

Promoting uptake and use of life insurance in Laos through financial education

1. FINANCIAL EDUCATION CONTEXT

The Laos People’s Democratic Republic (PDR) is a socialist government categorised by the United Nations as one of the world’s least developed countries. More than two-thirds of its 6.5 million citizens live in rural areas and have only limited access to basic services, education and formal markets.

Financial and insurance education (FIE) is an important need in Laos due to the incipient growth of the micro insurance services pioneered by Ekphatthana Microfinance Institution (EMI) as the first microfinance institution authorized by the Bank of Lao to deliver microinsurance services as an agent of the leading insurance company Allianz General Laos (AGL).

Nevertheless, microinsurance delivery faces several challenges and insurance education had not yet been put into practice on a massive scale. This is mainly due to the lack of mass delivery mechanisms that can deliver insurance education on a sustainable basis.

Ekphatthana Microfinance Institution (EMI) is the first licensed microfinance institution to operate under the country’s microfinance regulations, first issued in 2005 and updated in 2008. Insurance management is an issue of special concern in a country facing economic and social challenges, and this difficulty is compounded by few insurance offerings and low public awareness about the inclusive insurance options that are available. EMI has demonstrated these challenges are not insurmountable by leading the microfinance and microinsurance efforts in the country¹.

2. INTERVENTION APPROACH

Financial literacy needs assessment

Most EMI clients and employees share common concerns and challenges regarding micro insurance management:

- **Low awareness and understanding of insurance** as an important financial risk transfer mechanism.
- **Need of EMI to facilitate the introduction of a credit life plus group policy** to create effective understanding of the benefits of microinsurance and motivate client uptake of the insurance services.
- **The main constraint seems to be low awareness and comprehension of insurance** which can be remedied through financial education.
- **The main challenge for MFIs is to disseminate insurance education** while simultaneously meeting the demands of the business unit, which is already operating in a challenging social and economic environment.

Main outputs as of July 2018

Outputs ²
<ul style="list-style-type: none"> • Completion of 2 videos on insurance literacy and product information, the insurance videos in Laos language can be downloaded here: http://bit.ly/2KESNWe
<ul style="list-style-type: none"> • Conduct two 1,5-day interactive insurance literacy training-of-trainers courses for altogether 60 participants.
<ul style="list-style-type: none"> • Conduct Insurance literacy workshops at 150 EMI client centres by the trained EMI field staff supported by the videos and training materials developed. • In total 6,939 credit clients out of 8,467 (82% of the total credit clients) were trained.
<ul style="list-style-type: none"> • The insurance literacy training and product explanation videos are shown regularly at client centre meetings on the tablets of EMI field staff and on TV screens in EMI branches. • The marketing video is shown on local TV and the marketing spots are transmitted by local radio. • The free 24-hour service hotline is used by clients seeking explanations on how to file a claim.

¹ <https://www.emimfi.com/about>

² Main outputs were achieved as expected, with exception of a client survey that was postponed for a second phase in order to include also the clients with insurance linked to savings.

Outputs ²
<ul style="list-style-type: none"> EMI field staff are instructed to contact clients or their spouses (as soon as they become aware of a death) to advise them on how to file the insurance payment claim.
<ul style="list-style-type: none"> 1 video on insurance benefits with two real clients that received the insurance benefits after the death of their husbands. The video can be downloaded here: http://bit.ly/2xJo3gP
<ul style="list-style-type: none"> Completion of a case study on selected EMI borrowers who received a pay-out. Based on the results of the client survey, EMI decided to introduce an insurance service linked to savings and to postpone the client survey for a second phase of support from the SCBF.

The FIE training process involved video cartoons, intuitive and easy to apply FIE formats, and key FIE questions made to clients at branch level or training centres. A trainer would present the videos, asking questions and receiving-providing feedback to clients on group meetings, while explaining to them how to follow the insurance claims process.

The materials developed included two videos of insurance education (one related to benefits and the other related to the claims process). Besides that, some marketing materials and video evidence of real beneficiaries of insurance had been produced and used to promote confidence of clients and increase their uptake of the insurance service.

Sector level

Despite the country’s progress in providing pro-poor financial services, only a few commercial banks and microfinance institutions operate outside of the urban centres. Access to formal financial services for the rural poor is therefore severely limited, and this remains a major challenge for both the Lao economy and individual households. People living in rural areas generally have limited financial resources and often lack the necessary reserves to cope with emergencies³.

The Mix Market reports⁴ that 12 micro finance institutions provide credit services to 74 thousand active borrowers and saving services to 271 thousand depositors

Partner financial institutions

Founded in 2005, EMI⁵ and the related Microfinance Centre have been key drivers of financial literacy training in Laos for many years. EMI has 8’500 credit clients and 92’000 clients with savings (as of May 2018).

AGL⁶ was established in 1990 as joint venture between the Government of the Lao PDR represented by the Ministry of Finance holding 49% and Allianz, a world leader in financial service provision present in more than 70 countries. AGL played a key role in designing the insurance products and the insurance education proposal that was implemented with EMI.

3. RESULTS ACHIEVED

3.1 Client level: Summary of main results

Support to Clients	Attitude Changes	Behavior Changes	Impact
Training featuring: <ul style="list-style-type: none"> Video cartoons insurance Key messages Group reflection process Follow-up featuring: <ul style="list-style-type: none"> Personal interviews Call center support after the FIE trainings 	<ul style="list-style-type: none"> Main messages of the stories and key messages are remembered long after the trainings. Change in attitudes and perceptions towards the understanding of the benefits of the insurance in clients trained, mainly the belief that it is important to protect the family in case of death of the 	<ul style="list-style-type: none"> Increased trust of clients in the benefits of insurance product demonstrated by their increased up taking of the voluntary insurance and by sharing the benefits of the products with their family members. The up taking of the insurance product improved. The number of heads insured under the credit linked 	<ul style="list-style-type: none"> As of June 2018, 2 Clients have received the benefits of the insurance and their video testimonials have been produced as marketing material to promote more the up taking of the insurance services. The insurance coverage increased from 7.7% of clients in September 2017 to 22.1% in May 2018. With more than 80% of clients trained in insurance benefits. It worth to mention that the insurance up taking is voluntary and not compulsory.

³ <https://www.giz.de/en/worldwide/17492.html>

⁴ <https://www.themix.org/mixmarket/countries-regions/laos>

⁵ <https://www.emimfi.com/>

⁶ https://www.agl-allianz.com/about_us.html

Support to Clients	Attitude Changes	Behavior Changes	Impact
Training featuring: <ul style="list-style-type: none"> • Video cartoons • insurance Key messages • Group reflection process Follow-up featuring: <ul style="list-style-type: none"> • Personal interviews • Call center support after the FIE trainings 	beneficiary of his/her life partner. <ul style="list-style-type: none"> • Motivation to uptake the insurance product, not only by credit clients, but also by the important number of saving clients. • Saving clients asked for an insurance product linked to savings. 	insurance tripled between September 2017 and May 2018 from 1.25K to 3.73K persons. <ul style="list-style-type: none"> • Call center receives 110 calls per month, 20% of which concern the Micro insurance product. 	<ul style="list-style-type: none"> • Reduction in financial stress of clients who increased the protection of the financial wellbeing of their families, because in the case of death of the client or his/her life partner, the insurance will not only cover the credit balance, but the beneficiary will receive an amount of money similar to the original loan amount.

Before the insurance education training, most clients were either not aware or not fully convinced of the importance of having insurance, nor of the process to follow in the case of death of the insured family member. Due to religious considerations some clients even thought that “if you take a life insurance, you are attracting death to come to you.”

Insurance education conveyed the benefits of insurance and raised awareness of the need clients have to protect their families in case of death. An interesting outcome is that initially the insurance service was offered only to clients with credit service, but clients that only had savings accounts expressed their interest in the insurance product, motivating EMI to open a new insurance product linked to savings.

The combined impact of short video cartoons and group reflection were powerful change motivators that remained in the client’s mind encouraging them to voluntarily take up more insurance services. Several of the savings clients interviewed reported that they would like the insurance benefit to be made available to savings clients in addition to credit clients. Based on this finding, EMI decided to setup a new insurance service linked to savings.

Beneficiaries that received the Insurance benefits



Mrs On is a borrower from EMI with Mr. Somphanh (her husband) being co-insured through the credit life plus loan. Mrs On lives in Phonmuag, a poor rural village in Laos. She received a loan to repair her old truck for transporting firewood to sell.

Her husband was the main source of income for the family and as such was also responsible for the loan repayment. One day he went out to collect wood to sell because her daughter was sick in the hospital, but he had a heart attack and died. Immediately EMI staff approached Mrs On to express their regret and to inform her that the loan was going to be fully repaid by the insurance and gave her some money for the funeral and other expenses. She got paid 3.2MM as beneficiary.



Mrs Phitsamay got a 7MM loan from EMI to buy equipment for her business. Her husband was the co-insured person and one day her husband became sick, and sadly passed away.

EMI staff approached Mrs Phitsamay to express their regret and inform her that the loan was going to be fully repaid by the insurance. This was in addition to money given under the insurance plan for the funeral and other final expenses.

Mrs Phitsamay was paid 7mm as the beneficiary of the insurance plan.

The protection is not for the insured person, but for the family that remains after the insured person has passed away.



EMI’s clients have access to a hotline through EMI’s call center for any questions related to insurance and financial education.

3.2. Partner financial institutions level

The key performance indicators (KPIs) include the number of borrowers, differentiating those clients that received training in micro insurance from those that are eligible for the coverage of life plus insurance (that in the case of EMI is limited to approximately USD 4,000). As the insurance also includes the protection of the life partner of the client, or another family member, the total number of people insured is double the number of borrowers insured.

The key performance indicator matrix (below) also includes information related to the number of claims, claims paid, and the number of Facebook views of the insurance related videos developed for EMI. In addition, it shows the number of savers, as EMI intends to offer further insurance products that are linked to deposits rather than loan products. In fact, EMI’s voluntary private accident product launched in partnership with AGL in December 2017 is available for all its clients. EMI client research supported by the SCBF revealed that the depositors are also interested in accessing insurance services.

Key Performance Indicators	30.04.17	30.09.17	31.12.17	30.05.18
No. of total borrowers	7'835	8'074	7'925	8'426
No. of borrowers trained in insurance and financial education			4'000	6'939
No. of borrowers eligible for credit life plus cover with development loans only (≤ 40 million Kip)	3'201	3'062	2'705	2'287
No. of eligible borrowers insured	18	623	854	1,864
% of eligible borrowers insured	1,10%	40,70%	63,10%	81,50%
No. of heads insured	36	1'246	1'708	3'728
No. of claims	0	0	0	2
Claims paid (Lao currency)				10'250'000
Claims Paid (USD)	0	0	0	1'215
No. of Facebook views of EMI’s credit life plus insurance videos	0	0	10'500	30'000
No. of total depositors	87'860	89'186	90'159	91'780

AGL has established a microinsurance unit under its retail service department to expand its inclusive insurance portfolio managed through a distribution partnership with banking institutions. The latter allows them to reach out in a cost-efficient manner to the so far unserved large population majority. Though the premium revenue is so far negligible as a percentage of overall premium income, AGL sees good long-term potential in developing this new business line. This will help the insurance leader diversify its rather narrow product range

of motor vehicle, property and foreign travel insurance offered mainly to the small corporate sector and the higher-income population segment.

3.3. Sector level

The introduction of the credit life plus insurance coverage for newly concluded group loans by EMI since January 2017 constituted the very first formal insurance product for low-income people distributed by a banking institution in Laos. It took around three years for the regulatory authorities to clarify and accept the insurance partnership model where a licensed micro finance institution received the explicit approval from the Bank of Laos to distribute an insurance product for its clients that is underwritten by an insurer. The insurer obtained the approval from the insurance regulator to underwrite this group insurance product and to pay a commission to EMI as a compensation for its distribution services.

This precedent convinced other inclusive banking institutions, including a commercial bank, several microfinance institutions as well as several apex structures for credit unions and villages, to follow EMI's example in offering insurance coverage to its clients and members. Several initiatives were triggered to prepare for the introduction of basic group life insurances for clients and members either linked to savings products or just paid offered as a membership benefit.

EMI has thus kick-started the emergence of an inclusive insurance market with its partnership with AGL. AGL is very keen to expand its new inclusive insurance business line as a new, interesting long-term business line. Other insurers have also shown their interest in piloting insurance products in new market segments. Emerging competition and an increasing inclusive insurance penetration will bring down premiums for the low-income population.

4. LESSONS LEARNT AND RECOMMENDATIONS FOR FUTURE IMPLEMENTATIONS

1. Plan for an early involvement (and follow-up) of top managers/key actors:

a. Key persons are vital for insurance education success:

- i. The commitment of the MFI's CEO is a key factor to support and motivate the FIE implementation.
- ii. A committed FIE/Insurance champion with decision-making authority is a must to make financial and insurance education happen

b. Assign clear operational responsibilities for each task to be accomplished, monthly targets on clients to be trained with FIE (per branch/trainer) and provide periodic follow up to check on progress toward these targets through joint meetings with involved actors (virtual or *in situ*).

2. Deliver to clients simple, useful, engaging/relevant and applicable insurance education:

a. Effective (practical tips, supported by key messages and group reflection on stories and videos) and motivational training of trainers to build credibility and motivation for understanding the benefits and drive up-take of the insurance products.

b. Short well-designed stories, featuring key messages, remain in the head of participants long after the training, helping clients take better financial decisions, and in this case, to motivate them to take up the insurance products.

c. Group reflection guided by key questions and messages motivates participants to learn and apply the FIE messages.

d. The trust of clients in the effectiveness of the insurance payment is important, therefore the testimonials of beneficiaries of the insurance product are key to demonstrate the benefits to other clients.

3. Forecast realistic time targets

a. Consider productivity rates and other MFIs priorities / time limitations when forecasting expected result dates:

- i. Consider the number of trainers that will be effectively involved in different branches of the MFI/ for how long, providing how many sessions with how many clients assisting per session, and how many persons will be involved in the follow up with clients.
- ii. Consider also the delays that can be involved with new core banking system adoption (or similar initiatives) and its effect on the timeframe to reach the project goals.