?**

Explain:

Today, we will learn basic information about insurance. We will start with the types of insurance that are available. We will also learn about the parts of an insurance policy and how they fit together.

Do you remember the funeral fund we created? We decided that such a fund can only work if its protection for members is limited to a specific type of risk.

Ask:

- **Why is our funeral fund unable to cover all the risks we face?** *[If it covered all possible risks, the chances of many members experiencing one of the covered types of losses would be high. The group would not have enough funds to pay for any and all losses.]*

Explain:

The same is true for formal insurance. There are different insurance products, or policies, for each type of risk. You can purchase health insurance, car insurance, property insurance and 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. For example, if you owned a business with expensive equipment, you might want to protect your property from theft and damage. The insurance policy offering that protection will only cover the loss or damage to your property. It will not cover illness, funeral expenses or other possible emergencies or losses. For this reason, some people have more than one insurance policy.

Ask:

➤ **Which risks do you fear the most?**

Write their responses on a sheet of blank flip chart paper. (Note: If you have the lists that participants created in Session 1, you can simply review these.)

Point out to the participants that the risks on the list can be grouped into categories. Say:

Health covers those events that will result in medical care and/or a hospital stay (accidents, illness).

Property includes house, business, assets and vehicle.

Death includes funeral expenses and loss of income.

Help the participants group the risks into these categories. Write the category next to the risk on the flip chart.

Explain:

The most common types of insurance correspond to these categories. They are: life insurance, health insurance and property insurance (including vehicle insurance). Although each type of insurance is a little different, they all share some common parts.

Ask:

➤ **Which risks on our list would you like to have insurance for?**

Explain:

If you want to be insured for different categories of risks, you will have to purchase more than one type of insurance. For example, if you want to be insured against illness and theft, you will need to buy health insurance (for protection against illness) and property insurance (for protection against theft).

STEP 2:

Basic Insurance Vocabulary

25 MINUTES

Explain:

Insurance has many terms that are new to many of us. When you speak to an agent of an insurance company, it is easy to get confused if you do not know these words. Today we will use a story to help explain these terms and play a game to see what we have learned.

Post a blank sheet of flip chart paper on the wall. Explain that you are going to tell the story of Sara who buys insurance from the “In Good Hands” insurance company.

Say:

Our friend Sara wants to purchase insurance to protect her sewing business from loss due to fire, flooding and theft. She has several sewing machines and often a lot of fabric waiting to be sewn into clothing. If she loses these things, she loses her business.

Sara goes to the office to meet with an insurance agent. He gives her a policy to review.

On the blank flip chart, write the word “policy” in large letters. Explain:

An insurance **policy** is a contract between the client, Sara, and the insurance company. The policy includes details about:

- Premium
- Benefits
- Beneficiary
- Eligibility
- Claim
- Exclusions

As you say each of these words, write them on the flip chart, below the word "policy." Then go back to the top of the list and explain each one. Point to each word as you explain it:

The **premium** is the price that Sara has to pay the insurance company for the protection described in her insurance policy.

Benefits are the money that the insurance company promises to pay to Sara if a loss covered by the policy occurs. For example, if a fire occurs and Sara loses her sewing machines and fabric, the insurance company will pay her.

The **beneficiary** is the person who receives the benefits that the insurance company pays. For each type of insurance, the beneficiary can be different. In the case of property insurance, as the business owner, Sara is the beneficiary. If you bought a health insurance policy that covers you and your children, you are all beneficiaries.

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.

A **claim** is the request for payment that the policyholder sends to the insurance company when she suffers a loss. If Sara's business is robbed, she can submit a claim to the insurance company for the value of the things she lost.

Exclusions are specific conditions or circumstances that the policy does not cover. For example, a property insurance policy will not pay for losses caused by fire if the property owner starts the fire. Many life insurance policies will not cover the death of the beneficiary if he takes his own life. Some health insurance policies will not cover, or exclude, certain incurable diseases.

Ask:

► **What questions do you have?**

Answer participants' questions. Say:

Now we will hear what happens to Sara after she meets with the insurance company. I will divide you into two teams. As I tell you the story, I will stop to ask you questions about the insurance words that we just learned. The team that can answer the question correctly gets a point. If a team answers incorrectly, the other team will have a chance to answer the question.

Divide the participants into two teams. Read Sara's story. Stop where indicated and ask the question in italics. Provide the correct answer if participants do not know. Record the number of points each team wins on a blank flip chart.

Say:

Sara is very excited. She has just come from the insurance company office with a copy of a new property insurance policy for her business that she is thinking about purchasing. She wants to review it with her husband first.

Ask:

- **What is an insurance policy?** *[The contract between the customer and the company]*

Say:

If Sara pays a premium of \$3 each month, the insurance company will pay benefits up to \$5,000 to cover losses due to theft, fire or flooding.

Ask:

- **What is a premium?** *[The price or cost of the insurance policy, often divided into monthly or quarterly payments]*
- **What are benefits?** *[The amount that the insurance company will pay when a covered event takes place]*

Say:

Sara is the beneficiary because she is the owner of the business. However, she is encouraging her sister to invest in the business too. She will have to ask the insurance company if her sister can be added as a beneficiary if she becomes an owner.

Ask:

- **What is a beneficiary?** *[The person who receives the cash payment made by the insurance company]*

Say:

As Sara reads the policy, she finds an answer to part of her question about naming her sister as a beneficiary. She learns that there are certain eligibility requirements for buying insurance. For example, a person has to be twenty-one years old to purchase insurance.

Ask:

- **What is eligibility?** *[The criteria that guide who can purchase insurance]*

Say:

Sara is confused about how to submit a claim for benefits if something does happen to her business. The policy does not explain it well. She will need to ask the insurance agent what the procedures are for submitting a claim to the insurance company.

Ask:

- **What is a claim?** *[The request for insurance payment after a covered event has taken place; usually requires documentation to prove the loss being claimed]*

Say:

Sara wants insurance protection so that she can sleep without worry at night. The only exclusion is theft when there are no locks on the windows and doors. Sara has to verify that her locks meet the insurance company standards.

Ask:

- **What is an exclusion?** *[A condition that the insurance policy does not cover]*

Ask what questions people have. Award a prize to the winning team.

STEP 3: Matching Game

20 MINUTES

Explain:

Now it is time to see if we have learned these insurance terms. We will play a matching game. Each of you will draw a card that has either a word or its definition written on it. Your job is to find the match to your card.

Place the Insurance Matching Activity cards in one container (hat, basket, box). Then ask participants to stand up, go to the container and each draw one card from the container. Ask them to walk around and find the person who has their matching card. For example, if a participant has a card with an insurance term, the participant should find the person who has the card with the definition that fits his or her insurance term. Give participants five minutes to find the person with the matching card.

Review the matches. Correct any errors.

Ask the participants to return the cards to the container. Repeat the matching activity so that everyone practices at least two different insurance terms.

INSURANCE MATCHING ACTIVITY CARDS

Policy:	The printed document given to the policyholder by the company that states the terms and conditions of the insurance contract.
Premium:	The money a policyholder pays to the insurance company to activate an insurance policy and keep it in force.
Benefits:	The money that the insurance company pays to the person who submits a claim or his or her beneficiary.
Beneficiary:	The person who receives the insurance money when an insured event occurs.
Claim:	A request for payment for a loss covered by the policy
Exclusions:	Specific conditions or circumstances listed in the policy that are not covered and for which the policy will not pay any benefits.
Eligibility:	The criteria that determine who can purchase an insurance policy (e.g. there may be age restrictions that prevent people above or below a certain age from buying an insurance policy).

Post the following flip chart so that everyone can see. (Keep the flip chart posted for the rest of the session.)

INSURANCE TERMS AND DEFINITIONS

<i>Insurance Term</i>	<i>Definition</i>
Policy	The printed document given to the policyholder by the insurance company that states the terms and conditions of the insurance contract.
Premium	The money a policyholder pays to the insurance company to activate the insurance policy and keep it in force.
Benefits	The money that the insurance company pays either to the person who submits a claim or to his or her beneficiary.
Beneficiary	The person who receives the insurance money when an insured event occurs.
Claim	A request for payment for a loss that is covered by the policy.
Exclusions	Specific conditions or circumstances listed in the policy that are not covered and for which the policy will not pay any benefits.
Eligibility	The criteria that determine who can purchase an insurance policy (e.g. there may be age restrictions that prevent people above or below a certain age from buying an insurance policy).

STEP 4:

Identify What You Need to Know about an Insurance Policy

20 MINUTES

(Note: Try to arrange for an insurance provider meet with your group and explain a specific policy that your group may be able to purchase. This activity will prepare participants for such a meeting.)

Divide participants into groups of three. Assign each group one term and its definition from the list of definitions posted on the wall.

Explain:

Your group's task is to discuss what you want to know about the term you have. Develop a list of questions you would ask the representative who explains the insurance policy to you.

Give the groups five minutes to discuss their term and write down their questions. Circulate to make sure that everyone understands the basic definition of their term.

Post the following flip chart.

QUESTIONS ABOUT INSURANCE

Policy

Premium

Benefits

Beneficiary

Claim

Exclusions

Eligibility

Ask each group to report their questions. Write their questions on the flip chart.

Check the questions you generated together against the following list. Add any questions that participants have missed.

QUESTIONS ABOUT INSURANCE

Policy

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

Premium

- What is the amount of the premium?
- How is it to be paid? (in cash, deducted from the loan, etc.)
- How frequently do we pay the premium? (monthly, quarterly, annually)

Benefits

- What benefits does the insurance policy guarantee to the policyholder?
- Which events will trigger payment of benefits?

Beneficiary

- Who can be named as a beneficiary?
- How many beneficiaries can be named?
- Are there special provisions if benefits are paid to a named beneficiary who is a child?

Claim

- How does the policyholder submit a claim?
- What type of documentation does she or he need?
- When should she or he submit a claim?

Exclusions

- What events are named as exclusions to this policy?

Eligibility

- What are the criteria for who can purchase this insurance policy?

Thank everyone for their hard work with difficult new words!

Insurance Matching Activity Cards

Policy:	The printed document given to the policyholder by the company that states the terms and conditions of the insurance contract.
Premium:	The money a policyholder pays to the insurance company to activate an insurance policy and keep it in force.
Benefits:	The money that the insurance company pays to the person who submits a claim or his or her beneficiary.
Beneficiary:	The person who receives the insurance money when an insured event occurs.
Claim:	A request for payment for a loss covered by the policy
Exclusions:	Specific conditions or circumstances listed in the policy that are not covered and for which the policy will not pay any benefits.
Eligibility:	The criteria that determine who can purchase an insurance policy (e.g. there may be age restrictions that prevent people above or below a certain age from buying an insurance policy).

OBJECTIVES

BY THE END OF THE LEARNING SESSION, PARTICIPANTS WILL HAVE:

1. Defined the terms and benefits of a basic life insurance policy
2. Debated the common choices of beneficiaries

PREPARATIONS/MATERIALS

■ FLIP CHART FOR USE IN THE FOLLOWING STEP:

Step 2:

- Blank flip chart with title: Candidates for Beneficiary

TIME

40 MINUTES

STEPS

1. Define life insurance
15 MINUTES
2. Who should you choose as a beneficiary?
20 MINUTES
3. Life insurance exclusions
5 MINUTES

What You Need to Know about Life Insurance

STEP 1:

Define Life Insurance 15 MINUTES

Explain:

Now that we understand some of the basic terms of insurance, let us look at the different kinds of insurance. One of the most common is life insurance.

Ask:

- **When the main income earner in a family dies, what is the impact on the family?**
- **What will the family have to do?** [*Borrow money or use savings to pay expenses until they can find a new source of income.*]
- **Does anyone know of a family that has suffered such a loss? How did they cope financially?**

Explain:

Life insurance can help with this situation. Life insurance is usually purchased by adults who have a family to look after. If a policyholder dies, the company will pay a cash benefit to the beneficiary named in the policy, usually a member of his family. The family can use this money to pay funeral expenses and their living expenses until they can replace the income of the person who died.

Ask:

- **What do you think the benefits of life insurance are?**

STEP 2:

Who Should You Choose as a Beneficiary? 20 MINUTES

Explain:

We have heard this word “beneficiary” before. In the last session, we talked about Sara and her business. Sara paid for the insurance policy, and she was the beneficiary. But the beneficiary is a little different for a life insurance policy.

Ask:

- **Who is the beneficiary for a life insurance policy?** *[The policy insures the life of the policyholder who names a beneficiary to receive payment upon his death. When the policyholder is dead, the money does him no good, but it can help the family he leaves behind.]*

Say:

Let us pretend that we all know a woman named Alicia. Alicia is married and has four children. She decides to purchase a life insurance policy worth \$5,000. That means when she dies, the insurance company will pay \$5,000 to her beneficiary. Alicia must choose a beneficiary.

Ask:

- **How should Alicia choose her beneficiary?**
- **What characteristics should a beneficiary have to manage a large sum of money?**
- **Who are good candidates to be the beneficiary for a life insurance policy?**

Say:

Now let us identify the strengths and weaknesses of some candidates for beneficiary of a life insurance policy.

Divide the group into three small groups. Assign each group one of the following beneficiaries: husband, eldest child or policyholder's adult sibling.

Explain:

Each group is the voice of one woman who has just purchased a life insurance policy. You have just chosen the beneficiary for your policy—the person I assigned to your group. Your task is to defend this choice.

Ask:

- **Why do you think this person is the best person to be beneficiary of your life insurance policy?**
- **Why are the other candidates not acceptable to you?**

Give the groups ten minutes to develop their arguments in favor of their “choice” of beneficiary.

Post the following flip chart.

CANDIDATES FOR BENEFICIARY

	<i>Husband</i>	<i>Child</i>	<i>Adult Sibling</i>
Advantages			
Disadvantages			

Ask each group to present. Encourage comments and discussion after each presentation. Be sure that the following points are mentioned.

CANDIDATES FOR BENEFICIARY

	<i>Husband</i>	<i>Child</i>	<i>Adult Sibling</i>
Advantages	<ul style="list-style-type: none"> ■ Father knows best ■ Will need help caring for children ■ Will be able to invest money to increase family security 	<ul style="list-style-type: none"> ■ Money intended for children's welfare; should go directly to them 	<ul style="list-style-type: none"> ■ Can protect money intended for children against demands or expectations from the husband and his family
Disadvantages	<ul style="list-style-type: none"> ■ Might spend the money on alcohol ■ Might use it to take another wife 	<ul style="list-style-type: none"> ■ Children not mature or responsible enough to make financial decisions 	<ul style="list-style-type: none"> ■ Might run away with the money ■ Might spend it on his/her own children in addition to or instead of orphaned nieces and nephews

Explain:

There is no "right" answer regarding who makes the best beneficiary. It will depend on your family circumstances and who you trust to use the insurance money to provide for your loved ones. Whoever you name as beneficiary should understand what your wishes are regarding the use of the insurance money in the event of your death.

STEP 3:

Life Insurance Exclusions

5 MINUTES

Explain:

Special circumstances that the policy does not cover, or will not pay benefits for, are called “exclusions.” Do you remember this insurance term that we learned? Although exclusions vary by the type of insurance policy, common events or events that the policyholder could make happen so they can claim benefits are typically excluded.

Ask:

- **For the case of life insurance, can you think of a situation in which the death of the policyholder would not be covered?** *[Death by suicide is often excluded; in India, some life insurance policies exclude death by snake bite and murder.]*
- **Why do insurance companies exclude death by suicide from their life insurance policies?** *[Because the policyholder can take his own life just so that his family can receive the life insurance payment.]*
- **What questions do you have?**

Conclude:

Insurance can seem complicated. But now that you understand the basic idea, you can evaluate if the protection from the insurance is worth the cost of the premiums. You also know that not every policy is the same. It is worth the effort to understand each component and make sure you accept all the conditions. Make a commitment to talk to your insurance agent about these issues.

OBJECTIVES

BY THE END OF THIS LEARNING SESSION, PARTICIPANTS WILL HAVE:

1. Identified the features and benefits of property insurance

PREPARATIONS/MATERIALS

- HANDOUT FOR USE IN THE FOLLOWING STEP:

Step 3:

- Handout 8B.1: Property Insurance Mini-Cases

TIME

45 MINUTES

STEPS

1. Define property insurance
10 MINUTES
2. Review property insurance exclusions
5 MINUTES
3. Stories about property insurance
20 MINUTES
4. Review the benefits of property insurance
10 MINUTES

What You Need to Know about Property Insurance

STEP 1:

Define Property Insurance

10 MINUTES

Explain:

Now that we understand some of the basic terms of insurance, let us look at the different kinds of insurance. A common type is property insurance. We will look at how property insurance can help those who own valuable assets such as a house, a car or equipment they use in their business.

Ask:

- **What are some risks that owners of property and/or productive assets face?** *[Theft, fire, damage from extreme weather, vandalism]*
- **If someone loses their home to a disaster, what expenses will that person face?** *[Rental of a temporary home, repair or rebuilding expenses, costs of new furniture, etc.]*
- **If that person does not have insurance, what will the family have to do?** *[Borrow money or use savings to obtain housing and replace lost assets]*

- **How can property insurance help someone whose property is lost or damaged?** *[The policyholder will receive a cash payment from the insurance company that they can use to replace the lost or damaged property.]*
- **Who should consider buying property insurance?** *[Homeowners, business owners who have expensive equipment, vehicle owners, anyone with valuable property that would be expensive to replace.]*

Explain:

In many countries, the government requires people who own motorized vehicles—cars, trucks, motorcycles—to purchase vehicle insurance to protect everyone against injury, damage and loss due to accidents.

Ask:

- **Why do you think governments require vehicle owners to purchase vehicle insurance? Typically, the law does not require that home owners purchase insurance on their homes. What is the difference?** *[Accidents with vehicles often cause harm to innocent victims, such as pedestrians, the passengers or the drivers of the other cars involved in the accident. The insurance policy will cover victims' medical expenses.]*

STEP 2:

Review Property Insurance Exclusions

5 MINUTES

Explain:

Special circumstances that the policy does not cover, or will not pay benefits for are called “exclusions.” Do you remember this insurance term that we learned? Although exclusions vary by the type of insurance policy, common events or events that the policyholder could make happen so they can claim benefits are typically excluded.

Ask:

- **What kind of property loss or damage might be excluded in a property insurance policy?** *[Property located in a high risk flood zone might not be covered for damage due to flooding; damage that the policyholder purposely causes to his property in order to collect the insurance money]*
- **In this area, what are the common risks that might be exclusions in a property insurance policy for people here?**
- **What questions do you have about exclusions?**

STEP 3:

Stories about Property Insurance

20 MINUTES

(Note: In this step, participants will read mini-cases that highlight either elements of the insurance policy as reviewed above, or some of the pitfalls associated with property insurance. These cases should be based on the actual property insurance policy that training participants will have access to. Therefore, these cases are only roughly outlined now. You may not need all of them. Select those that best suit your situation.)

Ask participants to find a partner and distribute Handout 8B.1: Property Insurance Mini-cases to everyone. Assign each pair one of the following mini-cases. Ask them to read and discuss the case and answer the question at the end of the case. After five minutes, each pair should share their case and their answer with the rest of the participants. If you have more than 12 participants in your group, you can divide them into small groups of three or four (instead of pairs), or create additional mini-cases.

Case #1

Anita lives in a crowded neighborhood with many old and rickety wooden buildings and makes pottery in a workshop behind her house. Because she is afraid a fire may someday destroy her home and workshop, she purchased fire insurance to protect herself against the loss of her pottery equipment. But in the end, her problem was not fire. One night a huge rainstorm swept through the city and caused major flooding. Anita lost her materials and her stock—all the pots she had ready for sale. At first, she took comfort in the idea that her insurance policy would cover the cost of these losses, but she learned otherwise. Her policy only covers damage and loss due to fire.

What did Anita misunderstand about her insurance?

Case #2

Jolie has insurance to protect her market stall against damage due to fire or weather. When the fire destroyed the market, her insurance company paid her the full amount she was due. She was so relieved because she had many bills to pay. Now she could pay school fees, get her son ready for boarding school and repair the roof on her house.

What is Jolie forgetting?

Case #3

Bettina purchased flood insurance for her business because it is located near a river that does flood every once in a while. Bettina grumbles about the cost of the insurance premium but has kept current with her payments for several years. However, when her son goes to secondary school, she has many new expenses. She finds that she cannot afford to pay the insurance premium. When she missed the first quarterly premium payment, she promised herself to save up enough to pay double when the second quarter was due. But she did not pay again. Now she owes premiums for two quarters plus late fees. It is too much. Before she can correct this situation, the rains come and the river floods, causing major damage to her business premises. The insurance company denied her claim.

Why did the insurance company refuse to pay Bettina's claim? What mistake did Bettina make?

Case #4

Martin saved for years to buy a used motorcycle. He could not wait to start a taxi business with his bike. He bought the bike but did not have enough money to purchase the insurance that is required by law for all motor vehicles. He figured he could start his taxi service and use his first earnings to get the insurance. But Martin was unlucky. One rainy night, he crashed into another motorcycle. He lost his bike, and he was arrested for driving without insurance. Martin also lost his license to operate a motor vehicle.

What could Martin have done differently?

Case #5

Rose 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 already paid and did not receive anything in return, she felt she should not have to pay again the second year. Then the following year, a fire destroyed her business, but the insurance company denied her claim.

Why did the insurance company deny Rose's claim? What misunderstanding did Rose have?

Case #6

Peter purchased property insurance to protect his home against loss due to theft and damage. He was particularly worried about his stock of carpets that he sold from his home. Later, his home was indeed broken into. The thieves took many things of value. The insurance company agreed to pay the value of the stolen property, with the exception of the stolen cash.

Why did the insurance company pay for only some of Peter's property?

Make sure the participants' responses reflect the following answers.

Case #1

What did Anita misunderstand about her insurance?

Anita didn't understand that her insurance policy protected her against damage/loss of property caused by **one specific event**: fire. Her property was **not** insured against any other event such as flooding.

Case #2

What is Jolie forgetting?

Jolie's insurance benefits should be used to rebuild her business, not her living expenses. Without her business, she will not be able to earn money.

Case #3

Why did the insurance company refuse to pay Bettina's claim? What mistake did Bettina make?

Bettina was not up to date in paying her premiums. When Bettina stopped paying her premiums, her policy lapsed and she was not protected.

Case #4

What could Martin have done differently?

Martin should have waited until he had enough money to buy vehicle insurance before he started his taxi service.

Case #5

Why did the insurance company deny Rose's claim? What misunderstanding did Rose have?

The insurance denied Rose's claim because she did not pay her premiums. Rose did not understand that insurance is protection against risk, and if the risk does not happen, her premiums are not refunded.

Case #6

Why did the insurance company pay for only some of Peter's property?

Peter's insurance policy did not cover the loss of all types of property. It only covered some types of property.

STEP 4:

Review the Benefits of Property Insurance 10 MINUTES

Ask participants to form a vertical line from the front to the back of the room. Explain:

I will read the following statements one by one. After hearing each statement, you must decide if it is true or false. I will count to three with my hand in the air. When I drop my hand on the count of three, move right if you think the statement is true. Move to the left if you think it is false.

After they have moved, ask one participant who thinks the statement is false to explain why and one who thinks it is true to explain why. Tell the right answer before participants move back in to line.

- _____ Property insurance protects your property against damage or loss due to any cause. *[FALSE. It protects your property against damage or loss to specific causes listed in your insurance policy.]*
- _____ You should insure all of the things you own, including clothing, radios, cell phones, books. *[FALSE. You should only insure the things of value that would be expensive to replace.]*
- _____ A policyholder who suffers a loss and receives money from the insurance company MUST use that money to replace the lost or damaged property. *[FALSE. You can use the money the way you wish. However, if you lose a productive asset, you should use the insurance money first to replace that asset so that you can continue earning.]*
- _____ If you have an asset that you use to earn income (e.g. equipment, retail space like a market stall, vehicle), you should insure it. *[TRUE. Your asset is valuable because it helps you make a living.]*
- _____ Some types of property insurance are required by law. *[TRUE. For example, countries may require vehicle insurance.]*
- _____ If you lose insured property for your business, the best thing to do with the insurance payment is to buy jewelry. *[FALSE. You should re-invest the money in your business to ensure that you continue to generate income.]*

Ask:

➤ **What questions do you have?**

Conclude:

Insurance can seem complicated. But now that you understand the basic idea, you can evaluate if the protection from the insurance is worth the cost of the premiums. You also know that not every policy is the same. It is worth the effort to understand each component and make sure you accept all the conditions. Make a commitment to talk to your insurance agent about these issues.

HANDOUT 8B.1

Property Insurance Mini-Cases

Case #1

Anita lives in a crowded neighborhood with many old and rickety wooden buildings and makes pottery in a workshop behind her house. Because she is afraid a fire may someday destroy her home and workshop, she purchased fire insurance to protect herself against the loss of her pottery equipment. But in the end, her problem was not fire. One night a huge rainstorm swept through the city and caused major flooding. Anita lost her materials and her stock—all the pots she had ready for sale. At first she took comfort in the idea that her insurance policy would cover the cost of these losses, but she learned otherwise. Her policy only covers damage and loss due to fire.

What did Anita misunderstand about her insurance?

Case #2

Jolie has insurance to protect her market stall against damage due to fire or weather. When the fire destroyed the market, her insurance company paid her the full amount she was due. She was so relieved because she had many bills to pay. Now she could pay school fees, get her son ready for boarding school and repair the roof on her house.

What is Jolie forgetting?

Case #3

Bettina purchased flood insurance for her business because it is located near a river that does flood every once in a while. Bettina grumbles about the cost of the insurance premium but has kept current with her payments for several years. However, when her son goes to secondary school, she has many new expenses. She finds that she cannot afford to pay the insurance premium. When she missed the first quarterly premium payment, she promised herself to save up enough to pay double when the second quarter was due. But she did not pay again. Now she owes premiums for two quarters plus late fees. It is too much. Before she can correct this situation, the rains come and the river floods, causing major damage to her business premises. The insurance company denied her claim.

Why did the insurance company refuse to pay Bettina's claim? What mistake did Bettina make?

Case #4

Martin saved for years to buy a used motorcycle. He could not wait to start a taxi business with his bike. He bought the bike but did not have enough money to purchase the insurance that is required by law for all motor vehicles. He figured he could start his taxi service and use his first earnings to get the insurance. But Martin was unlucky. One rainy night, he crashed into another motorcycle. He lost his bike, and he was arrested for driving without insurance. Martin also lost his license to operate a motor vehicle.

What could Martin have done differently?

Case #5

Rose 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 already paid and did not receive anything in return, she felt she should not have to pay again the second year. Then the following year, a fire destroyed her business, but the insurance company denied her claim.

Why did the insurance company deny Rose's claim? What misunderstanding did Rose have?

Case #6

Peter purchased property insurance to protect his home against loss due to theft and damage. He was particularly worried about his stock of carpets that he sold from his home. Later, his home was indeed broken into. The thieves took many things of value. The insurance company agreed to pay the value of the stolen property, with the exception of the stolen cash.

Why did the insurance company pay for only some of Peter's property?

OBJECTIVES

BY THE END OF THE LEARNING SESSION, PARTICIPANTS WILL HAVE:

1. Recognized the benefits of health insurance
2. Identified some of the common questions that arise regarding health insurance

PREPARATIONS/MATERIALS

■ HANDOUT FOR USE IN THE FOLLOWING STEP:

Step 3:

- Handout 8C.1: Health Insurance Mini-Cases

TIME

35 MINUTES

STEPS

1. Why consider health insurance?
5 MINUTES
2. Differentiating key definitions
10 MINUTES
3. Situations with health insurance
20 MINUTES

What You Need to Know about Health Insurance

STEP 1:

Why Consider Health Insurance?

5 MINUTES

Explain that the focus of the session will be on health insurance. Remind participants how they ranked concerns about health risks at the beginning of this workshop.

Ask:

- **What medical costs do you have or expect to have on a regular basis?** *[Answers will vary but could include children's check-ups, vaccinations, periodic clinic visits for minor health problems, malaria treatment.]*
- **What are some of the unexpected medical expenses that you might have?** *[In the event of a serious illness or accident, one could face high costs of hospitalization, doctors' fees and medicines.]*
- **What can happen to a family when someone has a serious illness or an accident occurs?** *[The family can spend its savings on medical care; it can go into debt; it can be forced to sell assets to cover medical costs. Many of us live in fear of the financial hole we will fall into if a medical emergency occurs.]*

- **Who can share a personal experience with a health crisis, either that has happened in your own family or to someone you know?**

Explain that health-related expenses are often what keep families in poverty, and that health insurance can help them with these expenses.

STEP 2:

Differentiating Key Definitions

10 MINUTES

Explain:

We have learned the basic terms you need to know to talk about insurance. But some of these terms are defined a little differently with different types of insurance. For example, we know that the “beneficiary” is the person who receives the benefits, usually cash, paid by the insurance policy. The beneficiary of a property insurance policy is usually the person who owns the insured property. But with a life insurance policy, the benefits are paid when the policyholder dies, so that person obviously cannot be the beneficiary. Let us think about the beneficiaries of a health insurance policy.

Ask:

- **Who is the beneficiary for a health insurance policy?** *[Usually the policyholder and, at an extra cost, his or her immediate family]*
- **If you have a health insurance policy that covers you and your children specifically, can you claim benefits for the medical expenses of your aging mother too?** *[No]*

Explain:

If you want to purchase a health insurance policy, you will have to decide which of your family members to include in the policy. Some policies charge extra *premiums* for each family member you add to the policy. Some offer a basic package for a family of four, and charge extra for any more family members. Most have rules governing the age of the children you can include on your policy. Your children over the age of 18 or 21 or 25 may have to have their own separate policy. It is very important to learn the rules that each policy uses to calculate the premiums for insuring your family.

Every type of insurance includes some *exclusions*, or circumstances that do not qualify for benefits. Exclusions are described in detail in the policy. You should understand what they are before signing a contract.

Ask:

- **What kinds of things do you think might be excluded from a health insurance policy?** *[Sometimes insurance companies will exclude coverage for common incurable illnesses, such as HIV/AIDS. Some policies will exclude coverage of health conditions that the policyholder had before purchasing the policy. These are known as “pre-existing conditions.”]*
- **What questions do you have about health insurance?**

STEP 3:

Situations with Health Insurance

20 MINUTES

*(Note: In this step, participants will read mini-cases that highlight common issues or questions related to health insurance. These cases should be based on an actual insurance policy that participants may be able to purchase. Therefore, these may need some adjusting to fit a policy **available in your area**).*

Ask participants to find a partner and give everyone a copy of Handout 8C.1: Health Insurance Mini-Cases. Assign each pair one of the following cases. (Some pairs may be working on the same case if you have more than four pairs.) Ask them to read and discuss the case. After five minutes, each pair should share their case and answer with the rest of the participants.

Case #1

Sara fears that she cannot afford the premiums 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. Even though the insurance premium 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 do that? Why or why not?

Case #2

Elizabeth and Samuel are trying to decide which kind of health insurance to buy: hospitalization insurance to pay for the high cost of medical care in the case of an accident, or routine coverage 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 kids 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 both types of insurance.

Which type of insurance should Elizabeth and Samuel buy?

Case #3

Martin and his wife signed up for health insurance for themselves and their three children. In the summer, Martin's nephew comes to live with the family. A bad case of malaria sends the boy to the hospital.

Will Martin's policy cover the cost of care for his nephew?

Case #4

Fatima signed up for a health insurance policy and used the interest on her savings account to pay the premiums. During the first year, no one in Fatima's family had any health problems. Fatima 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.

Is Fatima entitled to any refund? Why or why not?

Make sure the participants' responses reflect the following answers.

Case #1**Can Sara do that? Why or why not?**

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.

Case #2**Which type of insurance should Elizabeth and Samuel buy?**

Elizabeth and Samuel should purchase hospitalization insurance 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.

Case #3**Will Martin's policy cover the cost of care for his nephew?**

Martin's policy will not cover the cost of care for his nephew. The policy only covers his immediate family.

Case #4**Is Fatima entitled to any refund? Why or why not?**

Fatima 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, her premiums will not be refunded to her.

Turn to your partner and discuss the following question for two minutes:

- **If you have the opportunity to purchase health insurance, what will you do? Do you think you will buy it? Why or why not?**

After two minutes, ask:

- **What will you share with your family about insurance?**

Conclude:

Insurance can seem complicated. But now that you understand the basic idea, you can evaluate if the protection from the insurance is worth the cost of the premiums. You also know that not every policy is the same. It is worth the effort to understand each component and make sure you accept all the conditions. Make a commitment to talk to your insurance agent about these issues.

HANDOUT 8C.1

Health Insurance Mini-Cases

Case #1

Sara fears that she cannot afford the premiums 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. Even though the insurance premium 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 do that? Why or why not?

Case #2

Elizabeth and Samuel are trying to decide which kind of health insurance to buy: hospitalization insurance to pay for the high cost of medical care in the case of an accident, or routine coverage 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 kids 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 both types of insurance.

Which type of insurance should Elizabeth and Samuel buy?

Case #3

Martin and his wife signed up for health insurance for themselves and their three children. In the summer, Martin's nephew comes to live with the family. A bad case of malaria sends the boy to the hospital.

Will Martin's policy cover the cost of care for his nephew?

Case #4

Fatima signed up for a health insurance policy and used the interest on her savings account to pay the premiums. During the first year, no one in Fatima's family had any health problems. Fatima 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.

Is Fatima entitled to any refund? Why or why not?

OBJECTIVES

BY THE END OF THE LEARNING SESSION, PARTICIPANTS WILL HAVE:

1. Voiced their opinions about formal insurance
2. Formulated questions that articulate ongoing confusion or uncertainty about insurance
3. Identified a next step they will take to learn more about insurance

PREPARATIONS/MATERIALS

- SIGNS (ONE OF EACH OF THE FOLLOWING: STRONGLY AGREE, STRONGLY DISAGREE, AGREE SOMEWHAT, DISAGREE SOMEWHAT, NOT SURE)
- NOTE CARDS (AT LEAST THREE PER PARTICIPANT)
- FLIP CHART FOR USE IN THE FOLLOWING STEP:
 - Step 3:
 - Steps to Protect Against Unexpected Events
- SOFT BALL OR ROLLED-UP SOCK THAT CAN BE TOSSED EASILY
- BALL OF STRING
- CONTAINER (HAT, BASKET, BOX)

TIME

50 MINUTES

STEPS

1. Agree or disagree? Sorting out perceptions of insurance
20 MINUTES
2. Anonymous questions
20 MINUTES
3. What next?
10 MINUTES

Final Question and Answer

STEP 1:

Agree or Disagree? Sorting Out Perceptions of Insurance

20 MINUTES

For this activity, you will need to create space along the entire length of the training room, or, if possible, re-locate outside. In this space, use string to create a line that is long enough for participants to stand side by side along it. Mark one end of the line with a sign that reads "Strongly Disagree" and the other end with a sign that says "Strongly Agree." Place the sign "Not Sure" in the middle of the line. Use the two remaining signs, "Agree Somewhat" and "Disagree Somewhat" to mark other positions along the line between the two ends.

Explain:

Here we have a line. One end of the line represents "Strongly Agree" and the other end "Strongly Disagree." I am going to read a series of statements. For each statement, you have to decide if you agree or disagree. You will communicate your reaction to the statement by moving to the appropriate place on the line. If you strongly agree with the statement, you should move all the way to the "Strongly Agree" end of the line. Similarly, if you strongly disagree with the statement, you will go all the way to the other end of the line. If you are unsure, you

should go to the midway spot. If you agree with some hesitation, you can place yourself somewhere between the midway spot and the "agree" end, depending on how strong your hesitation is. You may move and change position with each statement. Let us try a practice statement to make sure everyone understands.

"Children should not be allowed to disagree with their parents."

Ask participants to show, by placing themselves along the line, whether they agree or disagree with this statement. Ask a few volunteers to explain their position. When everyone understands how the activity works, proceed to the set of statements about insurance. Encourage discussion after each statement. You may choose to tally the responses to each statement to use as an assessment of client perceptions of insurance and to guide further training.

AGREE/DISAGREE STATEMENTS

(Note: You should edit these down to the 6-8 statements most relevant to your group of participants, or develop other statements that reflect the specific issues your participants have with insurance.)

- Insurance companies are out to rob you. They take your money and find ways to avoid paying any benefits.
- MFIs should not make insurance mandatory.
- For MFIs that require borrowers to buy life insurance, the insurance is more valuable to the MFI than the borrower.
- If a person has a lot of money saved, she does not need to purchase insurance.
- Sacrificing to pay for insurance now is better than facing financial ruin when hit with an unexpected disaster.
- You have to be really unlucky to be hit with a crisis that can ruin your business or family. Only unlucky people need to buy insurance.
- Paying for insurance is worth the peace of mind you gain.
- If a person has a lot of animals and other assets that can be readily sold in an emergency, she does not need insurance.
- Members of the same community can insure themselves informally better than an insurance company can because they know and trust each other.
- Formal insurance is more reliable than informal community-based mechanisms like funeral societies.
- If you experience an emergency covered by insurance, the benefits you receive are likely to be far more than you could save on your own.
- Regularly saving in your own bank account is better protection than paying for insurance that you may or may not use.
- If I pay for insurance but don't make any claims to use the benefits during the year, I should be entitled to a refund.

STEP 2:

Anonymous Questions

20 MINUTES

Distribute three note cards to all participants. Explain:

You will now have an opportunity to ask anything you want about insurance. You each have three cards because we think that everyone is likely to have at least three questions. Do not hesitate to write more than three! Write one question per card. We will put all the cards into this container and draw them at random to read and answer. That way, no one will know who wrote which question. You should feel comfortable asking anything you want about how insurance works, what its benefits are, what its costs are, or who offers it.

When you have collected all the cards, draw one at a time to read and answer. You might want to first sort through the questions to identify similar ones that you can answer together. You may also want to ask participants if anyone wants to answer the question.

STEP 3:

What Next?

10 MINUTES

Explain:

We have come to the end of this workshop on risk management and insurance. I hope that everyone leaves having learned something, but especially the value of taking protective steps **before** an unexpected disaster strikes. There are at least three next steps you can take.

Post the following flip chart, and review the three steps.

STEPS TO PROTECT AGAINST UNEXPECTED EVENTS

- Discuss your need for insurance with someone in your family.
- Find someone in your community who has insurance and ask them about their experience.
- Talk to an insurance representative or your MFI.

Say:

To end our workshop, I am going to ask you to stand in a circle. See this ball (*or rolled-up sock*)? I am going to ask a question and toss the ball to someone who will answer it. After you have answered, you will ask the same question and toss the ball to someone else in the circle. Now that person has to answer the question, and so on. At some point, I will introduce a new question. Okay, the first question is:

➤ **What is one idea that you will remember from this workshop?**

When people tire of answering this question (not everyone has to answer this one as they will get a chance to answer the next one), ask:

➤ **What next step will you do to learn more about insurance?**

Thank participants for their good work.

Risk Management and Insurance: Protect Your Family's Future

No one likes to think about the bad things that can happen to them, but for many people, unexpected shocks are a daily threat. Low-income families are particularly vulnerable to potential losses from a host of situations and may be ill-prepared to cope financially with their negative impact. Small and frequent shocks, such as children's illnesses, may only have short-term impact, while more significant events, such as the destruction wrought by natural disasters or the death of an income earner, can bring financial ruin. Such crises wipe out the hard won gains painstakingly accumulated over time. As families go deeper into debt and/or sell assets to pay their unexpected expenses, their climb out of poverty can easily be thwarted.

The purpose of this Content Note and the accompanying Trainer's Guide, entitled *Risk Management and Insurance: Protect Your Family's Future*, is to promote understanding of the options for managing risk, including both protective steps taken in anticipation of a crisis and reactive measures taken after the fact. One increasingly common risk management option is microinsurance, a financial instrument that protects assets by reducing loss from any of the many risks one might encounter. However, to date, insurance has been widely misunderstood and mistrusted. This training program explains the fundamental concepts underlying insurance and defines the terms associated with insurance. Its goal is to provide basic information and build understanding of a range of ways to manage risk—including insurance—so that people can determine which makes the most sense for them.

Coping with Shocks: Reaction or Protection?

Shocks are not new; neither are the pain and expense that come with dealing with them. From country to country, the list of risks is very similar: accident, illness, death of an income earner, fire, theft, natural disaster and economic shocks caused by events such as hyperinflation. The consequences of these risks are significant and may include grief, financial hardship, loss of income, loss of productive assets and lost economic opportunities. As one microfinance client in the Philippines said, "Life is one long risk."

DEFINITIONS

"Protection steps" are actions taken *before* a crisis happens.

"Reaction steps" are actions taken *after* a crisis has occurred.

Most people react to crises *after* they occur. Faced with the unexpected and immediate costs of an emergency, they might borrow or sell something of value like an animal, jewelry or a motorcycle. Reacting to a crisis in these ways can incur additional expenses including interest on loans taken and/or lost income due to the forced sale of assets.

To cope with the threat of a crisis, it is possible to plan ahead, and protect oneself and one's family by saving independently or through a local savings and credit group. Some people have the opportunity to join a mutual aid group, such as the burial societies common in parts of Africa. These are steps to take *before* a crisis happens.

These financial protection steps are similar to other things people do to protect themselves and their families. For example, a man repairs his roof to protect his home against damage from wind and rain; a woman locks her door to protect her home (or business) against theft; and a farmer tethers his pigs to protect his crops from getting trampled. Putting some money aside for emergencies is a form of protection, making it easier to respond when a crisis does occur. Those who have savings may be able to avoid selling a valuable asset, or at least borrow less, easing the financial pressure associated with repayment.

Faced with a serious crisis, many people will not have enough money saved to pay all of the related expenses, and thus, are likely to need both protection and reaction strategies. Pedro's story (see Box: Pedro's Accident) shows how both types of strategies can be used to respond to an emergency. His family's savings enabled them to borrow less and repay their loan faster after the accident.

PEDRO'S ACCIDENT

Last year, a terrible bus accident occurred outside the district capital. Pedro, a teacher in town who lives with his parents on their farm, broke his leg in two places. After a brief stay in the hospital, Pedro had to stay home from work for several weeks until he was strong enough to move around on crutches. At first, his family was in shock. How would they pay the hospital bill and meet daily expenses without Pedro's salary? But they sat together to figure out how much they would need and made a plan to raise the money.

- They could borrow $\frac{1}{2}$ of the total amount needed from Pedro's aunt and uncle.
- Their savings (set aside to purchase a dairy cow) would cover $\frac{1}{4}$.
- Pedro's mother would take in laundry to earn $\frac{1}{4}$ and eventually repay the aunt and uncle.
- Pedro's two younger brothers would quit their after-school soccer team to replace their mother on the farm.

While saving before an event has obvious advantages for anyone who faces a crisis, it also has disadvantages. Protective measures require discipline to sacrifice and save regularly. Some protest against putting aside scarce resources for an event that might happen in the future, instead of investing surplus cash to make money now. Some are convinced that they just do not have any extra money to set aside as savings.

The following table outlines the advantages and disadvantages of reaction and protection strategies.

COMPARING REACTION AND PROTECTION STRATEGIES

	<i>Advantages</i>	<i>Disadvantages</i>
Protection Strategies		
<ul style="list-style-type: none"> ■ Savings ■ Savings/Loan Groups ■ Mutual Aid Groups (if they exist in the area) 	<ul style="list-style-type: none"> ■ Having money saved to cover at least some of the costs is less stressful ■ May avoid going to family and friends or to the moneylender for money ■ Saving for emergencies before they occur is less expensive than paying interest on a loan after they occur 	<ul style="list-style-type: none"> ■ Requires sacrificing other needs and desires ■ Requires having surplus income to save or pay for membership in a mutual aid group ■ It is difficult to save enough to pay all the costs of a serious crisis ■ If no emergency occurs, may pay for nothing other than "peace of mind" ■ Requires discipline
Reaction Strategies		
<ul style="list-style-type: none"> ■ Borrow ■ Work longer hours ■ Find new ways to earn money ■ Reduce expenditures ■ Sell assets 	<ul style="list-style-type: none"> ■ Pay only when and if something happens ■ Invest surplus cash in other things like a business ■ No sacrifices in the present for something that might or might not happen in the future 	<ul style="list-style-type: none"> ■ Interest on loans is expensive ■ Loan payments are another burden, on top of the struggle to recover from lost income ■ May be forced to sell assets if do not have enough income to make loan payments ■ Reduces the ability to earn income in the future ■ Reduces the ability to cope with future emergencies ■ May reduce the ability to borrow in future if the assets sold could have been used for collateral

Choosing between Using Savings or Borrowing

Savings usually involves sacrifice that is made for a larger purpose such as educating children and/or buying a house. Those who have enough savings for an emergency must decide whether to use those savings or take a loan to cover expenses in response to a crisis. In some situations, borrowing may be the better option. If the crisis a victim faces *does not* keep her from earning income, she can resist using her savings and consider a loan. If she can continue working, she may have the capacity to repay a loan. Those facing a crisis should look for a loan that is tailored to emergency response, with terms and conditions designed to help people to cope with unexpected, sometimes additional, debt.

In other situations, using savings can be a better option than borrowing if the crisis does prevent the victim from earning her income. She could use savings to meet expenses instead of borrowing. Otherwise, she will be burdened with loan payments that she may not be able to make.

GUIDELINES FOR USING SAVINGS OR CREDIT

If the emergency faced affects the ability to earn income, use savings to pay expenses. If the emergency does not stop or reduce income, consider taking a loan to pay for unexpected expenses.

Pooled Risk

Another protection step that can help one manage risk is joining a community-based emergency fund. These exist in many forms, including welfare societies, burial societies, or Friends in Need Groups.¹ Group members deposit small amounts of money regularly in a fund in return for the right to make a claim when a crisis befalls their households. Generally, these groups define their purpose very specifically—that is, they exist to protect members against a particular type of crisis. Burial societies, for example, help members cover the costs of funerals.

¹Known generically as “mutual aid societies,” these groups exist for many different needs, but they tend to be more common in Africa.

These informal group-based mechanisms give members access to a large lump sum of cash when a crisis occurs. How are they able to do this? The small contribution of each member creates a bigger fund than any single person would be able to save up on their own. By pooling their funds in this way, members are sharing the risk of a costly crisis befalling one of them. Participants in such informal mechanisms typically know each other, which makes it easier to place their trust in the reciprocal exchanges between friends, neighbors and relatives.

A key aspect of this type of “pooled risk” is that members’ contributions to the fund are not refunded even when no claim to group funds is made. Any member who is lucky enough to avoid the crisis for which the fund exists, and therefore does not need its support, does not get a refund. Members’ contributions stay in the fund. Joining this type of informal mutual aid society buys peace of mind. If and when a crisis happens, the victim will be able to respond without depleting her savings or borrowing more than she can afford to repay.

However, one weakness of a local mutual aid society lies in the similarities between its members. People who live in the same community have a greater chance of experiencing the same crisis. For example, if a flood strikes a village causing many deaths, the local funeral society may not have enough money in its fund to make lump sum payments to many members at once.

Microinsurance

Microinsurance is a financial product that offers another form of protection against the possibility of a loss. Microinsurance also applies the idea of pooled risk, just on a bigger scale. Instead of sharing the risk among a small group of community members as mutual aid groups do, microinsurance spreads the risk to a much larger number of people (i.e., policyholders) who are more diverse in where they live, what kind of work they do, and how much money they earn. When a lot of people from many different places buy the same insurance policy, the money they pay for their insurance policies goes into one fund that the insurance company uses to pay benefits to those policyholders who are hit with a crisis. In this way, everyone pools their funds and shares the risk of a crisis happening to any one of them. Microinsurance is a risk pooling mechanism tailored to the needs of low-income families in terms of costs, duration, coverage and delivery. Purchasing microinsurance is an action to take *before* a crisis occurs in order to protect against loss and give peace of mind.

In contrast to the familiarity of a community-based mutual aid society, people who buy insurance must place their trust in a commercial entity. It is the insurance company, not the policyholders, that manages the funds, collects the premiums and pays out the claims. When an insured event happens, one has to trust that the insurance company will respond. Thus, one must choose an insurance company that is reputable, financially sound, and regulated in some way.

There are many different types of insurance for each of the risks most people face. Property insurance will protect a home, business or other valuable assets against theft and damage due to fire or natural disasters. In many countries, the government requires anyone who owns a motor vehicle—such as a car or motorcycle—to purchase vehicle insurance. Health insurance can protect one against the high cost of medical care. Some health policies will only pay for the catastrophic events that require expensive hospital stays and treatment; others will pay for routine medical care, including regular check-up visits to the doctor. Life insurance provides a payment to the family of the policyholder upon his death, allowing the family to better manage the loss of his income. Many microfinance institutions require that borrowers purchase a “credit-life” policy which will pay the borrower’s outstanding loan balance should the borrower die before the end of the loan term.

The confusion about what insurance is, how it works and how it can help leads to widespread reluctance to purchase insurance or renew existing policies. For many, insurance is a perplexing product. However, people can begin to find the basic answers they need by learning to ask some key questions about insurance.

The following table defines the basic terms people need to understand when discussing insurance. These terms are common to most types of insurance policies. They are likely to be used in discussions with a sales agent or an insurance company representative. However, while these are very common elements of insurance, they will be a little different with each policy. Thus, it is very important to learn everything possible about each term in relation to the specific policy under consideration. Following the table is a list of questions about each term that can serve as a guide for anyone who is trying to learn specific details about an insurance policy.

INSURANCE TERMS AND DEFINITIONS

<i>Insurance Term</i>	<i>Definition</i>
Policy	The printed document that states the terms and conditions of the insurance contract
Premium	The money a policyholder pays to the insurance company to activate an insurance policy and keep it in force
Benefits	The amount of money that the insurance company pays to the policyholder or to his/her beneficiary
Beneficiary	The person who receives the insurance money when an insured event occurs
Claim	A request for payment for a loss that is covered by the policy
Exclusions	Specific conditions or circumstances listed in the policy that are not covered and for which the policy will not pay any benefits
Eligibility	The criteria that determine who can purchase an insurance policy (e.g. age limits on who can buy an insurance policy; often one must at least 18 years old)
Deductible	The amount of money that a policyholder agrees to pay, per claim or per accident, toward the total amount of an insured loss. Insurers use this mechanism to share risk with policyholders and reduce false claims.
Waiting Period	The time a policyholder must wait before his or her coverage becomes effective. For example, life insurance policies typically have a delay between the time when policyholders begin paying premiums and when the coverage is active, reducing the risk that someone who is about to die will purchase a policy.

QUESTIONS TO ASK THE INSURANCE AGENT

Policy

- What type of policy is it? What events does it cover? Who does it cover?

Premium

- What is the amount of the premium?
- How is it to be paid? (in cash, deducted from the loan, etc.)
- How frequently is the premium paid? (monthly, quarterly, annually)

Benefits

- What benefits does the insurance policy guarantee to the policyholder?
- Which events will trigger payment of the benefit?

Beneficiary

- Who can be named as a beneficiary?
- How many beneficiaries can be named?
- Are there special provisions if benefits are paid to a named beneficiary who is a child? Does the insurer notify the beneficiary?

Claim

- How a claim is submitted?
- What type of documentation is needed?
- When should a claim be submitted?

Exclusions

- What events are named as exclusions to this policy?

Eligibility

- What are the criteria for who can purchase this insurance policy?

Deductible

- What is the amount of the deductible?
- Does this amount ever vary? Is it the same for every claim?
- What if the cost of the event (the loss or medical expense, for example) is less than the deductible amount?

Waiting Period

- When will the policy be active?
- What if something happens to me during the waiting period? Is one entitled any benefit?

Most Frequently Asked Questions

Although insurance is difficult to understand, it is a critical part of good risk management. Below is a list of common questions that people often raise about insurance.

➤ WHICH KIND OF INSURANCE SHOULD I BUY?

This decision depends on the events that you fear the most, those that will cause the greatest harm to your financial well-being. For many people, medical expense, especially those associated with unexpected illness or injury, prevent them from saving and attaining any financial stability. When available, health insurance is usually a good investment. Business owners must think about how to protect the tools, equipment or production space that they need to run their business. Remember also that in most places, vehicle insurance is required by law.

➤ WHAT DOCUMENTATION DO I NEED TO PURCHASE INSURANCE?

This answer will vary with each insurance company and type of policy. Health insurance may require a doctor's exam. Property insurance may require proof of ownership for the property to be insured.

➤ WHO SHOULD I NAME AS THE BENEFICIARY OF MY LIFE INSURANCE POLICY?

The choice of beneficiary depends on who needs the life insurance money and for what purpose. Money intended for children's welfare should go to either to the children or their guardian. Money intended to pay funeral expenses, outstanding loans and other expenses should go to the person responsible for handling such matters upon your death.

➤ DO I STILL HAVE COVERAGE IF MY POLICY HAS LAPSED AND I AM SAVING TO PAY THE RENEWAL PREMIUM?

No. If the insurance premium is not paid, the policy is not active.

➤ IF I DO NOT SUBMIT A CLAIM AGAINST MY INSURANCE POLICY DURING THE PERIOD COVERED BY MY PREMIUM, DO I GET ANY REFUND?

No. The premium from each policyholder is collected in a fund that is used to pay benefits when a covered event takes place. If that event does not happen to you, your premium stays with the fund to ensure that money is available to those who do face a crisis.

➤ CAN I SIGN UP FOR AN INSURANCE POLICY ONLY WHEN I THINK I WILL NEED IT?

It is very difficult to predict when a crisis will occur. Most policies are active for a defined period, such as a quarter (i.e., three-month period) or a year, and the premium charged covers that period of time only.

Each insurance company will answer these questions a little differently. It is said that insurance companies sometimes avoid or at least delay, paying claims. But very often, negative experiences of this type are rooted in misunderstanding about the insurance product and related policies. While the insurance company has the responsibility to educate its customers, this Content Note offers some basic tools to understand insurance and acquire the information needed to decide how insurance can help manage the risks one faces.

The road to financial security often follows a zig-zag path that depends on the frequency and severity of shocks that threatened one's assets and income. It also depends on one's ability to respond to those shocks. It can be difficult to decide to spend scarce resources based on the mere possibility that something bad might happen. If the anticipated crisis does not take place, one may believe that one paid insurance premiums for nothing. However, protective measures taken in anticipation of a crisis can make a huge difference in the financial cost a family pays if the crisis does occur. Among these protective measures, microinsurance is a good investment to reduce the financial loss that shocks can cause.

Financial Education

A ROAD MAP FOR THE CURRICULUM



CORE CURRICULUM

TRAINERS' GUIDES &
TRAINING OF
TRAINERS MANUALS

BUDGETING:

Use Money Wisely

SAVINGS:

You Can Do It!

DEBT MANAGEMENT:

Handle with Care

BANK SERVICES:

Know Your Options

FINANCIAL NEGOTIATIONS:

Communicate with Confidence

SPECIALIZED CURRICULUM

TRAINERS' GUIDES &
TRAINING OF
TRAINERS MANUALS

YOUNG PEOPLE:

Your Future, Your Money

REMITTANCES:

Make the Most of Them

**RISK MANAGEMENT
AND INSURANCE:**

Protect Your Family's Future

CONSUMER PROTECTION:

*Balancing Rights and
Responsibilities*

IMPLEMENTATION GUIDANCE

INTRODUCTION: THE RATIONALE
FOR FINANCIAL EDUCATION

MARKET RESEARCH
GUIDANCE

OUTCOMES GUIDANCE

ADAPTATION GUIDANCE

ADULT LEARNING PRINCIPLES
AND CURRICULUM DESIGN
FOR FINANCIAL EDUCATION

Working Papers

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FINANCIAL EDUCATION

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FINANCIAL EDUCATION



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