

Microinsurance Education by EMI in Laos

1. FINANCIAL EDUCATION CONTEXT

With a population of 7.5 million, Laos is a landlocked country with at least 49 ethnic groups (65% of the population is Buddhist). Laos remains a country with an underdeveloped infrastructure, particularly in rural areas. It has a basic, but improving, road system and limited external and internal land-line telecommunications. Agriculture, dominated by rice cultivation in lowland areas, accounts for about 20% of the GDP and 73% of total employment. The country is subject to natural hazards and potential natural disasters related to floods and droughts. Most of the population does not have access to potable water, with the most vulnerable sections of society affected by the impact of increasing deforestation, soil erosion, loss of biodiversity, and water pollution.

Financial management is an issue of particular concern in Laos, a country faced with economic and social challenges. Before the COVID-19 crisis, the population was struggling with excess buying and loans to finance this consumption due to a lack of financial literacy, basic numerical skills for household budgeting and financial management.

The pandemic induced an economic downturn affecting tourism, trade, investment, commodity prices, exchange rates, and remittances, impacting essential service delivery and disproportionately impacting women and the poor and vulnerable groups that had inadequate access to quality healthcare services even before the outbreak. Learning how to save and invest in a new crisis context, overcoming the risk of over-indebtedness due to the reduction in economic activity, and dealing with increased risk of mortality brought on by the pandemic were the main challenges that needed to be tackled.

Financial and insurance education (FIE) is an essential need in Laos due to the increased risk of mortality. It is also an opportunity given the incipient growth of the microinsurance services pioneered by Ekphatthana Microfinance Institution (EMI) as the first microfinance institution (MFI) authorized by the national socialist government to deliver microinsurance services underwritten by Allianz Insurance Laos. Microinsurance delivery still needs to develop mechanisms to provide financial and insurance education to the public. The Bank of the Lao P.D.R. (BOL) prioritizes financial literacy and customer protection measures in its 10-year strategy and the roadmap for financial inclusion 2018-2025¹.

2. INTERVENTION APPROACH

In February 2017, EMI pioneered a credit life policy in partnership with Allianz Insurance Laos (AGL), the national insurance leader in Laos. This was the first formal insurance product offered by a microfinance institution in Laos, with EMI being authorized by BOL to distribute this product. Credit life insurance is essential for borrowers to transfer their loan repayment risks if the borrower dies. Still, this critical social safety net is limited to the loan duration.

Attending to the demand of its clients, EMI pioneered for life insurance to be embedded in its savings products to offer a safety net to depositors from a longer-term perspective. This first-mover initiative will generate demonstrable effects over time in the financial sector in Laos, as EMI has also shared its microinsurance and financial education experiences with the Microfinance Association of Laos and government institutions.

As EMI's depositors are usually not familiar with formal insurance products, EMI expanded and broadened its financial education strategy and services through face-to-face trainings supported by digital tools and digital distribution channels.

Financial literacy needs assessment

A majority of EMI's clients and employees shared the below concerns and challenges:

- **Limited awareness or understanding of insurance** as an essential risk transfer mechanism.
- **Low client incomes** mandating a minimum or no-cost life insurance for the client.
- **Dependence on EMI to facilitate the introduction of a savings-linked life group policy** to create an adequate understanding of the benefits of microinsurance and motivate more clients to get insurance.
- **Disseminating insurance education as a particular challenge faced by MFIs** due to the complex socio-economic environment and economic downturns brought on by COVID-19.

¹ <https://www.phnompenhpost.com/business/bank-lao-pdr-set-promote-financial-literacy-nationwide> and <https://bit.ly/3gQpYDL>

Main activity areas and outputs

Goal/Milestone	Results	Comments
Test deposit products embedded with life insurance cover and develop management systems to help EMI in developing its new insurance services on a viable commercial basis.	Completed with one insurance product piloted and launched.	EMI and AGL developed a free insurance cover for EMI depositors linked to the savings accounts. The insurance bears no cost for the client as EMI compensates the insurance cost with a lower interest rate of savings compared to term deposits. EMI will continue with the product and provide more training once COVID-19 restrictions are eased because of the benefits of 33% additional low-cost savings covered by the insurance plus the benefits for the clients and their families. The no-cost insurance is especially attractive for low-income clients as they do not have to pay more. Additionally, this product is helping EMI in accomplishing its social mission and making it an attractive service provider amongst acquaintances of clients receiving insurance benefits.
Complete 5 videos on financial and insurance education.	Completed with 6 videos produced.	The topic of these videos included savings, the new insurance product linked to savings, difference between insurance and savings, process for making insurance claims (related to savings), budgeting, and debt management. Insurance is a must for clients, and clients need education for them to see the importance of insurance and savings. People generally do not feel comfortable discussing death; therefore, animations and videos were useful. The videos enabled clients to better understand the benefits of insurance and how they can save more with EMI.
Develop 10 eLearning modules and a financial education eLearning platform on topics including spending, budgeting, loan selection, getting out of debt problems, insurance, business plan, cash flow, saving for investments, self-esteem, and a financial education game.	Completed with access to the e-platform promoted through Facebook and in situ training. 32,000 people accessed the e-Learning modules, with getting out of debt and spending wisely being the most popular topics.	Alongside the 10 e-modules, a financial education game was developed to highlight the importance of insurance for covering risks. The eLearning modules are hosted on EMI's web page . EMI also developed a Facebook page dedicated to financial and insurance education. The educational materials enabled EMI to increase awareness and understanding of the benefits of insurance linked to savings which could lead to increased savings for clients while helping EMI to accomplish its social objectives of protecting clients.
Roll-out the financial and insurance education campaign in 50% of branches and 50% of EMI training centers, with 40 staff trained.	Completed, with 3,200 people trained on-site by EMI trainers.	By May 2021, all the branches and client training centers had delivered financial and insurance education, with 44 EMI staff being trained. EMI also leveraged social media, for instance through Facebook posts , to deliver financial education messages.



The approach used for the financial and insurance education (FIE) involved animated videos, intuitive/easy-to-apply financial education formats, and key questions posed to clients at the branches or training centres. A trainer shared the videos and e-learnings (see the pre-COVID picture of a FIE training on the left). EMI also shared the videos and eLearning links through Facebook and WhatsApp to people with access to the internet, asked questions and received/provided feedback to clients on group meetings, and explained how to make an insurance claim. Additionally, EMI created a Facebook page to share live videos, key messages, and reflections on FIE.

Partner financial institution(s)

In 2005, Mr. Somphone Sisenglath established both EMI and the related Microfinance Centre to become key drivers of microfinance and financial literacy training in Laos. As of May 2021, EMI has 9,700 credit clients, 115,000 saving clients, and a portfolio at risk (credit portfolio with more than 30 days of delay in payment) of 4.5%. 85% of EMI's clients are women engaged in trade or other micro-business activities, with 99.3% of clients receiving loans-linked insurance being low-income women. They live in urban, rural, and peri-urban areas, mainly in and around the capital Vientiane and the secondary cities of Xayaboury and Bolikhamxay.

3. RESULTS ACHIEVED

Client level: Summary of main results

Support to Clients	Attitude Changes	Behavior Changes ²	Impact
<p>Introduction of the new insurance product linked to savings.</p> <p>Financial and insurance training featuring:</p> <ul style="list-style-type: none"> • animated videos • interactive eLearning modules • key messages on insurance • group reflection process <p>Follow-up featuring:</p> <ul style="list-style-type: none"> • personal interviews • call center support and surveys after the FIE trainings • EMI’s Facebook channel 	<ul style="list-style-type: none"> • Clients recalled the stories and main messages long after the training. • Change in clients’ attitudes and perceptions towards, and understanding of the benefits of insurance, mainly the belief that it is important to protect the family in case of death of the beneficiary or his/her life partner. • Enhanced motivation for taking up the insurance product. 	<ul style="list-style-type: none"> • Clients’ increased trust in the benefits of the insurance product increased the uptake of savings linked to insurance as well as clients’ savings balances (see impact column). • 90% of clients saving through EMI improved their money management behaviors by reducing non-urgent spending. • 91% of clients trained tracked expenses after the training compared with a baseline of 66% before the FIE training. 	<ul style="list-style-type: none"> • 98% of clients surveyed increased their savings amount. • Proportion of non-savers reduced from 6% to 1%. • 85% average increase in savings after FIE training. • 33% increase in deposits at EMI between Dec 2018 and May 2021 • The new insurance coverage increased from 0 to 27,400 savers by May 2021. The interest in the product is demonstrated by the increase in savings-levels as insurance payout is linked to savings. • Clients’ financial stress has been reduced, because if the client or his/her life partner dies, the beneficiary will receive an amount of money equivalent to the savings balance, and two times the savings balance in case of accidental death. • Number of claims paid: 33 for insurance linked to loans and 1 for insurance linked to savings.

Before the insurance education training, most savers were not aware or convinced of the importance of having life insurance. Most clients were unaware of the process to collect the claim in case of the death of the insured family member. Due to religious beliefs, some clients even thought that buying a life insurance policy would attract death. Insurance education, for instance through [this promotional video](#), conveyed the benefits of insurance and raised clients’ awareness and interest in protecting their families in case of death.

The combined impact of short stories in the videos, embedded within the interactive eLearning modules, and guided group reflections were powerful change motivators that encouraged clients to appreciate the value of insurance services and apply good money management practices. The call centre hotline enabled clients to make consultations regarding insurance and receive financial education. The call center continues to follow-up with clients trained in financial and insurance education to track changes in perceptions, attitudes, behaviors, and savings.

Testimonials from EMI clients who received financial literacy



Daovy is a 27-year-old rice grower from Nongkhone village, where she lives with her husband and two daughters aged 11 and 6. She opened a savings account with EMI in July 2019. Before she joined the financial education programme, she had 1,000,000 kips saved (USD 106). As of May 2021, she had a savings balance of 4,879,836 kips (USD 516). She used her learnings on financial and insurance education to improve her money management while also sharing this knowledge with her family. Daovy is saving for her children’s education and to buy a motorbike. She knows that with the life insurance component of the savings with EMI, her family is protected in case something were to happen to her and her family knows the process to follow to receive the insurance benefits.

² Behavior changes and impacts reported are supported by the statistics of EMI and by a survey carried out with 244 EMI clients trained in financial and insurance education.

Thor is 58 years old and lives in Nongkhone village with two sons and one daughter. He opened a savings account with EMI in February 2015. Before he joined the financial education programme, he had 200,000 kips saved (21 USD). As of May 2021, he had an outstanding saving balance of 9,650,061 Kips (USD 1020). Before, he worked in farming and as a driver. Today, he has additional income from a store in the house and collecting electric payments in the village. After he attended the FIE training, he learned that it is important to separate the use of the income from his store to pay for his family expenses, and to use insurance linked with savings to protect his family. This knowledge has motivated him to save around 100,000 kips (USD 10.6) every week with EMI. Additionally, he uses the revenue from collecting electric payments and selling rice to reinvest in his business and save with EMI. His goal is to buy a car.



Video testimonials from beneficiaries on the insurance-linked savings product can be accessed [here](#).

Results at the Partner Financial Institution-level

KPIs for EMI	31.12.2018	31.05.2021	Growth
Savings and insurance-linked to savings			
No. of total depositors (including children’s savings because EMI promotes financial education at schools)	95,536	115,204	20.6%
Balance of all savings books (USD)	2,000,198	2,667,499	33.4%
Average balance of all savings books (USD)	20	23	15.8%
No. of adult depositors eligible for life insurance coverage	49,309	65,477	32.8%
No. of persons insured with insurance linked to savings	<i>Life insurance linked to savings not available</i>	27,434	
% of eligible depositors insured		42%	
No. of claims of insurance-linked to savings		1	
Claims paid (in USD)		387	
Loans and insurance linked to loans			
No. of total borrowers	8,136	9,745	19.8%
No. of eligible borrowers insured (accumulative number of persons that received the insurance)	3,387	11,362	235.5%
No. of heads insured (including borrowers and life partners)	7,069	23,264	229.1%
No. of claims of insurance-linked to loans	7	33	371.4%
Claims paid (in USD)	3,703	21,246	473.8%



“Based on the good experience, EMI will continue providing insurance linked to both products (savings and loans), and will also continue delivering financial education to our staff and clients because these activities are aligned with EMI’s mission, social goals, and have also produced economic benefits in terms of more clients, savings and loans.”

Somphone Sisenglath, CEO, EMI

“At Allianz Laos, we are committed to helping secure the future of all segments of the population, including the less fortunate that we refer to as ‘Emerging Consumers’. Partnering with institutions having a large footprint in this segment is a key success factor to reach and protect more families. We are therefore very happy about this successful collaboration with EMI, and hope it can also inspire others to work towards reducing the protection gap in Laos.”

Guy Apovy, CEO, Allianz Laos



4. LESSONS LEARNT AND RECOMMENDATIONS FOR FUTURE IMPLEMENTATIONS

1. Plan for an **early involvement of top managers at MFI headquarters and key selected staff at the field-level**. It is vital to have a "financial champion" or coordinator for the FIE activities to act as an advocate at the field-level.
2. Deliver **simple, practical, engaging, and relevant financial and insurance education messaging through** an intelligent implementation strategy that includes:
 - a. Effective practical tips supported by relevant video stories, interactive eLearning modules, and group reflection with motivational training and follow-up from trainers to build credibility, around and understanding of the benefits to boost uptake of the insurance products.
 - b. Short well-designed stories, featuring catchy messages that participants can recall long after the training and use to make better financial decisions and/or adopt the product.
 - c. Group reflection guided by key questions and messages to motivate participants to learn and apply the FIE lessons.
 - d. Activities that build the client's trust on the effectiveness of the insurance product, for instance through testimonials from beneficiaries who received the insurance payment.
3. Forecast **realistic time targets** and adjust when needed. Consider that staff might need to multi-task and adapt due to unforeseen situations like the COVID-19 pandemic and economic downturns. Also keep in mind that the approval process for the insurance service (both from the government and the insurance company), especially when pioneering new products, may be longer than expected.
4. **Assign responsibilities and training targets** at field-level and allocate time to persons in-charge of delivering the financial and insurance education at field-level.
5. Consider the **clients' payment possibilities**, and if needed, develop innovative insurance solutions with a low cost or no cost for the customers. The lower interest rate of savings insured (compared to term deposits), may compensate for the insurance cost.
6. Based on EMI's positive experience, other MFIs could consider introducing insurance services linked to savings and loans together with financial education, due to the financial and social benefits for the MFIs and their clients.