Market for Microinsurance in Romania

Low-Income Households Needs and Market Development Projections

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April 2006

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This work was funded by KfW and Microinsurance Centre.

Content

Executive summary

Microinsurance is a tool allowing low-income households better manage financial pressures of unexpected shocks and stresses. This study explores low-income households' needs for microinsurance as well as opportunities and challenges to microinsurance provision in order to project microinsurance market development in Romania. Both exploratory qualitative research and quantitative representative household survey were undertaken to answer the research objectives in a comprehensive manner.

Low-income households' needs for microinsurance

Despite unquestionable developments in recent years poverty is still high in Romania. 25% of population lives below the poverty line, 64% can be classified as those who live on low income that is not sufficient for normal functioning in a society.[1] The profile of Romanian poor is similar to other transition countries and linked to unemployment (50% of unemployed are poor), rural residence (42%) and low schooling of household head. In general, there is more severe poverty in the Moldavia region but also throughout the country there are pockets of poverty situated away from major road networks. It is acknowledged that while rural population has been less affected by transition as agriculture provided relatively effective cushion it also benefited less from a change to market economy. Therefore, urban dwellers are more vulnerable to risks but on the other hand rural people are cash-poor and less educated regarding market mechanisms.

The road out of poverty for low-income households in Romania is hard and unpredictable. Such crises like unexpected death of family member, serious illnesses, weather risks affecting agricultural production as well as damage to property put a significant financial pressure on low-income households. It is due to relatively high costs associated with these risks and limited range of good coping mechanisms available. Low-income households in Romania are not very proactive in managing risks, only 13% of them declare to save regularly. They resort mostly to reactive borrowing from relatives/friends and formal financial institutions (banks and credit unions). The current risk-management strategies are potentially risky in terms of over indebtedness. Even now, 14% of the population has debts beyond capacities.[2]

Evidently, low-income households need to increase their risk-management capacities. Micro-insurance is one of the options that might be considered. When analyzing the needs for micro-insurance one needs to take into consideration objective factors (frequency and severity of risks) as well as subjective perception of households of the financial pressure related to specific risks. On the other hand, nature of insurance concept needs to be taken into account – it is usually an insurance against severe, unpredictable losses as it is hard to insure against frequent, repetitive events. Figure A is an attempt to combine various dimensions and summarize win-win opportunities for both low-income households and insurers (those who are in the bottom-right part of the chart and are perceived as important by low-income households). The products that should add a significant value in reducing vulnerability are: life/disability insurance (against death and permanent disability), crop insurance (against weather risks affecting agriculture production and health insurance (against serious health problems needing an emergency service and a surgery).

According to our estimations out of 5.17 million low-income households in Romania approximately 45% can benefit from private micro-insurance services.[3] This is a considerable group that take advantage of market-based social risk-management mechanism.

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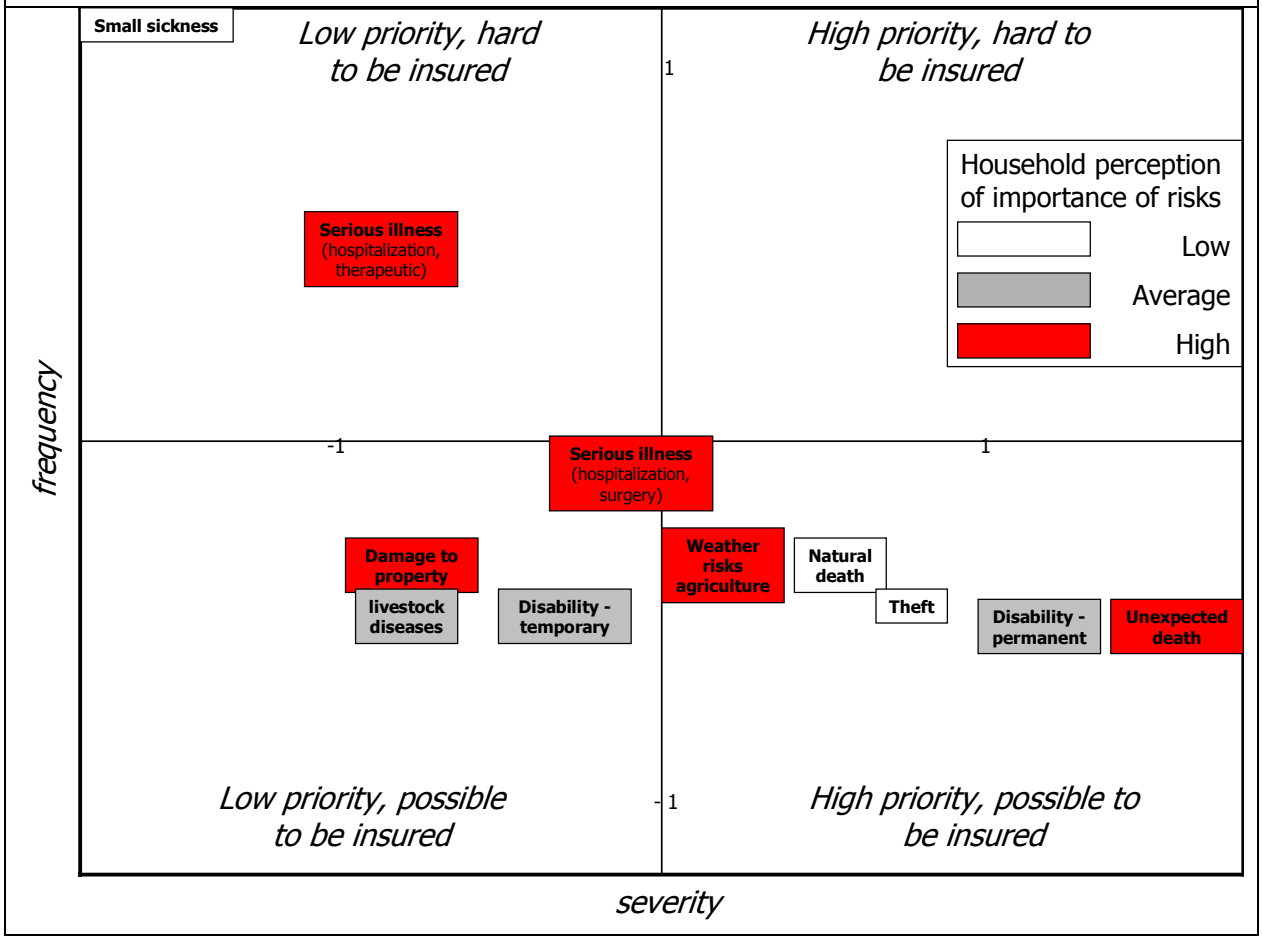
[1] For this purpose, the income threshold to identify the low-income households is set at approximately 200% of the total poverty line. Total poverty line (dec 2003) – ROL 1,751,857.17 – 43 EUR. 1 EUR = 40,600 ROL (Dec 15, 2003).
[2] Debt beyond capacities = when the credit monthly repayments in the last month exceed 30% of the household's monthly income.
[3] Approximately, 20% cannot afford it; 35% do not fulfill basic requirements (age, health condition, etc.).

Figure A: Opportunities for low-income people and insurers



Insurance in the eyes of low-income people

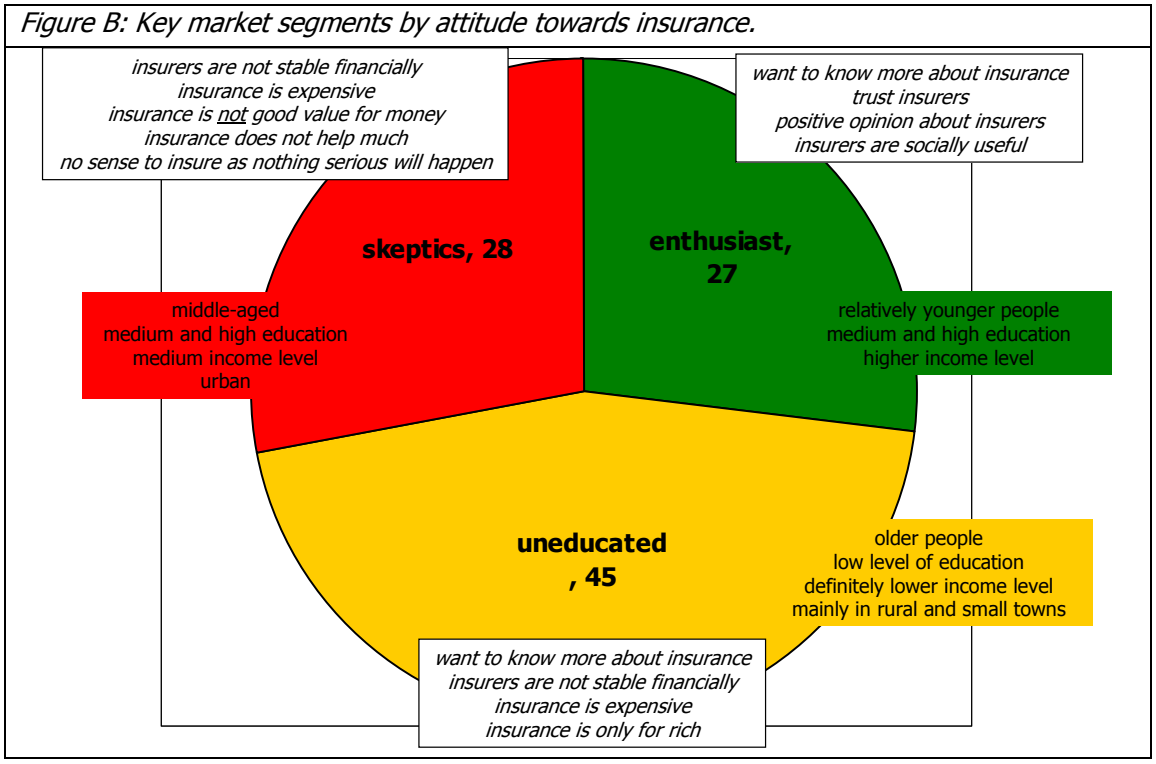
Usage of insurance services among low-income households is still limited as 7% of households have an insurance policy now (17% of all households). Despite low usage there is relatively high awareness of insurance and its main types. 76% of low-income respondents are able to mention spontaneously at least one type of insurance. But understanding of the insurance concept is limited among low-income people. As most of the knowledge on insurance is based on 'word-of-mouth' majority of low-income people participating in focus groups had some problems understanding the risk-pooling concept (the fact that they do not get their premium back when nothing happens). It is not something that people are obsessed with. However, it seems like it would be nice for them to get at least a part of their 'savings' (premiums) back.

The most important factors why people have not used insurance services in the past are aforementioned limited information on insurance and belief that the insurance is too expensive. Among low-income population, in both urban and rural locations, there is a stereotype of insurance policyholder being a very rich person. Treating insurance as "for the rich only" has some rational roots as regular insurance services are too costly for the majority of low-income people. On the other hand, this belief is not so rational and is partly due to low financial literacy.

Trust do not seem to be a major issue due to limited negative experience of insurance users. What is more, low-income people do not differentiate in terms of trust between domestic and foreign insurance companies.

It is possible to segment Romanian population into three distinct clusters with regard to their attitude towards insurance: enthusiast, skeptics and uneducated (Figure B). These segments are useful in terms of thinking about tapping Romanian insurance market. 'Enthusiast' are the easiest group to reach as they cannot imagine living without insurance and have positive opinion on the insurance sector. It might be difficult to reach out to 'skeptics' as they reject the idea of insurance on general grounds and are cautious regarding the insurance companies. The biggest group on the market is formed by those classified as 'uneducated'. The stereotype that 'insurance is only for rich' is strongly internalized by members of this group. To lesser extent than 'skeptics' they share some of the negative opinions about the insurers. But at the same time, 'uneducated' have the lowest financial literacy levels and one can assume that most of their concerns can be neutralized through well-targeted education.

Figure B: Key market segments by attitude towards insurance.



In summary, the low-income market (for microinsurance) consists mostly from those that we have classified as 'uneducated'. In general, two biggest threats are: limited understanding of insurance (risk-pooling) concept and strongly internalized stereotype that 'insurance is only for rich'. The bulk of the low-income market resides in rural areas and small towns, has basic education and do not use financial services.

Market development projections

Analysis of total insurance market development scenarios reflects opportunities and threats to microinsurance provision. The access frontier approach identifies three zones on the market (Figure C)[4]:

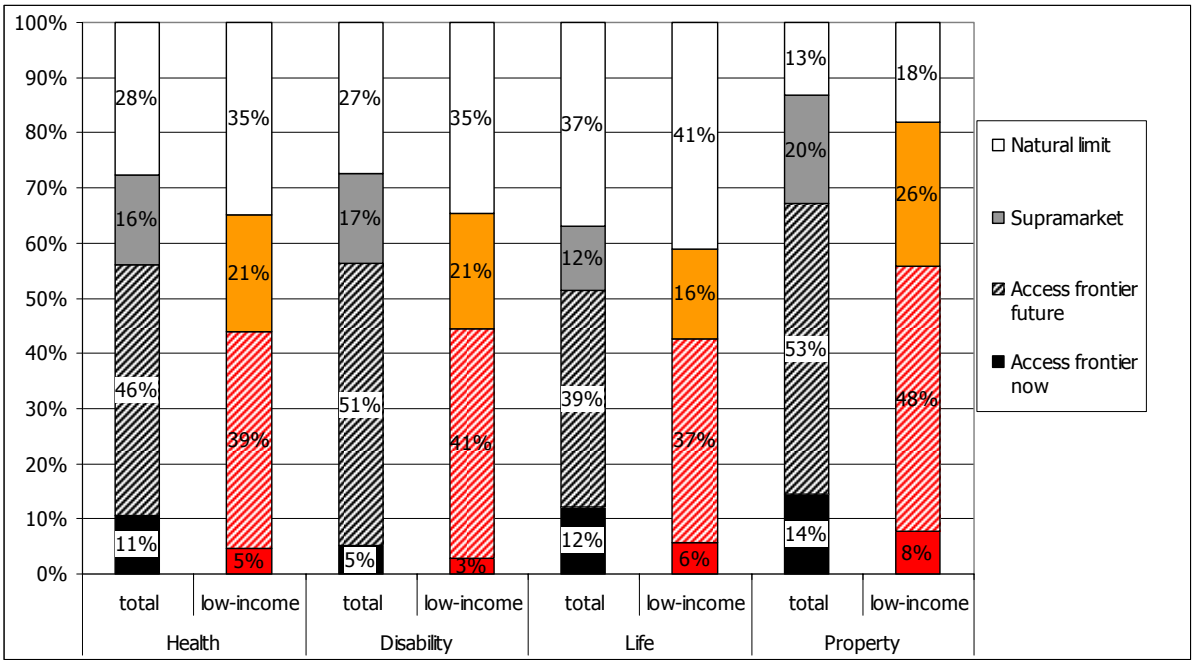
- *Market enablement zone* – this is a group that can be reached now (within access frontier now) because it is easy to be covered with new microinsurance products that are demanded by enthusiastic consumers. In Romania it varies from 5% for disability insurance to 14% for property insurance and is much higher than in Georgia and Ukraine. It is due to more enthusiasm towards insurance and product concepts tested in Romania, which might be attributed to better understanding of benefits of market-based insurance mechanisms among general public.

[4] As hardly anyone uses insurance (and nobody has been using microinsurance) it is hard to project future microinsurance market development based on historical trends. The access frontier approach proposed by David Porteous (2005) is useful in projecting the market development for microinsurance.

- *Market development zone* – this is a group within access frontier that might be covered if the new products are well-adapted, effective marketing strategies are in place and there is enabling environment. In Romania (as elsewhere), this group is the biggest proving immaturity of insurance market. It varies from 39% for life insurance to 53% for property insurance.
- *Market redistribution zone* – this is a group defined as supra-market. This is a task for the government to extend an adequate safety net and provide affordable risk-management tools for this group. This group is substantial in Romania and varies from 12% for life insurance product to 20% for property insurance.

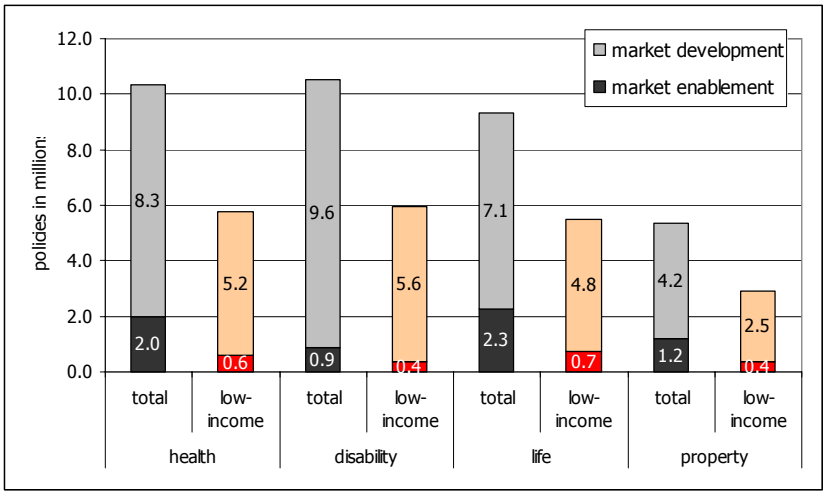
If only low-income market is considered the market enablement and development zones are slightly smaller while both natural limit and supra-market groups are bigger (Figure C).

Figure C: Market development projections for different microinsurance products (% of households) for total and low-income population.



It seems like micro-insurance should be an attractive venture for commercial insurers as the market is sizeable and relatively easy to reach due to a positive attitude towards insurance and insurers. Low-income market constitutes more than half of the total insurance market in terms of number of policies to be issued. It is almost 6 million policies for health/disability/life and 3 million for property insurance (Figure D).

Figure D: Total and low-income market size projections.



Recommended strategies to tap the low-income market

We recommend to focus on the 'uneducated' segment in the efforts to develop micro-insurance market in Romania because the biggest share of the low-income market is located within this segment. Apart from developing new micro-insurance products adapted to low-income market expectations, the outreach strategy should incorporate three other components: basic education on micro-insurance, marketing strategy putting emphasis on the price factor and low-cost delivery channels allowing to deliver services affordable for the target group. This strategy promises to marry development and business objectives.

1. Introduction

This report presents findings from qualitative and quantitative research on market for microinsurance in Romania. This study explores low-income households' needs for microinsurance as well as opportunities and challenges to microinsurance provision in order to project microinsurance market development in Romania. This research complements insurance supply side analysis and is a part of bigger feasibility study to explore potential of microinsurance sector development in Romania being conducted by Microinsurance Centre for KfW.

The Microfinance Centre (MFC) for Central and Eastern Europe and the New Independent States together with Microinsurance Centre prepared research design, which builds on previously conducted studies in Georgia (Matul 2005) and Ukraine (Matul et al 2006) as well as consultations with David Porteous. Field Insights – a Romanian research firm – has been contracted to administer qualitative and quantitative data collection and preliminary analysis.

In the next section study objectives and methodology are presented. Section 3 presents some contextual issues that are important to understand vulnerability to poverty in Romania. Section 4 provides background information on household demographics and income sources. Section 5 explores needs for risk-management tools in Ukrainian low-income households. Section 6 gives background information on current usage, knowledge, attitudes and willingness to buy main insurance products. Section 7 provides microinsurance market development projections and strategies to tap the low-income market. Conclusions follow in the last section.

2. Research objectives and methodology

Main goal of the research was to explore low-income households' needs for microinsurance as well as opportunities and challenges to microinsurance provision in order to project microinsurance market development in Romania.[5] Microinsurance is a market-based mechanisms to reduce vulnerability of low-income households. Needs for microinsurance are being analyzed from development perspective - an add value of microinsurance in building economic security for low-income households in Romania. Whereas, analysis of opportunities and challenges provides insights into business potential of microinsurance. The main areas investigated in the research were the following:

- What are the most important risks for low-income households in terms of their financial pressure?
- What are the biggest gaps in risk-management strategies that can be replaced by microinsurance?
- How can current insurance knowledge, usage and attitude towards it influence launching new microinsurance products?
- What is willingness to pay for microinsurance?

Access frontier methodology developed by David Porteous is an underpinning conceptual framework for the study (see section 7 for more details). Qualitative and quantitative research techniques were combined to respond to research objectives.

Qualitative research consisted of ten focus groups (FGs) composed of 5-7 participants. It was administered by Field Insights and Anamnesis. FGs were driven by participatory rapid appraisal tools and discussion guides. Research was conducted in Bucharest, the south and in the east of Romania as well as in urban and rural areas to control for important cultural differences. FGD participants were selected from low-income households.[6]

For the quantitative study a survey on representative sample of 1071 households heads has been carried out using face-to-face method. The survey has been administered by Field Insights. The sample was stratified by 8 development regions (see the map) where interviews were proportionally distributed according to the size of settlement (Figure 2-1). Settlements were randomly selected from every group of settlements. Random route sampling technique has been used.[7]

[5] Low-income households definition is included in the section 4.
[6] More on qualitative research methodology and tools can be found in Annex 1.
[7] The survey questionnaire can be found in Annex 2. Fieldwork report is included in Annex 3. The sampling procedure included the following steps:
1. The sample is stratified by development regions (8 regions in Romania—Bucharest, South, South-West, Center, West, North-West, North-East, South-East). In each region, interviews are proportionally distributed according to the level of urbanization (Bucharest, big cities: 200,000+ inhabitants, medium cities: 50,000-200,000 inhabitants, small cities: <50,000 inhabitants and rural). The stratification proportion is in concordance with the data obtained from National Institute of Statistics for 2002.
2. Cities are randomly selected from every level of stratification.
3. The starting points in every city are randomly selected. There is a limit of maximum 10 questionnaires per starting point.
4. Flats/houses are selected using "left-right" method with a step of 3.
5. On the last stage of the sample, interview is conducted with the person who brings the highest income to the household. If eligible person is not available in that moment, interviewer visits the flat 3 times more.

Figure 2-1: Sampling plan.					
	Total	Bucharest	South-East and North-East	Center and West	South
Bucharest and large city	247	97	26	68	56
Medium city	170	0	50	78	42
Small town	167	5	37	64	61
Rural	487	12	172	194	109
Total	1,071	114	285	404	268

3. Context [8]

There are several contextual issues that are important for understanding vulnerability to poverty of 21.73 million people living in Romania:

- **Romania is classified in the second tier of Eastern European countries in terms of human and economic development and market reforms.** According to UNDP's human development index Romania scores 14 out of 15 countries of Central and Eastern Europe.[9] Compared to first wave of EU accession countries Romania has had negative economic growth (-1%) over the first 10 years of transition (average growth of first wave countries has been 1.5%). Economic performance has improved significantly since 2000 (ca 5% yearly GDP growth now, 15% yearly inflation rate in 2003) when the economy recovered from three years marked by high inflation and macroeconomic instability.
- **Poverty rates skyrocketed after the collapse of the communism and are still at high levels now.** In 2003 25% of the population lived below the poverty line.[10] As many as 9% of population lives below the severe poverty line (not enough resources to get sufficient caloric intake). Total and severe poverty declined in recent years (respectively 36% and 14% in 2000). Poverty is transient as large proportion of households move in and out of poverty.[11] Inequality is still at very low levels (Gini index at 0.29 in 2002). The profile of Romanian poor is similar to other transition countries and linked to unemployment (50% of unemployed are poor), rural residence (42%) and low schooling of household head. Roma population is among the poorest.
- **There are strong regional and rural-urban disparities.** Poverty is estimated to be higher in the North-East (40.7%) and South-East (33.2%) region and lower in the West (24.5%), North-West (26.6%), Centre (24.8%) regions and Bucharest city (15.2%).[12] In general, there is more severe poverty in the Moldavia region but also throughout the country there are pockets of poverty situated away from major road networks. It is acknowledged that while rural population has been less affected by transition as agriculture provided relatively effective cushion it also benefited less from a change to market economy. Therefore, urban dwellers are more vulnerable to risks but on the other hand rural people are cash-poor and less educated regarding market mechanisms.
- **Transition resulted in significant changes in labor market structure and demanded qualifications**. UNDP estimates that only one third of economically active population has not been affected by social and professional changes of transition (kept their jobs and did not need to adjust qualifications). Unemployment is at relatively low levels now (8%) and affects mostly Roma population, young people and vocational school graduates. During 1991-2003 number of economically active in employee category declined from 80% to 62%. This was accompanied by an increase of self-employed, but mostly in subsistence farming. On the other hand, generous unemployment benefits and high official labor costs gave raise to a growth of informal sector, which is now one of the biggest in Central and Eastern European countries. On one hand, psychological stigma and depression linked to outdated qualifications might cause less interest of the poor in market-based solutions (i.e. microinsurance) to their problems. On the other hand, the fact that informal workers are excluded from formal social protection system can be a favorable factor for development of microinsurance in Romania.

[8] Based on World Bank (2003), UNDP (2005)
[9] But Romania is classified higher than post-soviet countries like Ukraine and Georgia.
[10] Poverty rate set at 43 EUR per person per month in December 2003. Severe poverty at 30 EUR.
[11] Only households of self-employed and farmers are more likely to be chronically poor.
[12] These regional disparities are linked to employment structure with more subsistence agriculture in the East and more tertiary sector activities in the West and Bucharest.

- **Trust in financial system and motivation to save were heavily undermined in 90s as many people lost their savings** due to high inflation in early 90s (256% in 1990) and bankruptcy of a number of local banks (BIR, Dacia Felix Bank, Banca Populara, etc.) as well as the so called Mutual Investment Funds (such as Caritas, FMOA, FNI - National Investment Fund, etc.). Some compensations started to be paid in late 90's but only to a certain limit and only for the deposits made in authorized banks.
- **Public free health services are universal and relatively good quality but less accessible to the poor due to formal requirements and informal payments.** In this study we found out that 63% of respondents were satisfied (15% fully satisfied) with health services in the place where they live. A general conclusion can be drawn that the quality of health services in Romania is relatively higher than in Ukraine (35% of satisfied respondents). Mandatory health insurance has been introduced in 2000, quite late comparing to other Eastern European countries. Physical access to health services is universal as in other transition countries, however, there is some evidence that the health care system is becoming less accessible for the poor.[13] Informal payments at public health care centers and hospitals increase significantly costs of health care, thus making it unaffordable for low-income people.
- **Social protection system in Romania is relatively efficient**.[14] Social assistance programs (especially, targeted minimum income guarantee program and child allowances) cover significant numbers of the poor. Public pension system pays low but regular pensions. In terms of other social risk management elements, the social protection system do not offer much. The only mechanisms are funeral grants (low amounts), maternity leaves and unemployment benefits (rationalized recently).

[13] The World Bank (2003) argues: "The poor have less access to health services: 11 percent of poor households revealed that there is no health service in their locality, as opposed to 5 percent for the non-poor. Further, low socioeconomic background individuals were less likely to have health insurance in 2000 (the only year health insurance status data are available), and low-income households are much less likely to know someone who can help solve their health problems."

[14] More on current social protection system can be found in Annex 4.

4. Background information on households

Household demographics

More than 60% of Romanian population lives in rural areas and small towns. Male is a household head for 69% of the families. Most of the population has at least secondary education, and almost one third graduated from university. (Figure 4-1)

Figure 4-1: Household demographics

Demographics	*Categories*	*%*
Settlement type	Rural areas	45
	Small towns	16
	Towns	16
	Bucharest and other cities	23
Gender	male household heads	69
Marital status (household head)	Single	11
	Married/living with a partner	71
	Separated / divorced	5
	Widow(er)	13
Education grade completed (household head)	Primary and less	27
	Secondary and technical	51
	University and higher	22
Age (household head)	Less than 35	20
	35-44	20
	45 to 64	41
	more than 64	19
Disability	% of households with disabled family members	5
Household size	1	15
	2	29
	3	27
	4	18
	5	6
	more than 5	5

Income sources

60% of households have a permanent salaried income source. 45% of households have members, who receive pension, and another 31% members with social benefits. Only 7% reports earning from self-employment activities. 11% of respondents report income from agricultural activities. (Figure 4-2)

Figure 4-2: Share of households receiving income from different sources

Income sources	*%*
permanent job	59.8
temporary small jobs	9.2
self-employment	
trade	4.9
services	6.6
production	1.6
Agriculture	
land	10.3
livestock	10.6
Pension	44.5
social benefits	31.3
Remittances	
external	4.2
internal	2.1

Income level

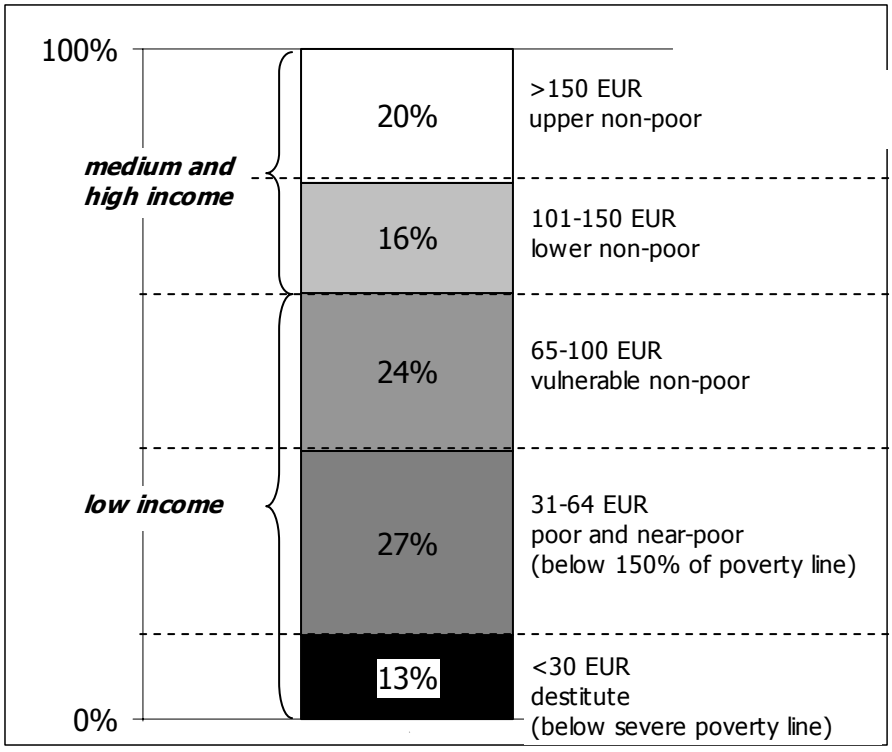
Household income per person[15] is an important variable in analyzing low-income market potential. The income analysis on our sample yields similar results to national poverty estimates mentioned in the section 3. 13% of households lives below severe poverty line, while 29% lives below total poverty line.[16]

Figure 4-3 presents a grouping of households by income level per person that will be used in the further analyzes. For this purpose, the income threshold to identify the low-income households is set at

[15] Equivalence scales were used to calculate income per capita: 1 = adult, 0.7 = child.
[16] Total poverty line (dec 2003) – ROL 1,751,857.17 – 43 EUR. Severe poverty line (dec 2003) – ROL 1,210,210.7781 – 30 EUR. 1 EUR = 40,600 ROL (Dec 15, 2003). Source: World Bank Study - Trends of Poverty and Severe Poverty within 1995 – 2003. (http://www.caspis.ro/pagini/en/despre_saracie.php#harta) .

approximately 200% of the total poverty line.[17] Taking this definition, 64% of Romanian households can be classified as low-income. This is a group of households that is usually more vulnerable to risks than the rest of the population. This will be referenced further in the text as low-income market for microinsurance.

Figure 4-3: Household groups by income per person in relation to poverty lines



More low-income households are located in the eastern region (Figure 4-4) and in rural areas and small towns. There are more low-income people among those less educated and older people. There are no differences by gender.

Figure 4-4: Income level by regions.

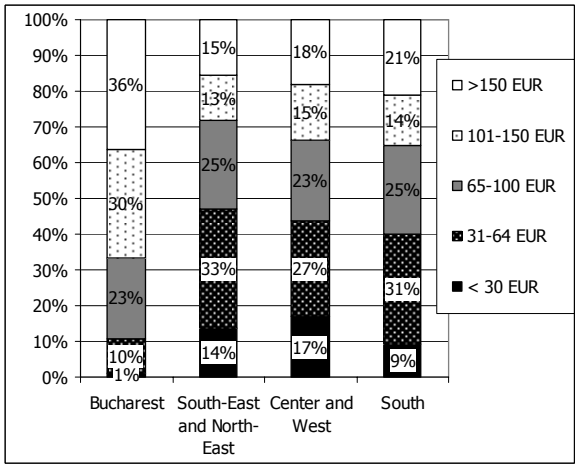
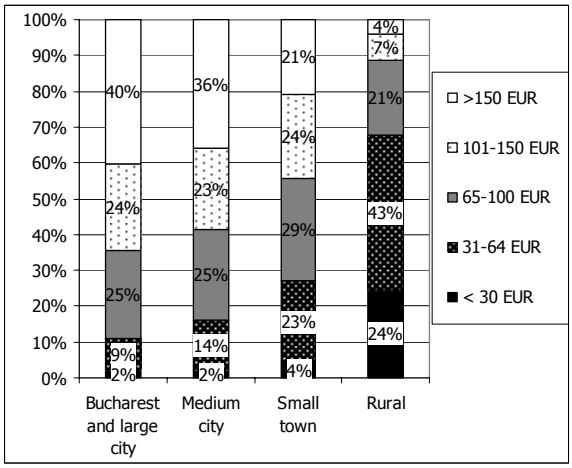


Figure 4-5: Income levels by settlement type.



[17] It is due to the fact that presented poverty lines are based on the expenditure analysis inspired by World Bank methodology. The total poverty line identifies the income level that allows a household to satisfy basic needs only and is not sufficient for social functioning of a household, which is important in the context of vulnerability and risk management.

5. Needs for Microinsurance

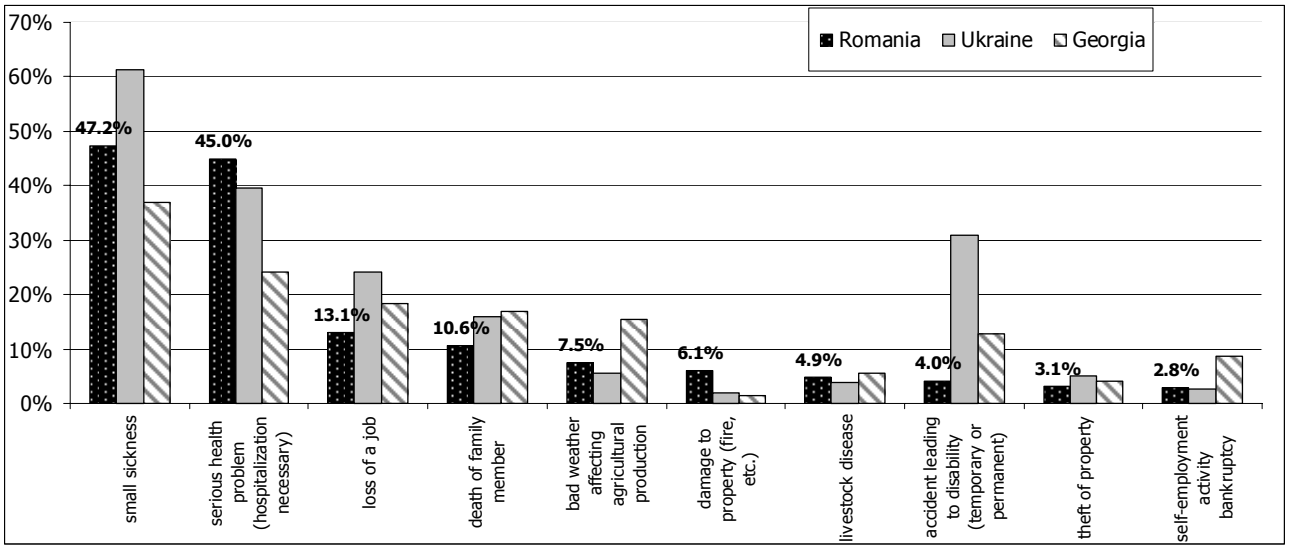
Microinsurance aims at reducing vulnerability of low-income households and individuals. Vulnerable households are those who are unable to manage unexpected risks.[18] Considering both development and business imperatives it makes sense to develop microinsurance services only for the most important risks faced by low-income households. The risks are important if household exposure is high, risk is severe, and if several high-stress coping mechanisms are used to generate lump sum of money. The microinsurance products need to be more effective than formal and informal mechanisms used to date by the target group. Only if the new products fill the gaps in risk-management they would be responsive and profitable.

Holistic approach to study the needs for microinsurance is necessary as very often the needs in low-income households are latent, meaning that people cannot articulate and manifest them easily. It combines studying risk exposure (section 5.1), risk importance (section 5.2), financial behaviors and attitudes (section 5.3) and gaps in risk-management strategies (section 5.4).

5.1. Risk exposure

Exposure to health and property risks is slightly higher in Romania compared to Ukraine and Georgia (Figure 5-1). As many as 45% of households were affected by health risks that required hospitalization (in 17.2% cases these were surgical treatment cases, in 27.8% therapeutic only). Damage to property due to natural forces or human-made accidents happened to 6.1% of households.[19] Exposure to agricultural risks were also at relatively high levels.[20]

Figure 5-1: Comparison of household exposure to different risks during last 3 years in Romania, Ukraine and Georgia.



[18] Risk is defined broadly as an event for which a household requires a lump sum of money and which causes financial stresses and shocks.

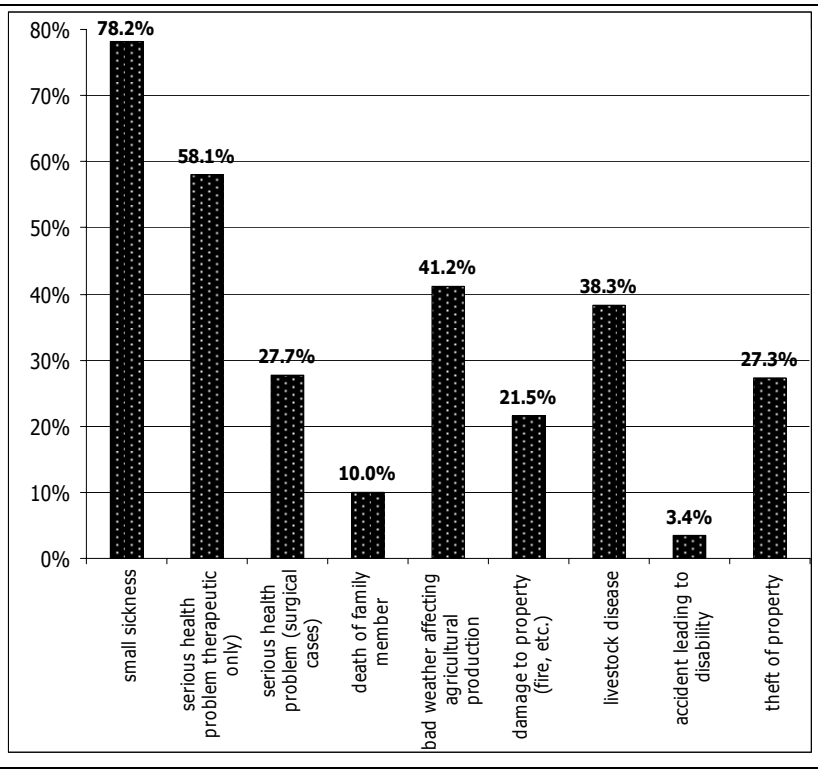
[19] The outcome related to damages on property might also be influenced by the fact that in 2005 severe floods affected Romania especially in Eastern and Western regions. The same motivations may stand behind the agricultural risks also.

[20] Relatively low level of declared exposure to disability risks might be due to the fact discovered during the qualitative research that participants of the focus groups classified disability risks as health problems needed hospitalization. Additionally, they perceived disability risks as those which relate only to higher-risks professions (e.g. rescue workers, miners, etc.) This might have been the case also for quantitative research (even though the disability risks were put in the questionnaire before health risks to control for this issue). In reality the exposure to disability risks might be slightly higher that the quantitative research shows.

Health, agricultural and property risks are the most frequent (Figure 5-2). For 58.1% households that were affected by the serious health problem (that required therapeutic treatment in the hospital) the health risks happened more than once in the last 3 years. For 41.2% of households this was the case with regard to agriculture risks.

Those who are more likely to be exposed to bigger number of risks live in smaller towns and more remote areas and are located in Centre, West and South regions. The risk exposure is slightly bigger for bigger households and among those having lower income.

Figure 5-2: Frequency of risks. Percentage of occurrence of more than one risk of the same type for those households that were affected by the risk in the last 3 years.



5.2. Importance of risks

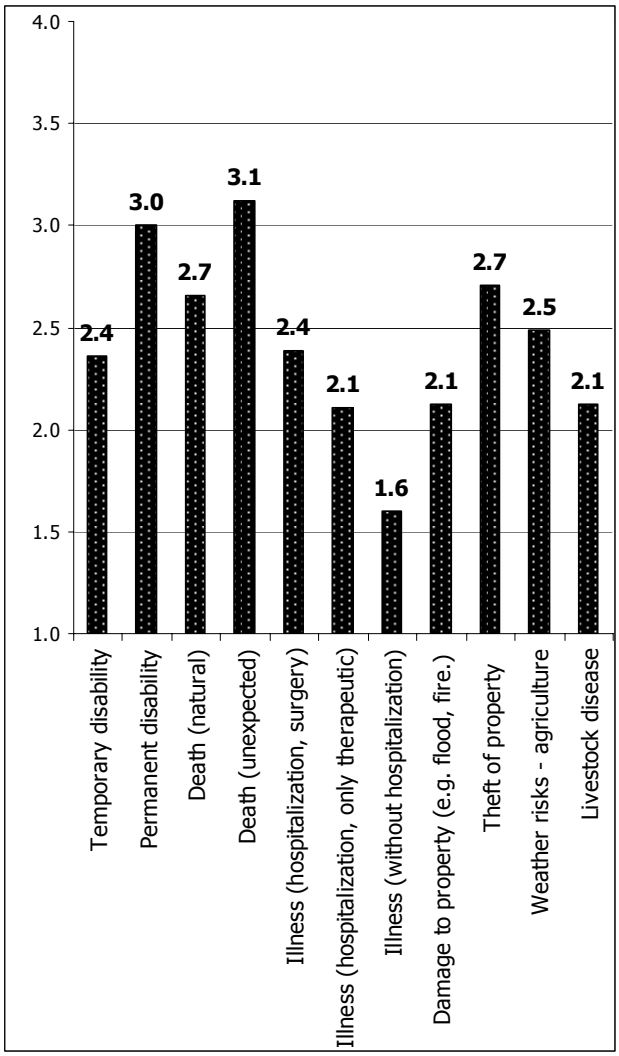
Risk severity is an impact of the risk when it happens. According to quantitative survey, those households who were affected by risks evaluate that life and property (theft) risks had the biggest influence on their households (Figure 5-3). Low-income households perceive the impact of the risks slightly higher for all the risks.

The importance of risks is a function of severity and frequency of risk occurrence (presented in 5.1) as well as a level of difficulty to raise the necessary lump sum (access and effectiveness of coping mechanisms). This relates to the analysis of coping mechanisms presented further in the section 5.4. Perception of the risk importance is also valuable from the marketing point of view. People will be willing to insure against the risks that they perceive important.

Qualitative research allowed to do a combined analysis of the perception of risk importance in low-income households.[21] It appeared that unexpected death of family member, unexpected serious illness, weather risks affecting agricultural production as well as damage to property due to natural forces are the most important risks in the eyes of low-income households (Figure 5-4).

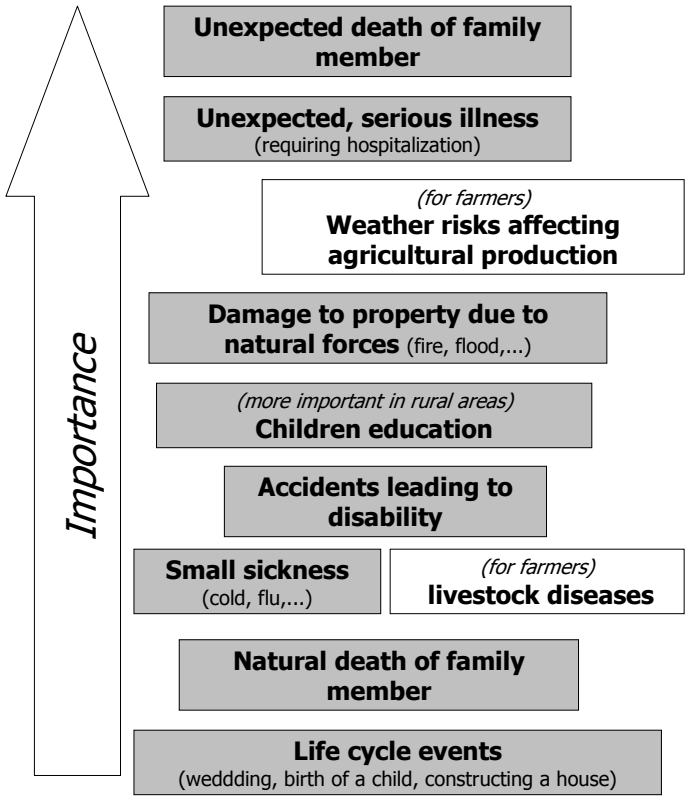
[21] During ranking exercise we focused more on understanding the importance of insurable risks. However, we have tried to discuss them within a bigger picture, including some structural and life cycle risks. This exercise helps to understand what is people's perception of the importance of insurable risks compared to other financial shocks and stresses they face in their lives. It helps to understand people's needs as well as market opportunities.

Figure 5-3: Severity of risks. Evaluation of the impact of the risks on household economic standard of living.



Means – scale: 1 (no influence) – 4 (decreased significantly)
Source: quantitative research

Figure 5-4: Perception of importance of risks for low-income population in Romania.



Source: qualitative research

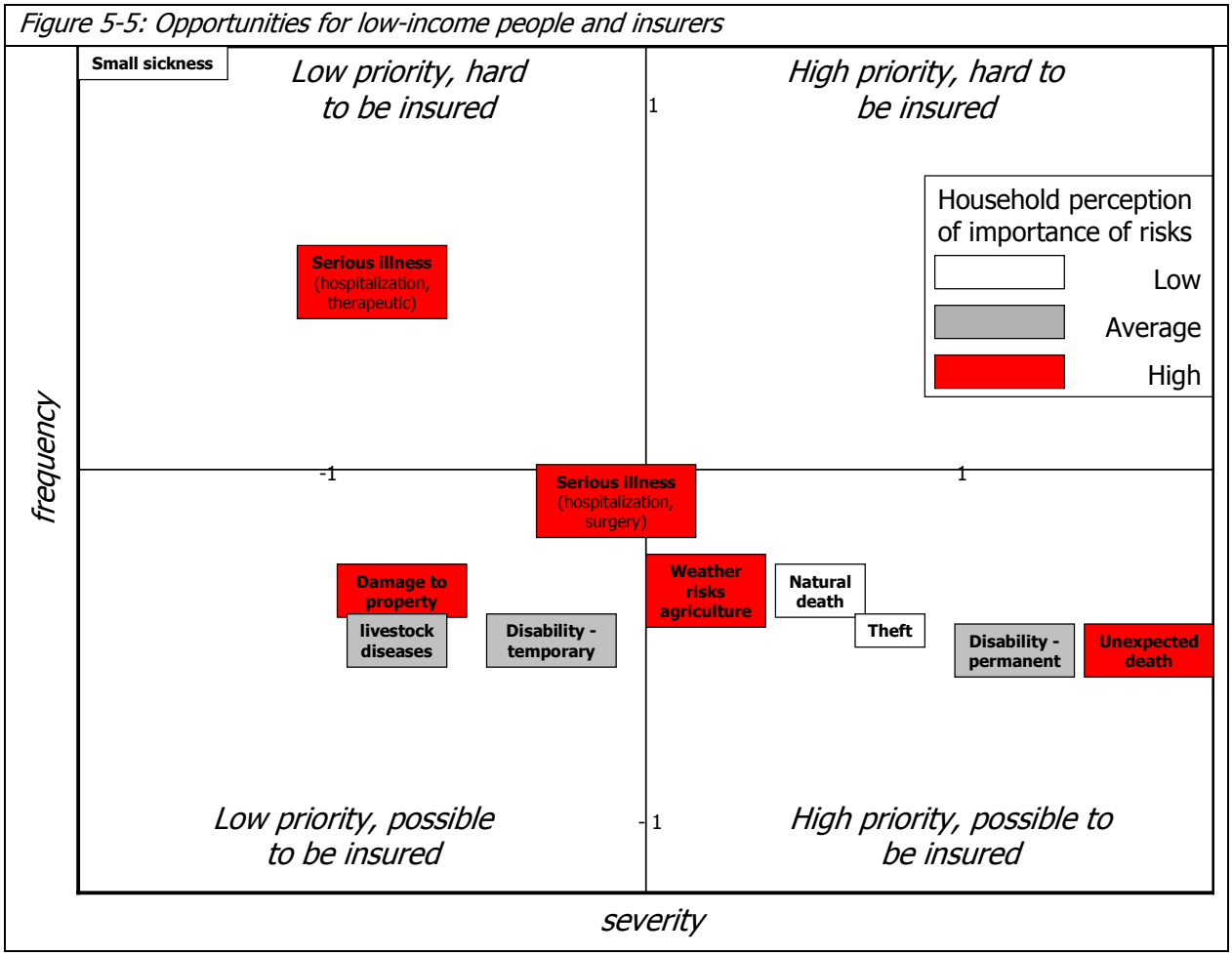
Unexpected death of a family member is perceived as the most important risk because nobody really tries to prepare for it and the relatively big amount of money is needed very urgently. The sum of money to cover funeral costs (coffin, ceremony, reception, etc.) is approximately 1300 USD. Respondents were not really mentioning an income loss in case of the death of main breadwinner. Funeral costs are usually to be covered by the concerned family itself. Social security system provides a small funeral grant (up to 300 USD). Help of relatives, friends, neighbors is usually in kind (preparing dishes, bringing some food) but usually does not imply giving cash.

Unexpected, serious illnesses are perceived as important because of high informal costs that need to be paid for public, free health care services. *"You have to pay from gate keeper to the doctor".* Amounts provided ranged from 300 USD (bile surgery) to 5000 USD (for colon transplant). These costs include medical care and needed medicaments. Once more, health crises are usually sudden and the family cannot really count on external help.

More details on all the risks presented in Figure 5-4 are included in the Annex 5.

Summing it up, when analyzing the needs for micro-insurance one needs to take into consideration objective factors (frequency and severity of risks) as well as subjective perception of households of the financial pressure related to specific risks. On the other hand, nature of insurance concept needs to be taken into account – it is usually an insurance against severe, unpredictable losses as it is hard to insure against frequent, repetitive events. Figure 5-5 is an attempt to combine various dimensions and summarize win-win opportunities for both low-income households and insurers (those who are in the bottom-right part of the chart and are perceived as important by low-income households). These are: life/disability insurance (against death and permanent disability), crop insurance (against weather risks affecting agriculture production and health insurance (against serious health problems needing an emergency service and a surgery).

Figure 5-5: Opportunities for low-income people and insurers

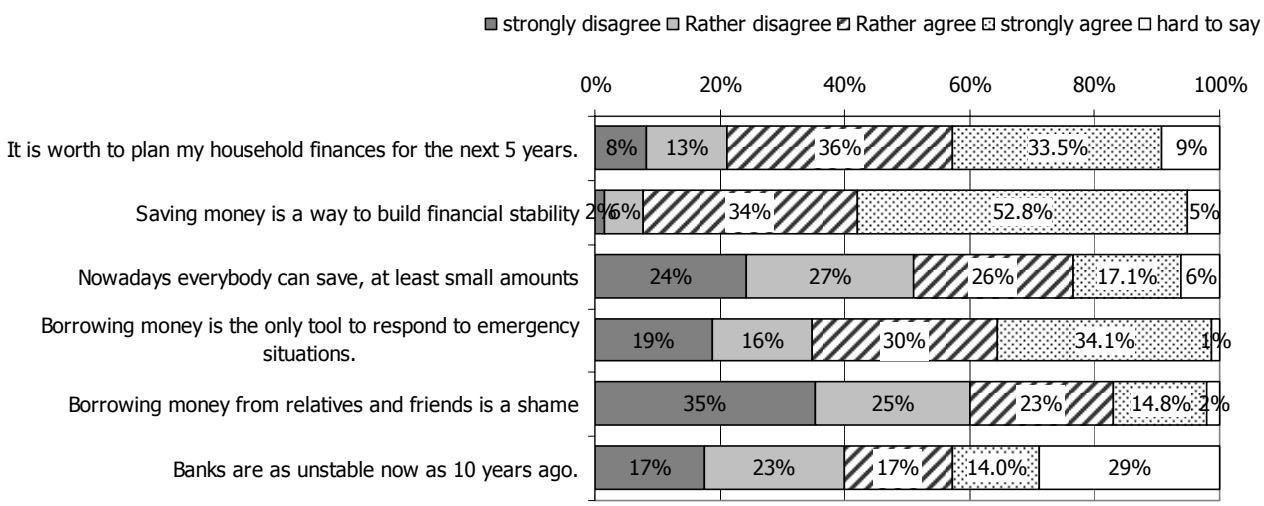


5.3. Personal financial intermediation

Information on saving and borrowing behaviors provides an interesting insight into understanding of a menu of risk-management strategies.[22]

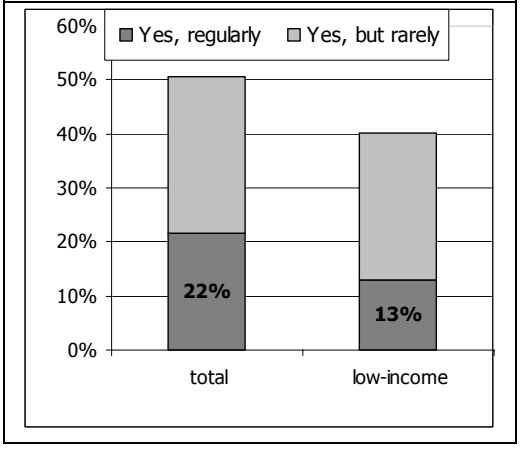
Romanians see benefits of planning and saving but at the same time are not so proactive in preparing for risks through saving as Ukrainians. Two-thirds of Romanian population considers borrowing as the only tool to deal with emergencies (Figure 5-6).

Figure 5-6: Attitudes to financial planning, saving, borrowing and financial institutions



Half of households try to save at least small amounts but only 21.5% declare regular saving.[23] It is less likely to find low-income households who save (Figure 5-7).[24] Qualitative research provides evidence that saving in low-income household is done sporadically and with no specific purposes, while in better off households it is usually a more conscious process to attain specific future goals. During focus groups participants from the low-income households were enthusiastic about the idea of saving. They were mentioning lots of benefits of saving. The most common were: quick response in case of emergency, no need to look for money elsewhere and explain everything to relatives. But on the other hand they were very much sure that they cannot save because of limited resources.

Figure 5-7: Saving behavior.



Average yearly savings for all households is 350 EUR. Low-income households manage to save 175 EUR on average.

Majority of the population is still unbanked. In only 35.5% of households there is a person who has a bank account. Only 22% of low-income households have a bank account. Qualitative research revealed that one of

[22] It also helps to understand potential for microinsurance. On one hand, savings, debt and insurance are competitive strategies for average losses. On the other hand, positive attitude to savings and financial planning should ease marketing of microinsurance products as people will faster learn and accept the value of microinsurance.
[23] 66% declared saving in Ukraine; 13% in Georgia.
[24] Saving money is more prevalent among young and middle-aged people, singles, in the South and Bucharest, in bigger cities, among salaried workers.

the main reasons of not using banking services are memories of the turmoil in the banking sector during 90s that had a wide coverage on the media.[25] Trust in financial institutions is still undermined. Only one-third of the population have noticed in recent years improvement in stability of Romanian banking sector (Figure 5-6).

More open attitude to borrowing and lesser saving culture results in more borrowing in Romania than in Ukraine. 46% of Romanian households have taken a loan from any source in the last 3 years and 34% is currently repaying loans. Borrowing is less prevalent among the low-income people due to lower access to formal credit services (40% borrowed in the last 3 years and 27% is repaying now). Most of loans come from banks (30%), relatives/friends/rotating saving mechanisms (15%) and credit unions (13%). Only 1 % mentioned using services of moneylenders or pawnshops. Consequently, low-income people borrow less from banks (20%) and more from relatives (18%).

Risk of over indebtedness seem to be quite high in Romania as for 40% of households who are now repaying a credit monthly repayments from the last month exceeded 30% of their household monthly income. In other words, 14% of all Romanian households seem to be not very cautious in managing their debts. There is no clear pattern what is the profile of the over indebted households besides the fact that it is less the issue for those declaring regular saving. Income level does not differentiate the level of over indebtedness.

5.4. Gaps in risk-management strategies

Results on the most common coping mechanisms in use are contradictory. Quantitative research provides evidence that using own funds (depleting savings) is the most popular coping strategy used both by low-income and other households. While in qualitative research using savings has not been mentioned in any of the focus groups as the mechanism low-income people resort to in case of an emergency requiring bigger lump sum of money. It is rather borrowing from a mix of sources (relatives, banks, credit unions) that has been mentioned in all the focus groups as the most common strategy in use. It is suggested to disregard the findings from the quantitative research and treat the qualitative research as the primary source of information because of complexity of the issue and more relevant approach taken.[26]

Qualitative research supports more reactive nature of Romanian low-income households (section 5.3). Ex-ante mechanisms to manage risks (i.e. insurance, savings) are rarely used due to a belief that these are tools for the rich only. Instead of preparing for risks, low-income households in Romania rely on borrowing from relatives and friends as the main source and complement it with formal credit from banks and credit unions. The recent boom for consumer credit eased access to formal credit to respond to emergencies. More details on different coping mechanisms can be found in Annex 6.

In general, the range of those coping mechanisms that are timely and provide sufficient amount of money to manage emergencies is very limited. Those less stressful mechanisms (like savings, getting an extra job, borrowing from relatives) usually generate not sufficient amount of money. Therefore, they need to be complemented by higher stress coping mechanisms, like borrowing with interest, selling assets, etc. In reality, for the bigger lump sums of money people need to borrow from many sources at once and very often combine it with other coping mechanisms. This neither comfortable nor secure in the long term as it is hard to manage many obligations having scarce resources.

[25] Other reasons mentioned by focus groups participants were: sums of money being too small to be placed in banks, commissions surpassing interest earned, limited withdrawal availability in case of emergency.

[26] We doubt that survey respondents were able to do the in-depth analysis of coping mechanisms in use in such a short period of time. During the qualitative inquiry 5 focus groups were almost entirely devoted to the coping mechanisms matrix when participants had enough time to analyze each coping mechanisms from the perspective of access, use and effectiveness (timeliness, coverage). Moreover, during the qualitative inquiry we have focused on how respondents find the fixed lump sum of money needed for emergency risk, while in quantitative research we have covered a wide range of risks and responses regarding the coping mechanisms are not very relevant.

6. Insurance in the Eyes of Low-Income Households

Analysis of insurance usage and attitude helps to understand opportunities and threats to provision of microinsurance services. As few low-income households have used insurance usage and attitude analysis (sections 6.1-6.3) has been enriched by a test of four generic insurance concepts (sections 6.4-6.5). This allowed respondents to get familiar with some more details of main types of consumer insurance and express their views and willingness to buy it.

6.1. Usage

Only usage of voluntary insurance services has been analyzed.[27] 17% of households have an insurance policy now. In total 27% have had some experience with insurance in the last 15 years.[28] Penetration is much lower for low-income market (Figure 6-1).

Figure 6-1: Usage of any type of insurance

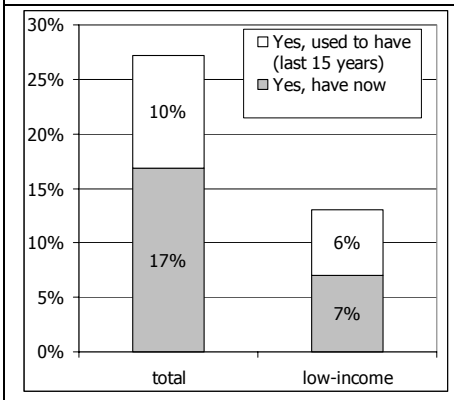
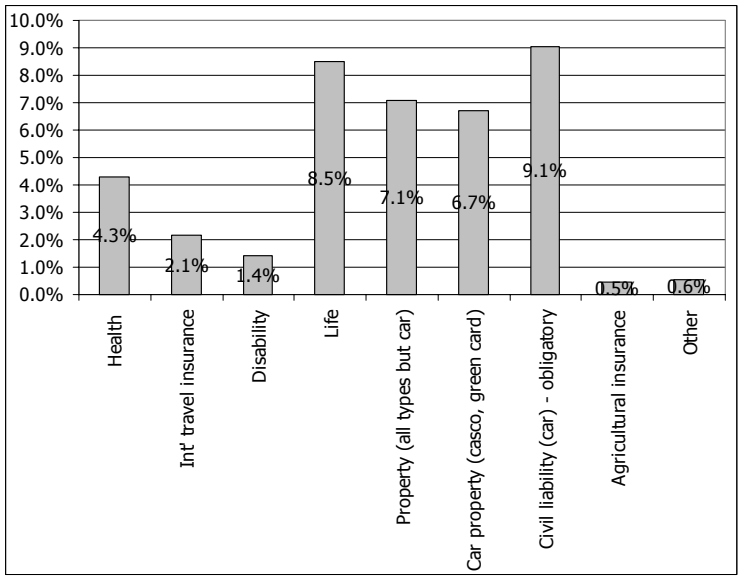


Figure 6-2: Type of policies possessed currently (of households).



Life and property insurance are currently the most common (Figure 6-2). There are no significant differences by income level apart for the lower popularity of life insurance among low-income households. In majority of cases respondents paid themselves for the policies.

Qualitative research provides an important distinction on those who initiated the process of getting insured by themselves and those who got persuaded by an agent. The latter are more common in rural areas, where villagers are more likely to be persuaded. What is interesting, they rarely renew the policies unless they are approached again by an agent. Very often costs of going to insurance branch or looking for the agent discourage them to take again the initiative.

The reasons for not using insurance are included in an attitude analysis in Section 6.3.

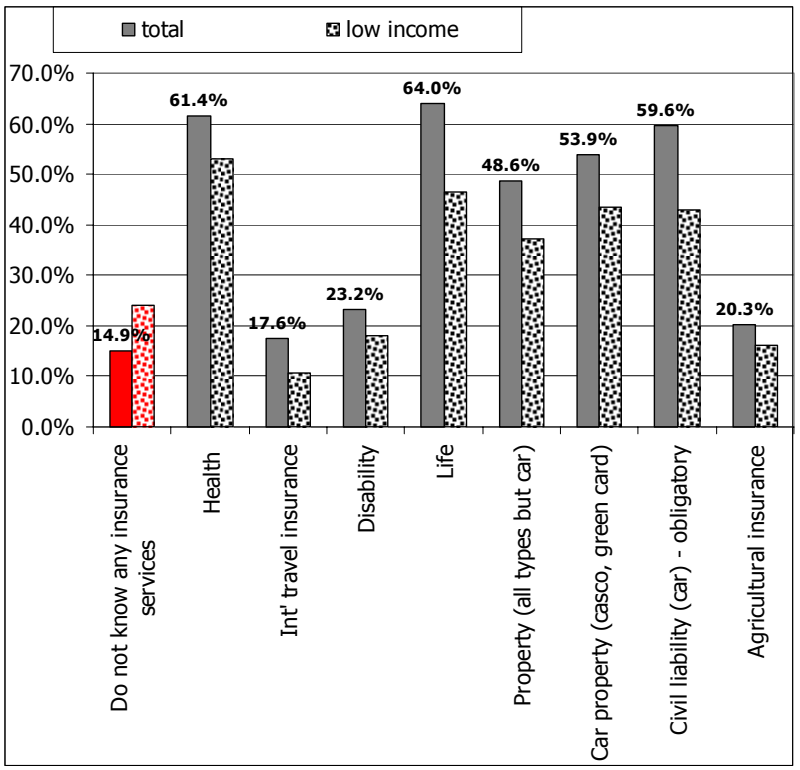
In general, insurance users and non-users have rarely mentioned during the focus groups any negative experience with insurers. This makes a big difference with Ukraine and Georgia where most of the discussions referred to negative experience with insurance companies.

[27] Voluntary insurance products constitute most of the insurance market in Romania.
[28] It was only 7% in Georgia and 34% in Ukraine.

6.2. Knowledge

Despite low usage awareness of insurance and its main types is high. 85% of respondents are able to mention spontaneously at least one type of insurance service (Figure 6-3).[29] It is lower among low-income people (76%). The most recognized insurance product is life insurance (64%).

Figure 6-3: Knowledge of types of insurance.



But understanding of the insurance concept is limited among low-income people. In general most of the focus group participants have only pieces of information about the insurance concept (are aware that there is a benefit paid in case of claim, but do not know the terms and procedures in detail), which is evidently insufficient to be able to increase the likelihood of a trial.

Most of the information available to the respondents is acquired by 'word-of-mouth', both for urban and rural regions. Viewing their limited ability to objectively evaluate information, in the context of a lack of pro-activeness in acquiring some, the 'word-of-mouth' route is credited and the information is absorbed/ assimilated as their own judgment. However, even if word-of-mouth is the source for both urban and rural inhabitants, there are some differences in assessing the insurance:

- Objectively speaking, the urban inhabitants are more exposed to information and have easier access to it than those living in the rural area. Therefore, urban people are likely to access a more sophisticated evaluation process, for example besides acquaintances recommendations, search individually for information, even comparing alternative offers.
- The rural inhabitants are more likely to apply a basic judgment, based entirely on 'word of mouth' or even deciding to buy an insurance on the intensive persuasion of the policy agent.[30]

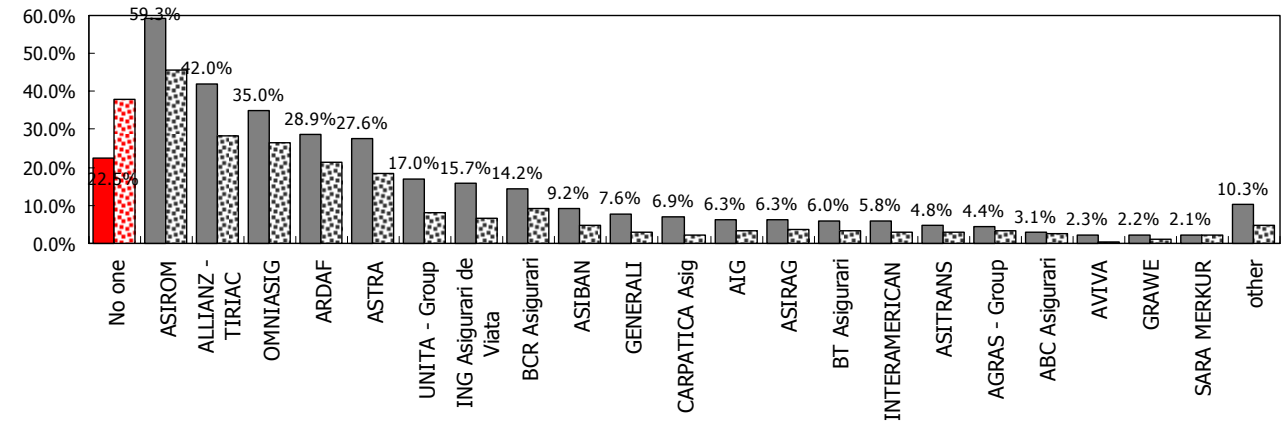
As most of the knowledge on insurance is based on 'word-of-mouth' majority of low-income people participating in focus groups had some problems understanding the risk-pooling concept (the fact that they do not get their premium back when nothing happens). It is not something that people are obsessed with. However, it seems like it would be nice for them to get at least a part of their 'savings' (premiums) back.

As already noticed low-income people use and know less about insurance. This is also the case for people older than 55 years old and those who live in small towns and rural areas. This gap between younger and older as well urban and rural is very substantial.[31]

[29] In Georgia, it was 75% of the population; in Ukraine 95%.
[30] In one of the focus groups some of the persons investigated insured their houses based on the insurance agent persuasion, without even considering the identity of the insurance provider.
[31] This is based on the index composed from knowledge of types of insurance, knowledge of insurers and to-date usage of insurance, which are very closely correlated.

The level of knowledge of insurers is considerable. 77.5% of respondents were able to mention at least one name of insurance company operating in Romania. Brand awareness is higher compared to Ukraine and Georgia.[32] However, in the case of low-income population it is still limited to knowing 2-3 insurance companies. Additionally, there are more low-income people that do not know any name of insurer (as many as 38%). There are no big differences in awareness of specific brands by income level (Figure 6-4).

Figure 6-4: Knowledge of the insurance companies.



6.3. Attitude towards insurance

An analysis of the reasons why people have not used insurance in the last 15 years provides useful insights to market attitudes towards insurance. Belief that the insurance is too expensive and limited information on insurance are the most important factors why people have not used insurance services in the past (figure 6-5).

Figure 6-5: Main reasons of not using insurance in the past.	*Total %**	*Low-income %**
Insurance is too expensive for me	49.3	59
Do not have enough information	35.7	45.7
I do not know where to find insurance / nobody approached me	9.3	12.4
No trust in insurance companies – they can go bankrupt or steal money	6.7	3.5
I think nothing serious will happen to my family or me	5.3	0
We can manage problems ourselves	5.1	3.8
I do not have time to think about insurance.	4.6	1
No trust in insurer - heard that insurers do not pay	3.6	2.9
The insurance agents are too far from the place I live	3.3	2.9
Current terms and conditions do not suit me	2.0	0
Heard it is a long / bureaucratic process to realize claim	1.7	1

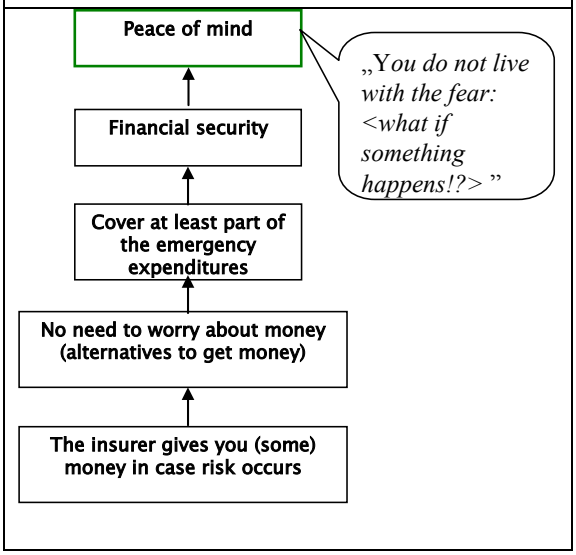
** Percentage of households who mentioned given reason. Responses do not sum to 100% as multiple response was possible.*

[32] In Georgia, it was 56.4% of the population; in Ukraine 68.3%.

Among low-income population, in both urban and rural locations, there is a stereotype of insurance policyholder as a very rich person. Treating insurance as "for the rich only" has some rational roots as regular insurance services are too costly for the majority of low-income people. But on the other hand this image is much overemphasized and is partly due to low financial literacy.

In general, the analysis presented in Section 6.5 shows that the limited knowledge does not reduce significantly interest in insurance products. This is evidently a barrier for buying the insurance (Figure 6.5) but it does not make people skeptical about the concept of insurance. This is further exemplified by the fact that most of the focus group respondents were able to identify easily key benefits of insurance services (Figure 6.6).

Figure 6.6: Perception of benefits of insurance concept. (qualitative research).

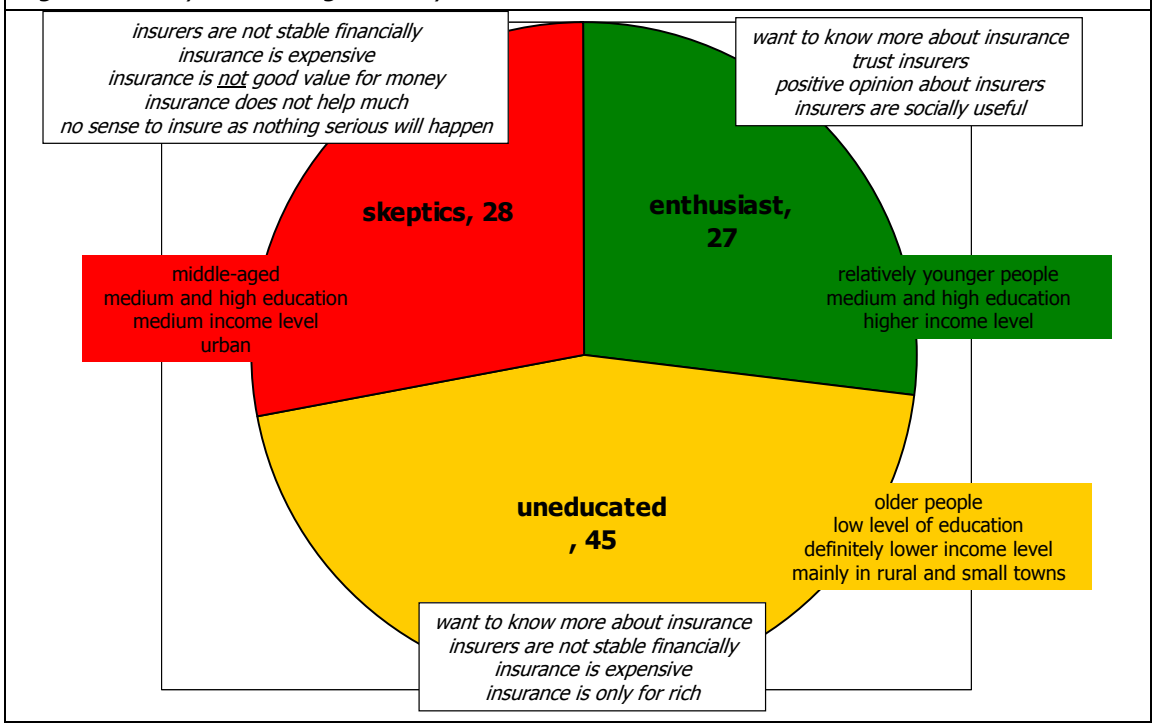


Trust do not seem to be a major issue, probably due to positive experience of insurance users described before.[33] This is further supported that only 38% disagree with the statement 'I trust insurers" (Figure 6.8).[34] It is in line with the focus group findings revealing no negative experiences among low-income population and only few concerns being raised regarding stability, honesty and transparency of insurers. What is more, low-income people do not differentiate in terms of trust between domestic and foreign insurance companies.

Statements included in Figure 6.8 summarize general attitude towards insurance. Based on these statements it is possible to segment Romanian population into three distinct clusters with regard to their attitude towards insurance: enthusiast, skeptics and uneducated (Figure 6.7).[35] These segments are useful in terms of thinking about tapping Romanian insurance market. 'Enthusiast' are the easiest group to reach as they cannot imagine living without insurance and have positive opinion on the insurance sector. It might be difficult to reach out to 'skeptics' as they reject the idea of insurance on general grounds and are cautious regarding the insurance companies. The biggest group on the market is formed by those classified as 'uneducated'. The stereotype that 'insurance is only for rich' is strongly internalized by members of this group. To lesser extent than 'skeptics' they share some of the negative opinions about the insurers. But at the same time, 'uneducated' have the lowest financial literacy levels and one can assume that most of their concerns can be neutralized through well-targeted education.

[33] This is a major difference between Ukraine (41.3% have not used the services due to lack of trust) and Georgia (36.2%).
[34] In Ukraine 79% disagreed with this statement.
[35] Extracted using cluster analysis on both statements from Figure 6.8 as well the statements about financial literacy (Figure 5.6).

Figure 6.7: Key market segments by attitude towards insurance.



Low-income market is uneducated about insurance. Figure 6.8 shows that most of the biggest segment 'uneducated' is composed from the low-income households.

Figure 6.9: Structure of attitude segments by income level.

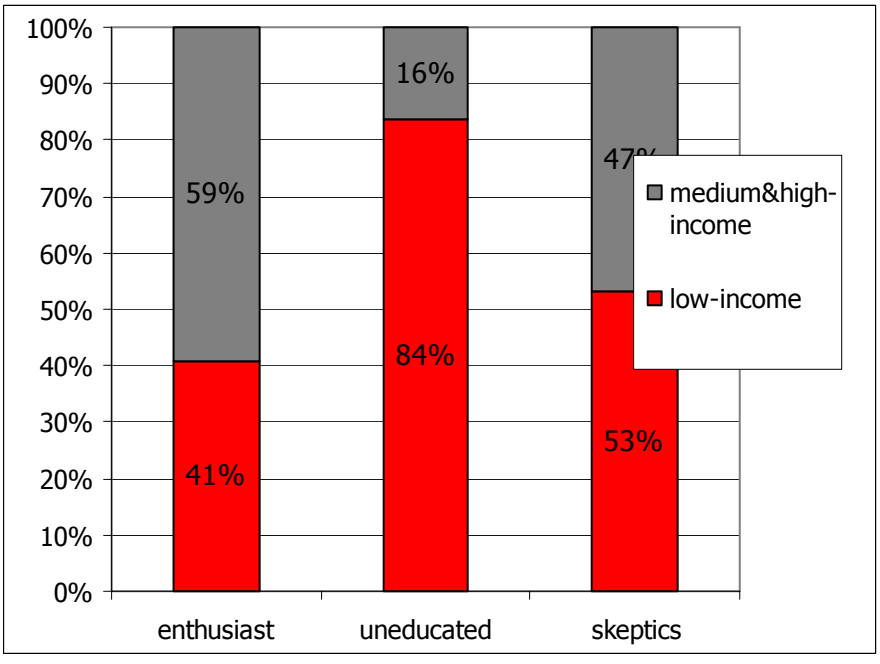
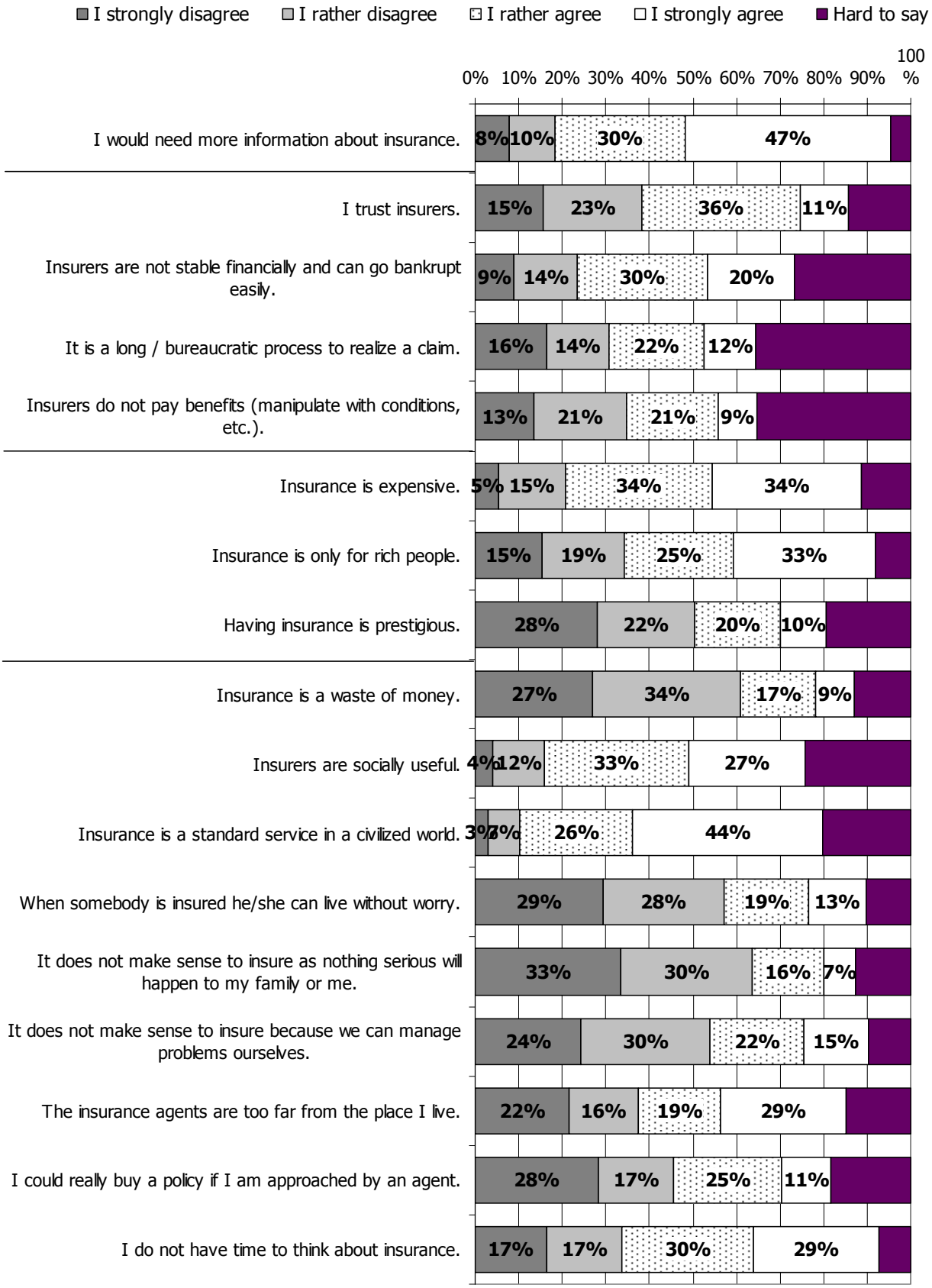


Figure 6-8: Attitude towards insurance



6.4. Expectations towards insurance product attributes

For the purpose of analyzes in Sections 6.4 and 6.5 we have presented to respondents four generic microinsurance products (see box 1) in a level of detail allowing them to express their expectations towards specific attributes and declare if they are willing to buy. On purpose, the products concepts were kept general to evaluate attitude towards insurance in general rather than satisfaction from detailed product attributes.[36]

Box 1: Microinsurance product concepts tested.

Similar attributes for all the concepts tested:

Frequency of premium payment: payments can be done on a monthly basis or up-front.
Proximity: The service is available in Bucharest and district capitals.
Provider: The service is provided by one of the biggest Romanian private insurance companies.

Health microinsurance:

Coverage: This is the risk-management product that covers health care costs of the policyholder, including all expenses related to emergency service (incl. transportation) and all expenses related to emergency hospitalization (including therapeutic and surgical cases).
Benefit: Amount of money to cover costs of health care provider, medications, and other expenses one might have as a result of hospitalization. The costs are covered up to a limit of 3000 USD per person per year. The minimum amount covered must be higher than 200 USD. Money is given in cash to the policyholder (or other family member) by an insurance agent at the hospital. If nothing happens during the insurance term, the policyholder receives nothing.
Claim processing: within 5 days of notification of hospitalization all the benefits are transferred to the client (in cash).
Price: 4 USD per person per month

Disability microinsurance:

Coverage: This is the risk-management product that covers accidents leading to permanent disability during the fixed term (1, 3 or 5 years).
Benefit: The maximum fixed benefit of 2000 USD is paid in case of accident leading to permanent disability (loss of an eye, loss of a leg, loss of an arm, etc.). If nothing happens during the insurance term, the policyholder receives nothing.
Claim processing: Within 2 weeks of notification of accident all the benefits are transferred in cash.
Price: 2 USD per month

Life microinsurance:

Coverage: This is the risk-management product that covers death of the policyholder during the fixed term (1, 3 or 5 years).
Benefit: In case of death of the policyholder during the selected period his/her family receives a fixed benefit of 4000 USD. If the policy holder does not die the family receives nothing.
Claim processing: Within 2 weeks of notification of death all the benefits are transferred in cash to the family.
Price: 2 USD per person per month.
Frequency of premium payment: Payments can be done on a monthly basis or up-front.

Life microinsurance with investment plan *(tested as an option of life insurance)**:***

Benefit: In case of death of the policyholder during the fixed term (10 years) his/her family receives the amount saved and a fixed benefit of 4000 USD. If the policyholder has not died he/she receives all his/her savings and interest earned on them (which is approx. 1250 USD (interest = 290 USD) for 10 years).
Price: the premium payment would be the same as in the previous product presented = 2 USD per person per month and the savings would be a fixed monthly amount of at least 8 USD. It gives a total payment of at least 10 USD per person per month.

[36] Simple satisfaction analysis proved that respondents liked main attributes of the products so that their comments related to general concept of insurance rather than to specific attributes.

Property microinsurance:
Coverage: This is the risk management product that covers a loss or damage (due to theft/fire) of a productive or household asset(s) of the value in between 200-8000 USD.
Benefit: 70% of current market value of insured asset(s).
Claim processing: Within one month of notification of asset loss/damage all the benefits are transferred in cash to the client
Price: 2% of the current value of the insured assets, i.e. if you insure an asset worth 2000 USD, you will have to pay 40 USD for the year (3.4 USD monthly); in case of a loss you will obtain 1400 USD. If nothing happens during the insurance term, the policyholder receives nothing.

During qualitative research low-income respondents reacted positively to all the concepts presented. General comments regarding the types of insurance and their coverage were as follows:

- *Health* – this is very relevant given the poor public health system and increasing unofficial costs of the health care provided. Respondents positively evaluated the fact that unofficial costs are covered by the policy.
- *Disability* – in this form it is considered to be only for those involved in high-risk activities. Respondents considered it as another form of health insurance.
- *Life/life with investment plan* – there is a preference for life with investment plan due to limited understanding of the risk-pooling concept. Respondents see more value in life insurance when it is accompanied with savings function. On the other hand, respondents were not very much satisfied with two pillars of the life with investment plan scheme: regular savings and longer term. Monthly amount to be saved was considered as too much and most of respondents recommended to cut it by half. Additionally, low-income people still do not trust much financial sector and would be happy to be able to 'test' availability of their savings. Therefore, they were recommending shorter insurance terms (maximum 5 years). Last but not least, the life with investment plan concept generated most of the questions for clarification, which might be a sign that this a concept that is harder to understand for low-income people.
- *Property* – there is a preference for housing rather than asset insurance. Therefore, coverage option against damage to house/apartment should be highly valued by Romanian population (strong attachment to housing property).

Apart from coverage the most important attributes were price, frequency of premium payment and proximity. Some general observations regarding low-income households expectations towards specific attributes are as follows:

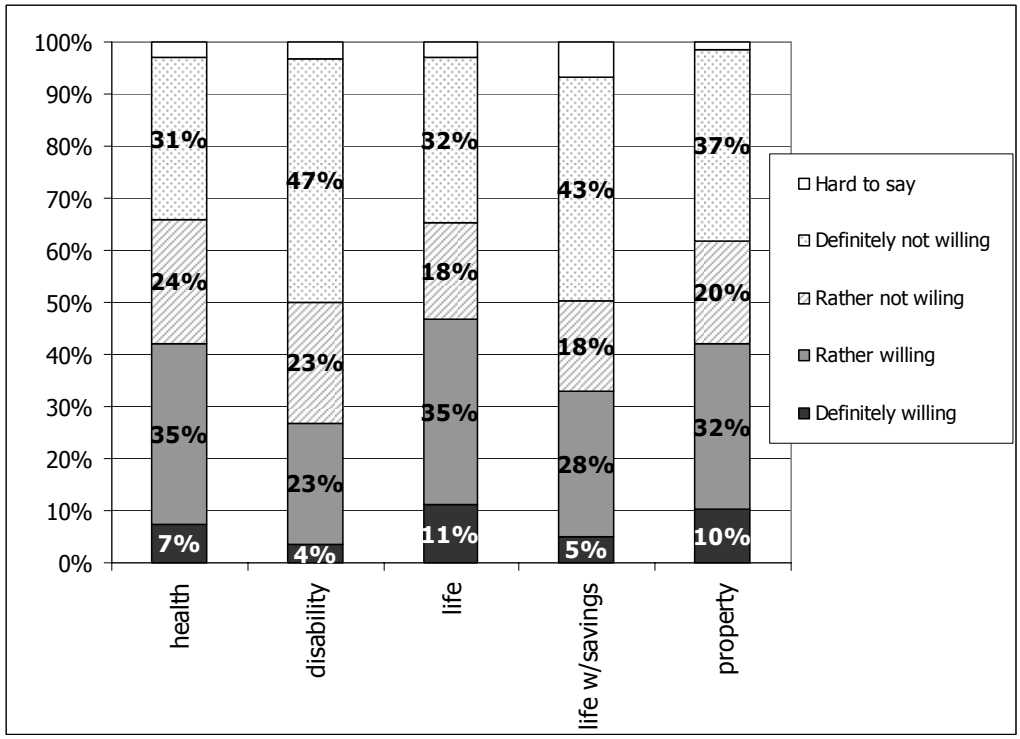
- *Price (premium)* – is what people consider as the most important and they were positively surprised by how low the concepts have been priced. In their opinion these terms are advantageous and should attract low-income people.
- *Frequency of payment* - The monthly payment is preferred to trimester, while up-front is not an alternative for any of the respondents. The reasoning for this is that they do not have enough disposable income to pay upfront, in the context in which they would be tempted to insure other relatives as well: parents, husband, children.
- *Proximity* - This aspect is important for the respondents located in other regions (either urban or rural) than Bucharest and district capitals. The reasoning lays in the large expenditures for traveling to the district capital to make the monthly payment – respondents stated that the travel costs often surpass the monthly payment (between 2.7 USD and 3.4 USD).

- *Term* – there is preference for shorter terms with a possibility of renewal as people do not believe the insurance company can stay in operation for many years in Romania.[37]
- *Benefit* – in general for all the product concepts the benefit levels were perceived satisfactory. The only issue regarding the benefit was the fact that premium are not reimbursable when nothing happens (the issue of lack of understanding of the risk pooling concept described in Section 6.2).
- *Claim processing* – for all the products respondents had a preference for shorter claim processing period as usually they need to incur costs immediately.

6.5. Willingness to buy

As many as 64% of households are willing to buy <u>at least one</u> of the insurance concepts presented. As many as 46% of households declared willingness to buy suggested life insurance product, whereas 42% showed interest in health and property product concepts (figure 6-10). There is lower interest in products among low-income people (health – 36%, disability – 23%, life – 34%, property – 22%). Declared interest in products is much higher than in Ukraine and Georgia.

Figure 6-10: Willingness to buy insurance products.



[37] There is also a threat as people are not so much pro-active in taking their decisions on buying insurance, thus they very often do not renew policies if not approached by an agent.

80% of those willing to buy expressed their interest in more than one product. We have made an analysis if they can afford to buy more than one product by adjusting their willingness to their capacities (Figure 6-11). Decrease in willingness to buy is the lowest for the product that responds to the most pressing needs - life insurance (decline by 29%) and the highest for disability insurance (45%).[38]

Those who are willing to buy insurance usually think about insuring more than one person (Figure 6-12).

Figure 6-11: Willingness to buy versus capacity to buy

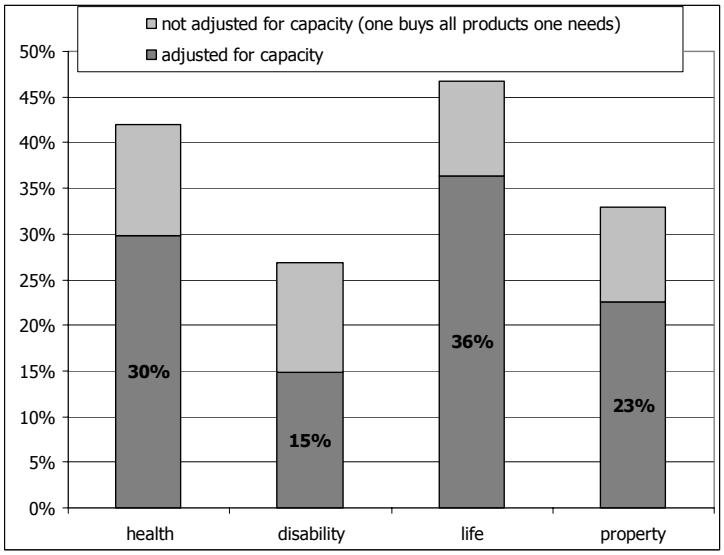
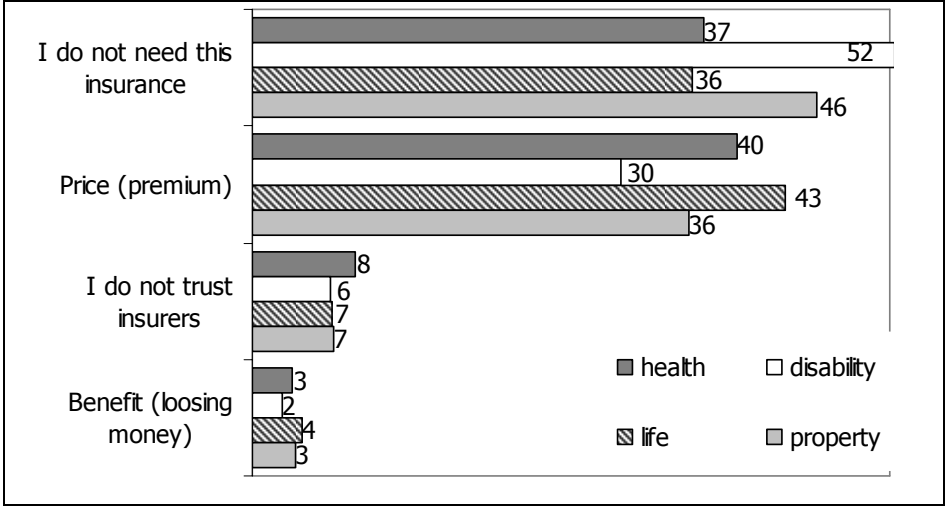


Figure 6-12: Policies per household.

	Health (persons)	Disability (persons)	Life (persons)	Property (value of assets)
mean	*2.47*	*2.53*	*2.39*	*680,332,153 ROL*
1 person	21.8%	19.4%	22.4%	median = 300,000,000 ROL
2	31.4%	31.3%	31.9%	
3	25.4%	25.3%	23.8%	
4	12.7%	13.9%	11.4%	
5+	4.9%	4.8%	3.6%	

The most often cited reasons for rejection referred to lack of need for a given insurance and to the high price (Figure 6.13). Regarding life insurance with investment plan 25% off respondents rejected it because they did not like the saving option, 24% because of price, 18% because they did not need this type of insurance and 13% because the amount to be saved monthly was too high (which supports qualitative results presented in Section 6.4).

Figure 6-13: Most important reason for lack of willingness to buy.



[38] This analysis is very important as in product concept test respondents were asked to analyze each product concept and their willingness to pay for it independently from other concepts. This means that there are people who declared their interest in 3 concepts but after the capacity analysis they have figured out that they can buy only one. That way, we asked the respondents to prioritize.

Market for microinsurance in Romania is price sensitive (figure 6-14).[39] Considering incidence of price sensitive clients in total population, we can conclude that if the insurance premiums were decreased by 30% we would be able to add 7-13% of households to those willing to buy microinsurance depending on the product.[40] Interestingly, there are more price sensitive among those having medium and high income, those younger, those living in big cities and towns and those being enthusiastic about insurance. These are the groups who are more market conscious, have more choices and are used to look for the best deals for them.

Figure 6-14: Price sensitivity.

	health		disability		life		property	
	in total population	among not willing	in total population	among not willing	in total population	among not willing	in total population	among not willing
sensitive (to 30% decrease in price)	13.1%	23.0%	12.6%	17.4%	9.8%	22.3%	6.8%	11.9%
very sensitive (give their own price lower than 70% of suggested price)	1.2%		1.0%		0.5%		0.7%	
Total of all sensitive	*14.3%*	-	*13.5%*	-	*10.3%*	-	*7.5%*	-

Those low-income, living in rural and remote areas are also sensitive to distance. When respondents were asked if they change their minds if the service is delivered door-to-door, additional 8% of households declared their willingness to buy health insurance, 3% disability, 5% life, 5% life with investment plan, and 3% property.

[39] Two-step price sensitivity test was done. Firstly, those who were not willing to buy were asked if they changed their decisions when the premium would be decreased by 30%. Secondly, those who were still not interested were asked if they could pay any price for the product. Those who started hesitating at the first level was categorized as sensitive, and those who gave their own price (lower than 70% of original premium) were categorized as very sensitive.

[40] Qualitative research findings also supports sensitivity to price among target population. In 7 out of 10 groups people were ready to buy health insurance but for lower price. The monthly premium of ROL 20 for a full coverage seemed to be too high for them. Especially, when they were discovering that insuring the entire family of 4 would cost ROL 80, bearing in mind that it is almost one fifth of the average wage. The realistic price was set at ROL 10 per month per person.

7. Market Development Projections and Strategies

As hardly anyone uses insurance (and nobody has been using microinsurance) it is hard to project future microinsurance market development based on historical trends. The access frontier approach proposed by David Porteous (2005) is useful in projecting the market development for microinsurance.[41] The total market is divided in four segments as explained in Figure 7-1. Given that access frontier methodology is difficult to apply to products that are not yet on the market, the projections are done using both general usage & attitude variables and willingness to buy based on the product concept test. This combination allows much more accurate projections for each of generic microinsurance products.

Figure 7-1: Access frontier methodology and its application in this study.

Segment	*Description of the segment*	*How defined in our study*
Natural limit	A group of households who is either not eligible for insurance schemes or they objectively do not need insurance.[42]	(health/disability): age above 65 (life): age below 18 and above 60 (health/disability/life): household head is disabled and/or suffers from serious illness (variables a5, a6) (life): 1-member households (having no close family) (property): not possessing any new assets (variables i3, i4).[43]
Supra-market	A group of households who may wish to buy microinsurance but are unable to, mostly due to lack of surplus income.	1) Below household monthly income per capita at the level of EUR 30 (severe poverty line). 2) Willing to buy but cannot pay for all selected insurance concepts. (Figure 6-11)
Within access frontier in the future	A group of households who are likely to access the suggested microinsurance product concepts if terms and conditions are more adapted to them. They are also reluctant to buy now due to limited knowledge, distrust, skepticism, dissatisfaction from some product features, etc.	The rest of the market.
Within access frontier now	The percentage of households who can and wish access the suggested microinsurance product concepts on current terms and conditions.	Those who are willing to buy suggested microinsurance products and are enthusiastic about insurance in general[44].

[41] As explained by David Porteous (2005): "The access frontier approach enables greater understanding of market development over time from the perspective of who is, and who will be, served by the market over time. The access frontier defines the maximum proportion of the eligible population who use the product under existing conditions. This frontier is likely to shift over time. Considering where it will move in the short to medium term (to the future access frontier) is an important part of assessing the capacity of market solutions to extend access. There is still a group of people who, largely because of poverty, the market will be unable to touch in the foreseeable future ('the supra-market group'). For this group, the state may decide to supply the service directly or regulate existing institutions to provide it (i.e. forced cross subsidy). The access frontier approach distinguishes three zones in a market based on where usage and the current and future access frontiers are: a market enablement zone, a market development zone and a market redistribution zone. The test of policies in the redistribution zone is whether they encourage or limit the outward movement of the access frontier so that more can be served through markets over time, so that state subsidy can be directed at those most needy."

[42] On more mature markets this group also includes those who declare that they do not need insurance and will not buy it in a short-term. In the case of microinsurance in Romania it is hard to make a distinction if people declarations come from their low financial education and knowledge on insurance benefits or from their informed choice of not to buy insurance.

[43] Excluded (natural limit) are only those who does not have a new asset and reject the property insurance because of no need. Those who do not have assets but are willing to buy property insurance are not located in the natural limit group.

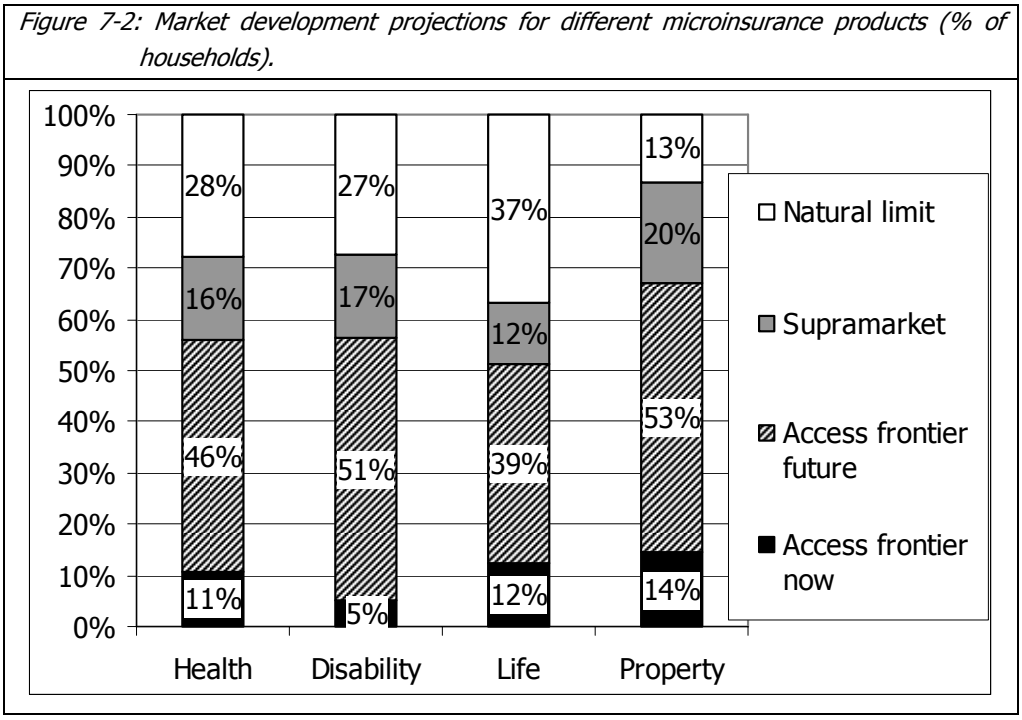
[44] Based on segmentation presented in section 6.3.

7.1. Market development projections

The access frontier approach identifies three zones on the market (Figure 7.2):

- *Market enablement zone* – this is a group that can be reached now (within access frontier now) because it is easy to be covered with new microinsurance products that are demanded by enthusiastic consumers. In Romania it varies from 5% for disability insurance to 14% for property insurance and is much higher than in Georgia and Ukraine. It is due to more enthusiasm towards insurance and product concepts tested in Romania, which might be attributed to better understanding of benefits of market-based insurance mechanisms among general public.
- *Market development zone* – this is a group within access frontier that might be covered if the new products are well-adapted, effective marketing strategies are in place and there is enabling environment. In Romania (as elsewhere), this group is the biggest proving immaturity of insurance market. It varies from 39% for life insurance to 53% for property insurance.
- *Market redistribution zone* – this is a group defined as supra-market. This is a task for the government to extend an adequate safety net and provide affordable risk-management tools for this group. This group is substantial in Romania and varies from 12% for life insurance product to 20% for property insurance.

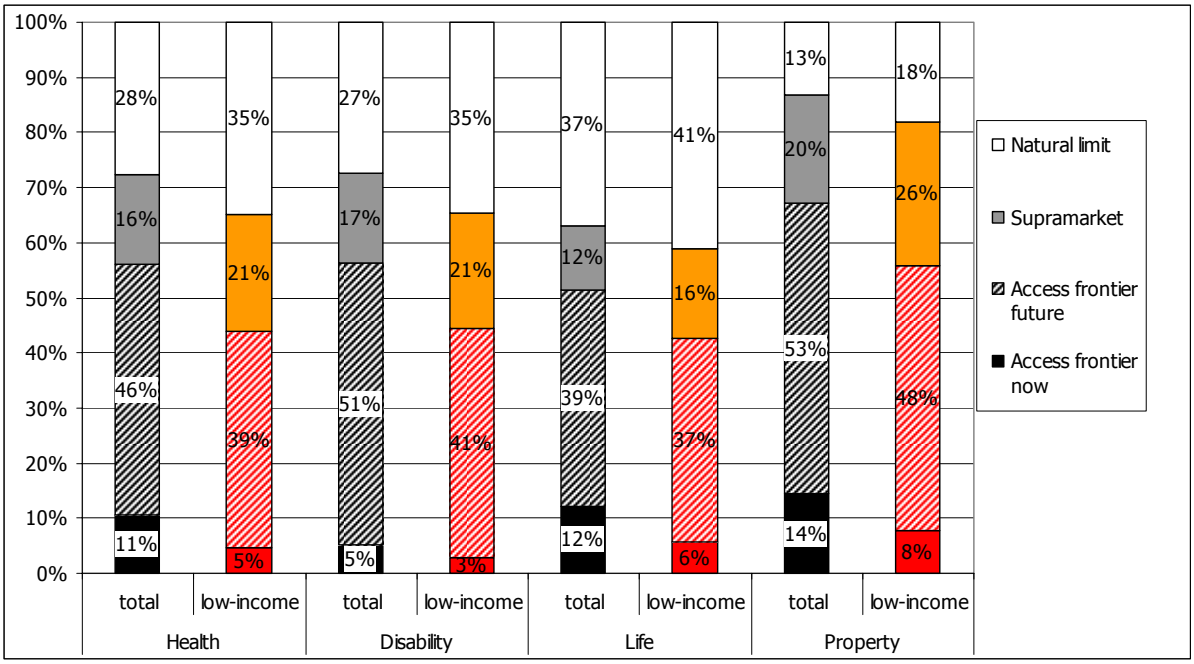
Figure 7-2: Market development projections for different microinsurance products (% of households).



If only low-income market is considered the market enablement and development zones are slightly smaller while both natural limit[45] and supra-market groups are bigger (Figure 7-3). But still the market is sizeable. Combined market enablement and development zones give an idea how many low-income people are eligible and can afford private microinsurance services, therefore can benefit from better risk-management tools. It seems like 44% of low-income population can benefit from health and disability microinsurance, 43% from life insurance, and 56% from property insurance. This is a large group given that the total number of low-income households in Romania is 5.17 million.

[45] There is more likely to find a low-income person among elderly people.

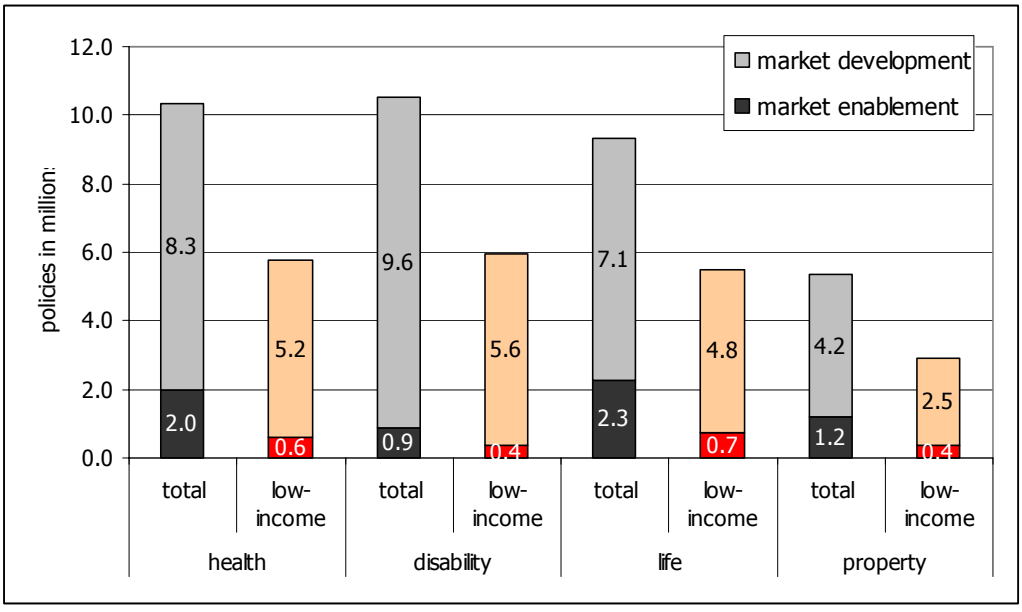
Figure 7-3: Market development projections for different microinsurance products (% of households) for total and low-income population.



In total, the market to be tapped (both enablement and development zones) is more than 10 million health and disability insurance policies, 9.4 million life insurance policies and 5.4 property insurance policies. Volume of the "easier-to-reach" market (market enablement zone) under current circumstances is approximately 2 million policies for health insurance product, 0.9 million policies for disability insurance, 2.3 million policies for life insurance, and 1.2 million property insurance policies[46].

As shown on Figure 7.3 low-income market, the one for micro insurance, forms approximately 54-59% of the total market. It is an obvious business opportunity.

Figure 7.3: Total and low-income market size projections.



[46] It is calculated taken into account number of households, % of households in the group - access frontier now, and average number of policies willing to buy. See Annex 7 for detailed calculations by region, settlement type and income level.

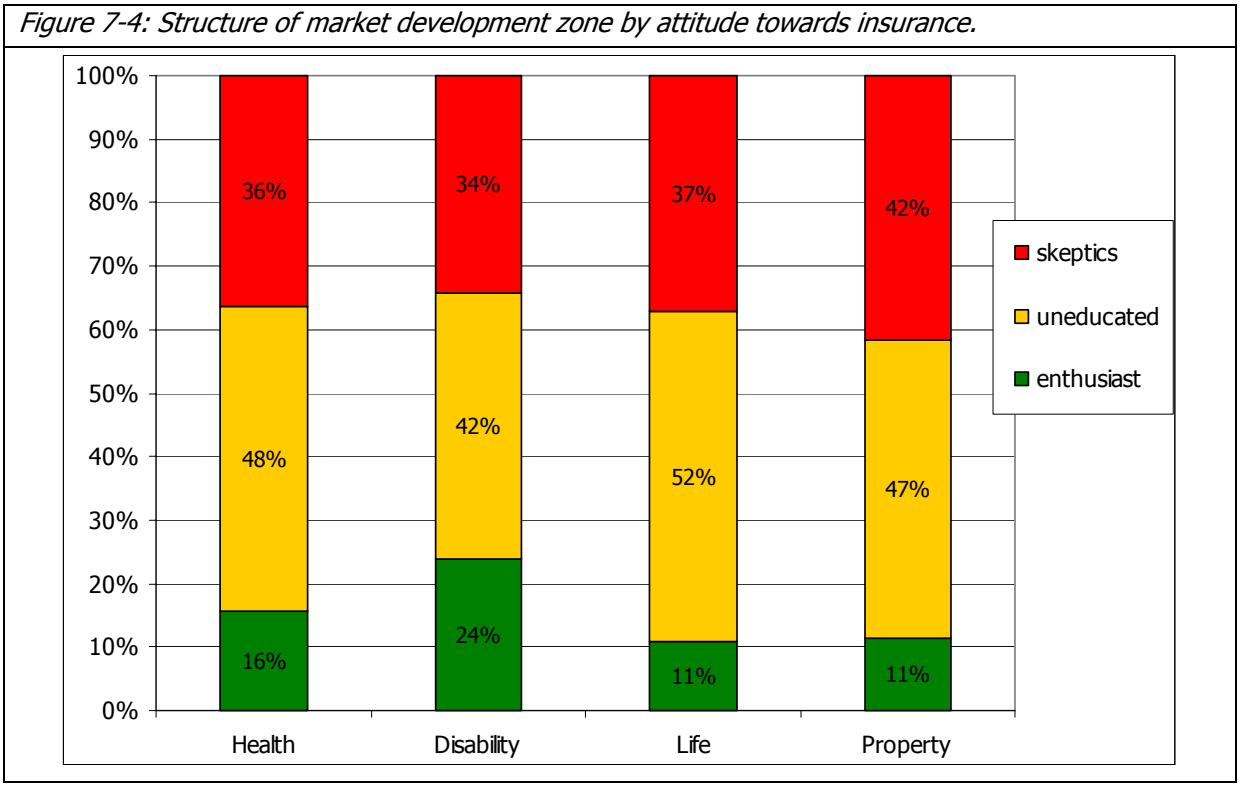
7.2. Strategies to tap the low-income market

This first-ever study on micro-insurance market in Romania provides a general overview of needs and opportunities. Therefore, only some general future directions can be envisaged with regard to tapping the low-income market in Romania. For this purpose it is useful to consider the segmentation of the Romanian population by attitude towards insurance (presented in Section 6.3). The three segments identified are distinct in terms of their knowledge of and attitude towards insurance, which will determine outreach and marketing strategies to be used to deliver new risk-management tools to low-income population in Romania.

Socio-demographic structure of the market enablement zone (within access frontier now) is very similar to the structure of those who are enthusiastic about insurance concept. They reside in urban areas, are younger with higher education, and earn medium or high income. In market enablement zone there are only slightly more than 0.5 million policies to be demanded by low-income households. Thus, penetrating the low income market through market enablement zone does not contribute much to equipping low-income households in new risk-management tools.[47]

As Figure 7.3 shows it would be hard to tap into the low-income market only by penetrating the market enablement zone. Most of low-income market will need to be developed. Figure 7-4 shows that in general the market development zone is composed mostly from those 'uneducated' and 'skeptics'. Penetrating the 'uneducated' segment would be the most promising strategy to tap the low-income market because most of low-income households belong to this segment (Section 6.3). Such a strategy will allow to tap into more than half of the low-income market in Romania.[48]

Figure 7-4: Structure of market development zone by attitude towards insurance.



[47] Penetrating the low-income market enablement zone necessitates evidently development of new adapted microinsurance products. Concepts of these new products should be similar to those tested in this research and take into account the most important expectations towards products attributes discussed in Section 6.4. It should not be costly to market these products as this segment knows very well the benefits of insurance. Last but not least, in the case of market enablement zone it should not be difficult to find the low-cost delivery channels as most of 'enthusiasts' use banking services and is located in accessible places.

[48] The next step would be to encourage the low-income 'skeptics' that insurance makes sense, but this is much more difficult task.

Despite some challenges, the low-income market is relatively more accessible in Romania as general distrust in insurance sector in Romania is not so high as in Georgia and Ukraine. Apart from adapted new products there is an evident need for an education component on insurance, its use and benefits to successfully market the products to the 'uneducated' segment. This education component should be very basic as the target group consists of individuals with low general education. Moreover, marketing strategies should address the most common stereotype that 'insurance is only for the rich'. In addition, low-cost delivery channels are crucial to bring the affordable services to the target group. It would probably be the biggest challenge as most of the 'uneducated' segment is located in rural areas and small towns and majority of them are unbanked.

8. Conclusions

Despite unquestionable developments in recent years poverty is still high in Romania. 25% of population lives below the poverty line, 64% can be classified as those who live on low income that is not sufficient for normal functioning in a society. It affects mostly rural areas and households with self-employed (including subsistence farming) and unemployed, which had lower adaptational abilities and benefited less from market changes. This is sharpened by strong regional disparities forming so called poverty pockets throughout Romania.

The road out of poverty for low-income households in Romania is hard and unpredictable. Such crises like unexpected death of family member, serious illnesses, weather risks affecting agricultural production as well as damage to property put a significant financial pressure on low-income households. It is due to relatively high costs associated with these risks and limited range of good coping mechanisms available. Low-income households in Romania are not very proactive in managing risks, only 13% of them declare to save regularly. They resort mostly to reactive borrowing from relatives/friends and formal financial institutions (banks and credit unions). The current risk-management strategies are potentially risky in terms of over indebtedness. Even now, 14% of the population has debts beyond capacities.

Evidently, low-income households need to increase their risk-management capacities. Micro-insurance is one of the options that might be considered. The products that should add a significant value in reducing vulnerability are: life/disability insurance (against death and permanent disability), crop insurance (against weather risks affecting agriculture production and health insurance (against serious health problems needing an emergency service and a surgery). According to our estimations out of 5.17 million low-income households in Romania approximately 45% can benefit from private micro-insurance services.[49] This is a considerable group that take advantage of market-based social risk-management mechanism.

It seems like micro-insurance should be an attractive venture for commercial insurers as the market is sizeable and relatively easy to reach due to a positive attitude towards insurance and insurers. Low-income market constitutes more than half of the total insurance market in terms of number of policies to be issued. It is almost 6 million policies for health/disability/life and 3 million for property insurance. Furthermore, distrust in insurance sector is negligible due to limited negative experience of those few using insurance services in Romania. Lack of trust and strong negative feelings about insurers are the biggest obstacle in market development in other transition countries, i.e. Georgia, Ukraine.

The bulk of the low-income market resides in rural areas and small towns, has basic education and do not use financial services. The low-income market consists mostly from those that we have classified as 'uneducated'. In general, two biggest threats are: limited understanding of insurance (risk-pooling) concept and strongly internalized stereotype that 'insurance is only for rich'.

We recommend to focus on the 'uneducated' segment in the efforts to develop micro-insurance market in Romania. Apart from developing new micro-insurance products adapted to low-income market expectations, the outreach strategy should incorporate three other components: basic education on micro-insurance, marketing strategy putting emphasis on the price factor and low-cost delivery channels allowing to deliver services affordable for the target group. This strategy promises to marry development and business objectives.

[49] Approximately, 20% cannot afford it; 35% do not fulfill basic requirements (age, health condition, etc.).

References:

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Annex 1 – Qualitative research methodology and tools

Sampling:

FGD #	***Location***			***Group composition***			***Tool used***
	location	*region*	*urban/rural*	*income level*	*occupation*	*gender*	
1	Bucharest	South	Capital/ Large town	Low income	Salaried, housekeeper retired	m<w	A
2	Bucharest	South				m=w	B
3	Teasc	South	Rural		self-employed; salaried housekeeper retired	m=w	A
4	Teasc	South			s-e; salaried	m=w	B
5	Adjud	East	Small-medium town		Salaried, housekeeper retired	m<w	A
6	Adjud	East			Salaried, housekeeper retired	m=w	B
7	Iasi	East	Large town		Salaried; self-employed	m=w	A
8	Iasi	East			Salaried; self-employed	m=w	B
9	Razboieni	East	Rural		Housekeeper; self-employed; salaried	m<w	A
10	Razboieni	East			Housekeeper; self-employed; salaried	m=w	B

MICROINSURANCE - TOOL A – DISCUSSION GUIDE OUTLINE
TARGET: GENERAL PUBLIC (LOW-INCOME)
METHODOLOGY: FGS

1. INTRODUCTION (10 MIN)

- Welcoming the respondent
- Presenting the objectives of the meeting and "rules of the game"
- A/V recording and confidentiality
- Introduction of respondent/ moderator

2. WARM UP (10 MIN)

Introduce the discussion

- Which are the first thoughts/ ideas that come into your mind when you think of your day to day life? Which are the things you like in your day to day life and would not change? Why? But which are the things you do not like in the day to day life and would like to improve? Why is that?

Reveal and understand the respondent's perception on their day-to-day life

For FGs conducted in small towns and rural area, ask:

- I told you in the beginning of the discussion that I am not from around here and I am curious to learn a few things about the place you live in. How is life in Teasc/ Adjud/ Razboieni? What are the things you like about it? Why? But which are those you dislike about it? Explain.

- How would you like your life to be in 5 years from now on?

3. ASSESSMENT OF CRISIS SITUATIONS AND NEEDS (40 MIN)

Risk list

- Thinking about your life/ your children's life, in general, which would be the moments when you/ they would need a large amount of money? *Check for long term perspective as well.* Why then? Explain.

Understand the unexpected shock/ risk affecting them.

- If you were to think back, were there moments in your life when something unexpected happened and you needed a large amount for it? What? /Please give me examples from your own experience or acquaintances' experience of situations when something unexpected happened and you needed a large amount to solve the problem?

Write down on cards all risks mentioned by the respondents.

Ranking of risks impact on family life

- I wrote down each risk mentioned by you in this discussion. But I would like you to make different groupings on the following criteria:
    - Frequency with which these events occur
    - How difficult is for you to get the necessary amount of money
    - How important is for you to have/ to get the money in that particular moment (*e.g. house versus imminent surgery*)*:*

For each of the categories done ask: What groups have you formed? How come you put these risks in the same category/ how are they similar to each other? How are the categories different from each other? Explain.

For the insurable risks ask:

- Do these situations have any effect you/ your family members in any way or not? In what way? Explain. (*prompt more in detail on health, property, life risks*)

Risk management strategies

Identify the shock management procedure

- And how one can get the money to solve the problems/ what can be done to get the necessary money? What were/ would be the sums involved in these cases? How was the process? How did it make you feel? Explain.

4. INSURANCE AND SAVINGS DISCUSSION (60 MIN).

Insurance and saving discussion:

- *Awareness*
- *Attitudes towards each of them*
- *Reveal potential barriers*

- Considering all you have said so far, do you think is there any way you could anticipate these problems and be prepared for them, in terms of money? What ways?
  If not mentioned spontaneously, prompt on: saving and insurance.
- In other groups I have been told about 'saving' and 'insurance'. Do you think that these could be alternatives for you in order to have money when something unpredicted happens? Why do you say so? Explain.

4.1. Insurance

Awareness

- Are you aware of insurance products? How did you hear about this product?/ Where from? Are there different types of insurances, or not? Explain. Does any of you have or had an insurance? Do you know somebody who has an insurance? What do they know about it?

Benefits and drawbacks

- From what you know or heard about insurance(s), does it have any advantages? What would they be? Why do you consider these advantages?
- What about drawbacks, does the insurance have any? Which would they be? Why do you say that?

Stereotype policyholder

- In your point of view, to whom is the insurance addressed? What kind of person: gender, age, marital status, lifestyle, financial situation etc.? Why to this person? Explain.

Insurance providers awareness

- Are you aware of institutions offering insurance products? What do you know about them? *Check perception on local versus international insurers. Understand the level of trust in the insurance providers:* Are among these insurers some you would consider and others you would not consider in applying for an insurance? Which? Why.

Usage

- *If yes:* What triggered the intention to make an insurance? Explain. What type of insurance did/ do you have? Why this one?/ On what basis you selected it? Have you ever came to use the benefit(s)? Explain.
    - *Past users:* why didn't you continue the policy? Explain.
    - *Current users:* when it will come to an end, will you renew it or not? Why?

- *If not:* Why? What were the main reasons for this?

Trial potential

Non-users:

- In which circumstances would you see yourself applying for an insurance?

Past/ current users

- In which circumstances would you see yourself applying for an insurance again?

Non-users/ Past/ Current users

- What if the insurance would be adapted to your needs and preferences, how should it be?
- Returning to the risk discussion, which of the risks revealed in this discussion would you like to insure? Why?

4.2. Saving discussion

Benefits and drawbacks

- Are there any advantages or disadvantages in saving money? What would the advantages be? What about disadvantages? Are there any? Which? Why do you say so?

Stereotype money saver

- In your point of view, who is saving money? What kind of person: gender, age, marital status, lifestyle, financial situation etc.? Why do you say that? Explain.

Banking market

- Are you aware of places where the savings could be placed? What is your opinion on each of these? *Check for perception on banking market.* Would you keep your savings in a bank? How should a bank be in order to trust it? Why do you say so?

- What banks are there on the market? Are among these banks you would consider and others you would not consider for placing your savings? Which? Why?

Usage

- Do you save money?
    - *If yes:* What triggered the intention to save money? Is there a specific purpose for which you save or not? Explain. Please explain how you do it: when do you save (*monthly, irregularly*)? What amounts of money? In what circumstances will you use the money (*check for crises situations as well)?* Do you use the bank's services or not? Why? Explain.

    - *If not:* Why? What were the main reasons for this?

Saving potential

Non-users:

- In which circumstances would you see yourself saving money?

Proximity

- Does distance to the bank play any role in your decision to place the savings in a bank? in what way? Then, how far would you go to place the money?

<u>Extra cash - Insurance</u>

- Are there moments/ occasions when you have extra cash? When does this happen?/ On what it depends? And what do you choose to do with the extra cash? What are the priorities in those moments? *Check for small and large amounts.*

- To what extent would you be interested in allocating the money on insurance? Explain.

TOTAL: 2 H

MICROINSURANCE - TOOL B – DISCUSSION GUIDE OUTLINE
TARGET: GENERAL PUBLIC (LOW-INCOME)
METHODOLOGY: FGS

1. INTRODUCTION (10 MIN)

- Welcoming the respondent
- Presenting the objectives of the meeting and "rules of the game"
- A/V recording and confidentiality
- Introduction of respondent/ moderator

2. WARM UP (10 MIN)

Introduce the discussion

- Which are the first thoughts/ ideas that come into your mind when you think of your day to day life? Which are the things you like in your day to day life and would not change? Why? But which are the things you do not like in the day to day life and would like to improve? Why is that?

Reveal and understand the respondent's perception on their day-to-day life

For FGs conducted in small towns and rural area, ask:

- I told you in the beginning of the discussion that I am not from around here and I am curious to learn a few things about the place you live in. How is life in Teasc/ Adjud/ Razboieni? What are the things you like about it? Why? But which are those you dislike about it? Explain.

- How would you like your life to be in 5 years from now on?

3. ASSESSMENT OF SPECIFIC CRISIS SITUATION AND NEEDS (30 MIN)

<u>Risk discussion</u>

- Thinking about your life/ your children's life, in general, which would be the moments when you/ they would need a large amount of money?

The discussion will focus on the most important/feared risk revealed in the former FG:

- You mentioned *health* as one of the risks. Explain to me, please, why is it important to have it covered? What are its implications on you and your family members? How would it be if you don't have the necessary amount of money to deal with it? *Reveal emotional implications.*

Reveal the impact of shock at the family level

<u>Coping strategy discussion</u>

- What can be done in order to get the necessary amount of money (from your experience but others as well)?

The strategies respondents mention will be written on cards.
Matrix exercise: the moderator will explain the respondents the exercise. After respondents fill in the matrix, they will be asked to explain it using the next set of questions:

Identify the shock management procedure

  - How approachable is this strategy for you? What do you mean? Are there any restrains/ limitations in using it? Why do you say so? *Understand level of stress on the respondents using it.*
  - To what extent does it cover your need? Why?
  - What are the costs for this strategy?
  - Has anything changed over the past years in using this strategy? What? Why?

4. CONCEPT EVALUATION (60 MIN)

Place the concept with very respondent and read it aloud.

Evaluate:

Spontaneous reactions

- What were the first words/ ideas/ thoughts that came into your mind when you heard the presentation?
- Is there anything that caught your attention? What? Why? Is there anything you particularly liked/ disliked from the presentation?

Understanding

- What is this product about? What does it provide to its users?
- Is there anything unclear? What?

Benefits perceived and relevancy

Concept evaluation in terms of:
- spontaneous reactions
- understanding
- relevancy
- distinctiveness
- stereotype user
- trial potential
- improvement areas

- Why do you think such a product was designed? Explain.
- What would be the benefits of this insurance product?
- Are these benefits relevant to you? Which? Why is that?

- Does this insurance have any disadvantages? Which would they be? Why do you consider these as disadvantages? Explain.

Distinctiveness

- Is this insurance concept different from what you know/ have heard/ use or from previously mentioned coping strategies?
    - *If yes:* in what way do you find it different? Explain.
    - Are there any advantages/ disadvantages? Which would they be? Why do you say so?
    - *If not:* what are the common characteristics it shares with the others? Explain.

Target stereotype and trial potential

- In your opinion, what kind of persons would be tempted to buy this product?/ Whom do you think it is addressed to? Why these persons? What motivates these persons to use it?

- But who would not be tempted to buy it? Why do you say so?

- What about you? Would you be tempted to get insured? Why do you say so? Explain.

Improvement areas

- Is there anything you would change/ add/ improve about this insurance product? What?

TOTAL: 2 H

Annex 2 – Quantitative survey questionnaire

(the questionnaire to be administered with respondent starts on the next page)

Basic information

(to be filled out by the interviewer after the interview)

Address of the respondent:_____
Telephone number:_____
Name of the respondent:_____

Q1. Interview number: I__II__II__I

Q2. Interviewer number: I__I

Q3. Interviewer name: _____

Q4. Date (dd/mm/year) of the interview: _____

Q5. Region:

1.
2.
3.
…

Q6. Name of location: _____

Q7. Interview lasted: I__I minutes

Introduction

INT.: READ: „Good morning / good evening. My name is … and I work as an interviewer for Field Insights. We are conducting the research for the German Development Bank. I would like to ask you some questions about you, your household, risks you face and activities you are engaged in. In addition, I would like to discuss your household needs for financial services, and especially insurance. All the gathered information will be combined with the information from other respondents and used to analyze opportunities to develop adequate insurance services for you. Please remember your answers are confidential and are used in the statistical tables. Please also remember there are no right or wrong answers and only your honest opinions are important for us."

A. Household composition

INT.: READ: To start with I would like to talk with you about your household. As the household we define all the people living in the same place and sharing expenditures for food. We would like to talk about all the household members who are supported by household budget. This includes also children and other households members who left for short-period of time.

INT.: FIRST ASK ABOUT THE HEAD OF THE HOUSEHOLD (ID = 1, INPUT IN THE FIRST LINE) = the person who brings the biggest income to the household.
ASK FOR EACH MEMBER SEPARATELY. MARK ONLY ONE CODE IN EACH CELL.

							the questions from A7 to A8 does not apply to children below 16 years old	
A1. ID	Please give names of all your household members. INT.: WRITE A NAME.	**A2.** Relation to the household head *1 – household head* *2 – spouse / partner* *3 – child* *4 – parent* *5 – grandchild* *6 – other person*	**A3.** Gender *1 – male* *2 – female*	**A4.** Age *ENTER AGE OF THE PERSON*	**A5.** Permanent disability (loss of an eye, arm, leg, etc.) *1 – Yes* *0 - No*	**A6.** Suffering from a chronic (e.g. astma) or any other serious illness (e.g. cancer, diabetes, heart attack, stroke, hepatitis, AIDS/HIV). *1 – Yes* *0 - No*	**A7.** Marital status *1 – single* *2 – married / living with a partner* *3 – separated / divorced* *4 – widow(er)*	**A8.** Education grade completed *1 – none* *2 - primary (1-8)* *3 – secondary (9-12)* *4 – vocational (technical)* *5 – post-secondary* *6 – higher (university, PhD)*
1		1 2 3 4 5 6	1 2		0 1	0 1	1 2 3 4	1 2 3 4 5 6
2		1 2 3 4 5 6	1 2		0 1	0 1	1 2 3 4	1 2 3 4 5 6
3		1 2 3 4 5 6	1 2		0 1	0 1	1 2 3 4	1 2 3 4 5 6
4		1 2 3 4 5 6	1 2		0 1	0 1	1 2 3 4	1 2 3 4 5 6
5		1 2 3 4 5 6	1 2		0 1	0 1	1 2 3 4	1 2 3 4 5 6
6		1 2 3 4 5 6	1 2		0 1	0 1	1 2 3 4	1 2 3 4 5 6
7		1 2 3 4 5 6	1 2		0 1	0 1	1 2 3 4	1 2 3 4 5 6
8		1 2 3 4 5 6	1 2		0 1	0 1	1 2 3 4	1 2 3 4 5 6

B. Risks and risk management strategies

INT.: FIRST IDENTIFY ALL RISKS GOING THROUGH THE LIST AND THEN ASK NEXT QUESTIONS REGARDING EACH RISK THAT HAPPENED.

		B1. Have any of the following risks happened to you or other household members in the last 3 years (since 2002 till today)? *MARK A CODE IN EACH ROW*		**B2.** How many times has it happened in your household during the last 3 years (since 2002 till today)? *ENTER THE NUMBER OF TIMES* *99 – hard to say (do not read)*	**B3.** How would you evaluate the general impact of the risk itself and using coping mechanisms on your household economic standard of living? **READ CODES AND 🕮 SHOW A CARD #** *1- no influence* *2- decreased slightly* *3- decreased significantly* *4 – decreased dramatically* *99 – hard to say (do not read)*	**B4.** Which of the risks was the most difficult to cope (generated the highest financial pressure) in the last 3 years? (TICK THE CATEGORY)
		1 – yes	**0 -no**			
	Disability/death					
A	Accident of household member leading to temporal disability	1	0		1 2 3 4 99	
B	Accident of household member leading to permanent disability	1	0		1 2 3 4 99	
C	Death (natural)	1	0		1 2 3 4 99	
D	Death (unexpected, i.e. of breadwinner)	1	0		1 2 3 4 99	
	Health					
E	Illness of household member (hospitalization and/or emergency service necessary, surgical treatment needed)	1	0		1 2 3 4 99	
F	Illness of household member (hospitalization and/or emergency service necessary, only therapeutic treatment)	1	0		1 2 3 4 99	
G	Illness of household member	1	0		1 2 3 4 99	

	(without hospitalization, but needed visit to a doctor)					
	Property					
H	Damage to property (due to forces that are out of the control of respondent, e.g. flood, fire.)	1	0		1 2 3 4 99	
I	Theft of property (household or business assets) valued more than USD 200.	1	0		1 2 3 4 99	
	Other					
J	Bad weather conditions affecting agricultural production	1	0		1 2 3 4 99	
K	Livestock disease	1	0		1 2 3 4 99	

- Take the risk from B4.

B5. How do you usually manage to find necessary amount of money to cope with risks?

- How have you managed to find money to cope with the risk last time it happened? From the cards on the table pick all the mechanisms you used

B6. Rank the usefulness of mechanisms. Each mechanism has to have a specific ranking (number). Use relative ranking: from 1 – helped the most; 2 – less than 1; 3 – less than 2, etc.

READ COPING MECHANISMS AND 🕮 SHOW A CARD #

Int. code all the mechanisms used in the right column below.

Coping mechanisms (CARDS)	**B5.** How have you managed to find money to cope with the risk last time it happened? (tick)	***B6.*** which of the coping mechanisms mentioned in B5 generated the biggest share to cover expenses related to risk (tick)
0. No coping action (i.e. neglecting the illness, not re-building the stolen assets, etc.)		
1. Insurance		
2. Using own funds, depleting savings, etc.		
3. Selling animals, fruits and other stored agricultural products (including barter arrangements)		
4. Getting additional job (or working more)		
5. Going abroad for work		
6. Donation. (getting free of charge help from relatives/friends (not to be repaid), government, local associations, private persons)		
7. Getting assistance from the employer (packages and informal help)		
8. Borrowing without interest from relatives and friends		
9. Borrowing with interest from relatives/friends		
10. Using rotating saving association (roata, casuta)		
11. Borrowing from credit unions (CAR)		
12. Borrowing from banks		
13. Borrowing with higher interest from moneylenders.		
14. Pledging household assets in pawnshops (including jewellery, household consumer durables, etc.)		
15. Selling household assets (including jewellery, household consumer durables, land, transport vehicles, house, etc.)		
16. other _____		

C. Insurance – knowledge and use

C1. What insurance services do you know (heard about)?
INT. PLEASE CIRCLE THE MENTIONED RESPONSES OR THE '0' BELOW. WHEN YOU GET THE FIRST ANSWER PROBE FOR THE NEXT SERVICE THEY HEARD ABOUT UNTIL THE RESPONDENT CANNOT RECALL ANY OTHER.

0 – do not know any insurance services

Insurance services (DO NOT READ)	
A	Health (voluntary, not the state compulsory insurance)
B	International travel insurance (health)
C	Disability (accident)
D	Life
E	Property (housing, durables, business assets)
F	Car property (casco, green card)
G	Civil liability (car) - obligatory
H	Agricultural insurance
I	Other policies, specify_____

C2. Have you or any of your household members had a voluntary insurance policy during the last 15 years?
Only voluntary policies, the previous government insurance scheme does not count here.

0 – no GO TO QUESTION C3
1 – yes, used to have GO TO QUESTION C3
1 – yes, have now GO TO QUESTION C4
99 – hard to say (do not read) GO TO QUESTION C4

C3. Why not?
THIS IS A MULTIPLE ANSWER QUESTION.
DO NOT READ CODES – THIS IS A SPONTANEOUS ANSWER (IF THERE IS GENERAL RESPONSE "NO TRUST" PLEASE ASK WHY AND CODE RELEVANT ANSWER BELOW).
AFTER THIS QUESTION GO TO QUESTION C6.

1 - never heard of insurance / do not have enough information / do not know how it works
2 - I do not know where to find insurance / nobody approached me
3 - the insurance agents are too far from the place I live
4 - my household has not needed insurance – I think nothing serious will happen to my family or me
5 - my household has not needed insurance because we can manage problems ourselves
6 - insurance is too expensive for me / price is too high / I have other priorities
7- current terms and conditions do not suit me
8 - heard it is a long / bureaucratic process to realize claim
9 - no trust in insurer - heard that insurers do not pay (manipulate with conditions, etc.)
10 - no trust in insurance companies – they can go bankrupt or run away stealing my money
11 - I am not sure the insurance will work because third party (e.g. hospital) might refuse to accept it
12 – I do not have time to think about insurance / if I were approached by an insurance agent I would have bought a good insurance policy.

OTHER: _____
99 – hard to say (do not read)

GO WITH RESPONDENT THROUGH THE LIST.		**C4.** What was the type of policy you or any of your family members had in the last 15 years or you have now? 0 - no 1 - yes	**C5.** Who have paid for it? 0 – somebody else (e.g. employer) 1 – policyholder (I or any of family members)
A	Health (voluntary, not the state compulsory insurance)	0 1	0 1
B	International travel insurance (health)	0 1	0 1
C	Disability (accident)	0 1	0 1
D	Life	0 1	0 1
E	Property (housing, durables, business assets)	0 1	0 1
F	Car property (casco, green card)	0 1	0 1
G	Civil liability (car) - obligatory	0 1	0 1
H	Agricultural insurance	0 1	0 1
I	Other, specify_____	0 1	0 1

C6. Could you list names of existing insurers in Romania? (top of mind)

IF NOT ABLE TO MENTION ANY PLEASE PUT '0' AND GO TO SECTION G _____

1. *2.*
3. *4.*
5. *6.*
7. *8.*
9. *10.*

D. Product Concept Tests

INT.: READ: Now I would like to show you 4 insurance product concepts and ask similar set of questions about each one. Please analyze each concept separately as somebody offered you only one product.

Int. ROTATE CONCEPTS

If you started the previous interview with DA; start this one with DB and then do DC, DD, DA.

D. *Mark the order in which the concepts were introduced, by putting 1, 2, 3, 4.*

DA – health
DB – disability
DC – life
DD - property

DA. Health insurance concept test

INT. READ: I would like to talk to you about health insurance. Choosing to buy health insurance is a way to protect members of one's family from financial shocks related to the health care costs created by an accident or sudden (not prolonged) illness of any of those family members. For each of the family members you would like to insure you pay a fixed fee every month or once a year. If the policy holder gets ill or has an accident, a claim is made and the policyholder receives in a timely manner a cash benefit payment sufficient to cover health care costs up to a certain limit. I will read you a concept of a new health insurance product, and then I would like to ask for your opinion about it.

HAND OUT THE CONCEPT AND READ IT LOUDLY WITH RESPONDENT.

DA1. How would you evaluate?
READ CODES AND 🕮 SHOW A CARD #

	Not satisfactory at all	Not satisfactory	Satisfactory	Fully satisfactory	Hard to say *(do not read)*
A. Coverage (what risks it covers)	1	2	3	4	99
B. Benefit (level and payment conditions)	1	2	3	4	99
C. Price (premium level)	1	2	3	4	99

READ CODES AND 🕮 SHOW A CARD # **DA2.** How willing would you be to buy this product? When answering use the scale presented on this card (INT. READ POSSIBLE ANSWERS).	1 – definitely not willing – **GO TO DA4** 2 – rather not wiling – **GO TO DA4** 3 – rather willing - GO TO NEXT QUESTION 4 – definitely willing - GO TO NEXT QUESTION *99 – hard to say (do not read)*
DA3. How many people in your household would you like to insure? (including respondent) WHEN DONE **GO TO NEXT CONCEPT**	[_____] *99 – hard to say (do not read)*
ASK ONLY THOSE NOT WILLING TO BUY **DA4.** Why not willing to buy? INT.: THIS IS A SPONTANEUOS QUESTION. DO NOT READ ANSWERS.	1. I do not need this insurance 2. I had bad experience with insurance 3. I do not trust insurers 4. coverage 5. benefit (amount) 6. benefit (loosing money) 7. claim processing 8. provider 9. proximity 10. price (premium) 11. frequency of premium payment OTHER: …….. *99. hard to say (do not read)*
ASK ONLY THOSE NOT WILLING TO BUY **DA5.** And if the premium is lowered to X ROL per month how willing would you be to buy the product?	0 – it will not change my decision – GO TO DA6 1 –I might reconsider my decision – GO TO NEXT CONCEPT 2 – I would be willing to buy it - GO TO NEXT CONCEPT *99 – hard to say (do not read)*
ASK ONLY THOSE NOT WILLING TO BUY **DA6.** Is there any price at which you will change your decision and decide to buy?	0 – No, I am not interested at all Yes, the price is [_____] ROL per month

DB. Disability insurance concept test

INT. READ: I would like to talk to you about disability insurance. Choosing to buy disability insurance is a way to protect members of one's family from financial shocks related to the accidents leading to disability of any of those covered family members. For each of the family members you would like to insure you pay a fixed fee every month or once a year. If the policy holder has an accident, a claim is made and the policyholder receives in a timely manner a fixed cash benefit payment. I will read you a concept of a new disability insurance product, and then I would like to ask for your opinion about it.

HAND OUT THE CONCEPT AND READ IT LOUDLY WITH RESPONDENT.

DB1. How would you evaluate?
READ CODES AND 🕮 SHOW A CARD #

	Not satisfactory at all	Not satisfactory	Satisfactory	Fully satisfactory	Hard to say *(do not read)*
A. Coverage (what risks it covers)	1	2	3	4	99
B. Benefit (level and payment conditions)	1	2	3	4	99
C. Price (premium level)	1	2	3	4	99

READ CODES AND 🕮 SHOW A CARD # **DB2.** How willing would you be to buy this product? When answering use the scale presented on this card (INT. READ POSSIBLE ANSWERS).	1 – definitely not willing – **GO TO DB4** 2 – rather not wiling – **GO TO DB4** 3 – rather willing - GO TO NEXT QUESTION 4 – definitely willing - GO TO NEXT QUESTION *99 – hard to say (do not read)*
DB3. How many people in your household would you like to insure? (including respondent) WHEN DONE **GO TO NEXT CONCEPT**	[_____] *99 – hard to say (do not read)*
ASK ONLY THOSE NOT WILLING TO BUY **DB4.** Why not willing to buy? INT.: THIS IS A SPONTANEUOS QUESTION. DO NOT READ ANSWERS.	1. I do not need this insurance 2. I had bad experience with insurance 3. I do not trust insurers 4. coverage 5. benefit (amount) 6. benefit (loosing money) 7. claim processing 8. provider 9. proximity 10. price (premium) 11. frequency of premium payment OTHER: ..... *99. hard to say (do not read)*
ASK ONLY THOSE NOT WILLING TO BUY **DB5.** And if the premium is lowered to X ROL per month how willing would you be to buy the product?	0 – it will not change my decision – GO TO DB6 1 –I might reconsider my decision – GO TO NEXT CONCEPT 2 – I would be willing to buy it - GO TO NEXT CONCEPT *99 – hard to say (do not read)*
ASK ONLY THOSE NOT WILLING TO BUY **DB6.** Is there any price at which you will change your decision and decide to buy?	0 – No, I am not interested at all Yes, the price is [_____] ROL per month

DC. Life insurance concept test

INT. READ: I would like to talk to you about life insurance. Choosing to buy life insurance is a way to protect members of one's family from financial shocks related to the death of any of those covered family members. For each of the family members you would like to insure you pay a fixed fee every month or once a year. In the event of death befalling one of the family members, a claim is made and the family receives a cash benefit payment. I will read you a concept of a new life insurance product, and then I would like to ask for your opinion about it.

HAND OUT THE CONCEPT AND READ IT LOUDLY WITH RESPONDENT.

DC1. How would you evaluate?
READ CODES AND 🕮 SHOW A CARD #

	Not satisfactory at all	Not satisfactory	Satisfactory	Fully satisfactory	Hard to say *(do not read)*
A. Coverage (what risks it covers)	1	2	3	4	99
B. Benefit (level and payment conditions)	1	2	3	4	99
C. Price (premium level)	1	2	3	4	99

READ CODES AND 🕮 SHOW A CARD # **DC2.** How willing would you be to buy this product? When answering use the scale presented on this card (INT. READ POSSIBLE ANSWERS).	1 – definitely not willing – **GO TO DC4** 2 – rather not wiling – **GO TO DC4** 3 – rather willing - GO TO NEXT QUESTION 4 – definitely willing - GO TO NEXT QUESTION *99 – hard to say (do not read)*
DC3. How many people in your household would you like to insure? (including respondent) WHEN DONE **GO TO NEXT DC7**	[_____] *99 – hard to say (do not read)*
ASK ONLY THOSE NOT WILLING TO BUY **DC4.** Why not willing to buy? INT.: THIS IS A SPONTANEUOS QUESTION. DO NOT READ ANSWERS.	1. I do not need this insurance 2. I had bad experience with insurance 3. I do not trust insurers 4. coverage 5. benefit (amount) 6. benefit (loosing money) 7. claim processing 8. provider 9. proximity 10. price (premium) 11. frequency of premium payment OTHER: ..... *99. hard to say (do not read)*
ASK ONLY THOSE NOT WILLING TO BUY **DC5.** And if the premium is lowered to X ROL per month how willing would you be to buy the product?	0 – it will not change my decision – GO TO DC6 1 –I might reconsider my decision – GO TO DC7 2 – I would be willing to buy it - GO TO DC7 *99 – hard to say (do not read)*
ASK ONLY THOSE NOT WILLING TO BUY **DC6.** Is there any price at which you will change your decision and decide to buy?	0 – No, I am not interested at all Yes, the price is [_____] ROL per month

INT. READ: The life insurance can be also linked to an investment plan. The policyholder saves regularly (with interest remuneration) for a fixed period of 10 years. Savings has to be at least X ROL per month.
HAND OUT THE CONCEPT AND READ IT LOUDLY WITH RESPONDENT.

READ CODES AND 🕮 SHOW A CARD # **DC7.** How interested would you be in the saving (investment) plan function? When answering use the scale presented on this card.	1 – definitely not interested - GO TO DC9 2 – rather not interested - GO TO DC9 3 – rather interested - GO TO DC8 4 – definitely interested - GO TO DC8 *99 – hard to say (do not read)*
DC8. How much would you be willing to save monthly?	[_____] *99 – hard to say (do not read)*
ASK ONLY THOSE NOT WILLING TO BUY **DC9.** Why not willing to buy? INT.: THIS IS A SPONTANEUOS QUESTION. DO NOT READ ANSWERS.	1. I do not think saving makes sense 2. the amount to be saved monthly is too much. 3. I do not need this insurance 4. I had bad experience with insurance 5. I do not trust insurers 6. coverage 7. benefit (amount) 8. benefit (loosing money) 9. claim processing 10. provider 11. proximity 12. price (premium) 13. frequency of premium payment OTHER: ..... *99. hard to say (do not read)*

DD. Property insurance.

INT. READ: I would like to talk to you about property insurance. Choosing to buy property insurance is a way to protect your family from financial shocks related to the loss (theft, fire, etc.) of your household or business assets. For all the assets you would like to insure you pay a fixed fee, being a proportion of their current market value, every month or once a year. In the event of asset loss, a claim is made and the family receives a cash benefit payment. I will read you a concept of a new insurance product, then I would like to ask for your opinion about it.

HAND OUT THE CONCEPT AND READ IT LOUDLY WITH RESPONDENT.

DD1. How would you evaluate?
READ CODES AND 🕮 SHOW A CARD #

	Not satisfactory at all	Not satisfactory	Satisfactory	Fully satisfactory	Hard to say *(do not read)*
A. Coverage (what risks it covers)	1	2	3	4	99
B. Benefit (level and payment conditions)	1	2	3	4	99
C. Price (premium level)	1	2	3	4	99

READ CODES AND 🕮 SHOW A CARD # **DD2.** How willing would you be to buy this product? When answering use the scale presented on this card (INT. READ POSSIBLE ANSWERS).	1 – definitely not willing – **GO TO DD4** 2 – rather not wiling – **GO TO DD4** 3 – rather willing - GO TO NEXT QUESTION 4 – definitely willing - GO TO NEXT QUESTION *99 – hard to say (do not read)*
DD3. What is the value of the assets you would like to insure? WHEN DONE **GO TO NEXT CONCEPT**	[_____] *99 – hard to say (do not read)*

ASK ONLY THOSE NOT WILLING TO BUY **DD4.** Why not willing to buy? INT.: THIS IS A SPONTANEUOS QUESTION. DO NOT READ ANSWERS.	1. I do not need this insurance 2. I had bad experience with insurance 3. I do not trust insurers 4. coverage 5. benefit (amount) 6. benefit (loosing money) 7. claim processing 8. provider 9. proximity 10. price (premium) 11. frequency of premium payment OTHER: …….. *99. hard to say (do not read)*
ASK ONLY THOSE NOT WILLING TO BUY **DD5.** And if the premium is lowered to 1.4% of covered amount per year how willing would you be to buy the product? (for the above example, it means that you will have to pay X ROL to insure an asset of Y ROL for one year; paying Z ROL per month).	0 – it will not change my decision – GO TO DD6 1 –I might reconsider my decision – GO TO NEXT CONCEPT 2 – I would be willing to buy it - GO TO NEXT CONCEPT *99 – hard to say (do not read)*
ASK ONLY THOSE NOT WILLING TO BUY **DD6.** Is there any price at which you will change your decision and decide to buy? (use the example above; monthly payment for an asset of X ROL value)	0 – No, I am not interested at all Yes, the price is [_____] ROL per month

E. Concept test summary

E1. If the services that we have just talk about are delivered door-to-door will you be willing to buy it?

	0 – No; 1 – Yes; *99 – hard to say (do not read)*		
DA – health	0	1	99
DB – disability	0	1	99
DC – life	0	1	99
DC – life with savings	0	1	99
DD - property	0	1	99

E2. Combined analysis of all the concepts and willingness to buy them.

ASK ONLY THOSE WILLING TO BUY AT LEAST TWO PRODUCTS

- Summarize with the respondent which products he/she was willing to buy at prices as stated in the concept (definitely or rather willing to buy).
- Calculate total costs per month if a respondent decides to buy all the products she/he is interested in.
- Ask a question: can you afford to buy all of them? If not which will you pick as priority? In the last row tick 1 for the products the respondent wants to buy.

Product concept	*DA - health*	*DB - disability*	*DC - life*	*DD - property*
Willing to buy	*0 - No* *1 – Yes*	*0 - No* *1 – Yes*	*0 - No* *1 – Yes*	*0 - No* *1 – Yes*
Cost for respondent	*20 ROL pp/pm*	*10 ROL pp/pm*	*10 ROL pp/pm*	*17 ROL pp/pm for an asset valued 10,000 ROL.*
E2. Final decision on buying	0 - No 1 – Yes	0 - No 1 – Yes	0 - No 1 – Yes	0 - No 1 – Yes

F. Attitude towards insurance

		I strongly disagree	I rather disagree	I rather agree	I strongly agree	*Hard to say*
F1	The insurance agents are too far from the place I live.	1	2	3	4	99
F2	I would need more information about insurance.	1	2	3	4	99
F3	Insurers are not stable financially and can go bankrupt easily.	1	2	3	4	99
F4	When somebody is insured he/she can live without worry.	1	2	3	4	99
F5	I trust insurers.	1	2	3	4	99
F6	It does not make sense to insure as nothing serious will happen to my family or me.	1	2	3	4	99
F7	Insurers do not pay benefits (manipulate with conditions, etc.).	1	2	3	4	99
F8	Insurers are socially useful.	1	2	3	4	99
F9	Insurance is a waste of money.	1	2	3	4	99
F10	Insurance is a standard service in a civilized world.	1	2	3	4	99
F11	I do not have time to think about insurance.	1	2	3	4	99
F12	Insurance is expensive.	1	2	3	4	99
F13	It does not make sense to insure because we can manage problems ourselves.	1	2	3	4	99
F14	Insurance is only for rich people.	1	2	3	4	99
F15	I could really buy a policy if I am approached by an agent.	1	2	3	4	99
F16	Having insurance is prestigious.	1	2	3	4	99
F17	It is a long / bureaucratic process to realize a claim.	1	2	3	4	99

G. Financial practices

		I strongly disagree	I rather disagree	I rather agree	I strongly agree	*Hard to say*
G1	Borrowing money is the only tool to respond to emergency situations.	1	2	3	4	99
G2	It is worth to plan my household finances for the next 5 years.	1	2	3	4	99
G3	Nowadays, everybody can save, at least small amounts.	1	2	3	4	99
G4	Borrowing money from relatives and friends is a shame.	1	2	3	4	99
G5	Saving money is a way to build financial stability.	1	2	3	4	99
G6	Banks are as unstable now as 10 years ago.	1	2	3	4	99
G7	It makes sense to save for rainy days (emergencies).	1	2	3	4	99

G8. Do you or any of your family members put from time to time some money aside to meet some future expenses (not current)?

2 – Yes, often GO TO NEXT QUESTION

1 – Yes, but rarely GO TO NEXT QUESTION

0 – No GO TO QUESTION G10

99 – refuse to answer (do not read) GO TO QUESTION G9

G9. What is the usual amount of money you manage to put aside yearly?

READ CODES AND 🕮 SHOW A CARD #

1 income intervals

99 – refuse to answer (do not read)

G10. Do any of you family members have any bank account now (e.g. current account, term deposit debit card, credit card)?
0 – no
1 – yes
99 – hard to say (do not read)

	G11. Have any of your household members taken a credit from any of the following sources in the last 3 years?	**1 – yes**	**0 -no**	
A	Credit unions (CAR)	1	0	
B	Bank	1	0	
C	Private money lender / pawnshop	1	0	
D	Relatives, friends, neighbors, roata	1	0	

G12. Are you or any of your household members repaying any credit now?	**G13.** How many outstanding debts do you have (from different sources)?	**G14.** What is the total value of debt repayment last month?
1 – yes – GO TO G13 0 – no - GO TO SECTION H *99 – hard to say (do not read)* - GO TO H	I_____I debts *99 – hard to say (do not read)*	I_____I ROL *99 – hard to say (do not read)*

H. Household economic activities and income sources

INT.: READ: I would like to talk with you about your households economic activities, all those undertaken by adult household members that generate income for your household.

	H1. I will read you different sources of income. Please tell me from which sources did your household receive income in the last 12 months?	**1 - yes**	**0 - no**
	Wage employment		
A	Permanent job	1	0
B	Temporal small jobs (usually of seasonal character)	1	0
	Self-employment (registered or unregistered)		
C	Trade activities (other than selling self-produced agriculture goods, those are under F)	1	0
D	Service provision (this includes renting car, equipment, apartment, etc.)	1	0
E	Production activities (not including processing of agriculture goods, these are in F and G)	1	0
	Agriculture (only income generating)		
F	Agriculture production (crops, vegetables, fruits, other and its processing)	1	0
G	Livestock breeding (including selling meat, milk, and other processing)	1	0
	Other sources		
H	Pension	1	0
I	Social benefits (incl. children allowances, unemployment benefits)	1	0
J	Money received on a regular basis from somebody living and working abroad	1	0
K	Money received on a regular basis from somebody living and working in Romania	1	0

L	OTHER: _____ *Use only when you cannot classify in the categories above*	1	0

In the past 12 months, did you or any other members of your household receive any other type of income that we have not already listed?

Note: This is a critical probe question. Use the list of household members in section A to assist with probe. Also, probe carefully for second jobs, occasional income, and casual income. If respondent reminds herself/himself of any sources of income that have not yet been listed, go back to table H1.
After listing all sources of income, then proceed to ask next questions for each listed source of income.

H2. What is your household net income in an average month?

Income intervals

1.	1-40	Euro	(36.000-1.440.000		ROL)
2.	41-80	Euro	(1.476.000-2.880.000		ROL)
3.	81-120	Euro	(2.916.000-4.320.000		ROL)
4.	121-160	Euro	(4.356.000-5.760.000		ROL)
5.	161-200	Euro	(5.796.000-7.200.000		ROL)
6.	201-240	Euro	(7.236.000-8.640.000		ROL)
7.	241-280	Euro	(8.676.000-10.080.000		ROL)
8.	281-320	Euro	(10.116.000-11.520.000		ROL)
9.	321-360	Euro	(11.556.000-12.960.000		ROL)
10.	361-400	Euro	(12.996.000-14.400.000		ROL)
11.	401-440	Euro	(14.436.000-15.840.000		ROL)
12.	441-480	Euro	(15.876.000-17.280.000		ROL)
13.	481-520	Euro	(17.316.000-18.720.000		ROL)
14.	521-560	Euro	(18.756.000-20.160.000		ROL)
15.	561-600	Euro	(20.196.000-21.600.000		ROL)
16.	601-640	Euro	(21.636.000-23.040.000		ROL)
17.	641-680	Euro	(23.076.000-24.480.000		ROL)
18.	681-720	Euro	(24.516.000-25.920.000		ROL)
19.	721-760	Euro	(25.956.000-27.360.000		ROL)
20.	761-800	Euro	(27.396.000-28.800.000		ROL)
21.	801-840	Euro	(28.836.000-30.240.000		ROL)
22.	841-880	Euro	(30.276.000-31.680.000		ROL)
23.	881-920	Euro	(31.716.000-33.120.000		ROL)
24.	921-960	Euro	(33.156.000-34.560.000		ROL)
25.	961-1000	Euro	(34.596.000-36.000.000		ROL)
26.	1001	(36.000.001	ROL)	or	more

99 – refuse

Note to calculate carefully for those having irregular incomes; farmers in rural areas.

Note: important to probe back if they included all income sources listed in H1 in this estimation.

I. Additional household related questions

I1. How much time does it take you on average to get (using the transport you use the most often) to the nearest: (in hours; includes all the time usually spent to get there)

- Basic health care center _____
- Hospital _____

I2. How would you evaluate quality of health services in your area?

READ CODES AND 🕮 SHOW A CARD #

1 – not satisfactory at all

2 – not satisfactory
3 – satisfactory
4 – fully satisfactory

I3. Do you have the following assets in your household? (at least one)				**I4.** How old is the item? *(is several assets of the same category ask about the newest one)* 1- 6 years or older 2– newer than 6 years
		1 – yes	**0 -no**	1 2
A	Color TV	1	0	1 2
B	Stereo CD Player	1	0	1 2
C	Personal computer	1	0	1 2
D	Refrigerator	1	0	1 2
E	Automatic washing machine	1	0	1 2
F	Car or truck	1	0	1 2
G	Tractor	1	0	1 2

I5. Do your household possess the living place (flat/house)?
1 - Yes
0 – No (rented, state owned, etc.)

I6. Have any of your household members lost a job in the last 3 years?
0 - No
1 - Yes

I7. Have any of your self-employment activities gone bankrupt in the last 3 years?
0 - No
1 - Yes

THANK YOU☺

Annex 3 – Quantitative fieldwork report

Sample Size:
N=1,071 interviews

Geographical Coverage:
Urban and Rural locations.

The Project Manager has conducted the main briefing for all interviewers (for Bucharest) and for the six Area Managers (they all have been invited in our head office in Bucharest for the training). After the main briefing, the Area Managers have conducted the local briefings for their interviewers.

The interviewers went in the field and they recruited the potential respondents using random route methodology. The survey has been conducted door-to-door on a nationally representative sample for the Romanian population. All interviews have been conducted with persons who meet the recruitment criteria.

The Quality Control department conducted 100% quality control. The respondents were contacted by telephone and the questions in the screening questionnaire and a few key questions from the main questionnaire were applied again. If these responses provided by the respondent to the validation team coincided with those comprised in the paper questionnaire / Field Report - the respective questionnaire was considered valid.

If any differences were identified between the answers in the paper questionnaire / Field Report and the answers given by the respondents during the checking stage – the questionnaire was cancelled.

A quality control report was issued by the validation team on a daily basis based on the checking operations conducted in the previous day.

In case of respondents not answering the telephone, the checking operators make minimum 3 call backs a day at different hours for minimum 5 consecutive days. In case that, after 5 consecutive days, there was no contact with the respondent, the respective interview / questionnaire was considered invalid and was canceled.

The following issues were mentioned during the fieldwork:

- General reticence towards participating in market research studies (we have had a 50% refusals rate) – especially in rural areas
- Misunderstanding of the survey objectives – usually, the respondents were arguing they were not interested in acquiring insurance products
- Respondents misunderstanding of "household head" notion – especially in rural areas, men have insisted to answer to our questions, considering that they were household heads. This confusion does not generate biases – due to the fact that our interviewers explained them they were interested to talk with the main "income bringer" in the household.
- Difficulty in estimation of hospitalizations, treatments , visits to their doctors (especially for older persons case)
- Difficulty in estimation of their income achieved from selling animals, fruits and other stored agricultural products.

- The most sensitive were those questions concerning the household income / income sources and the additional household related questions – although, in these cases, the operators explained that their answers were confidential and asked statistical purposes only.
- The most often encountered reasons for cancelling the interviews during the field control were:
    - Inconsistent rotation of concepts
    - Interviews conducted with other person than the main income earner

All cancelled interviews were re-done.

Annex 4 – Social security system in Romania

Source: World Bank (2003) Romania Poverty Assessment.

Social Assistance Programs

The **MIG program** (means-tested), enacted in 2002, replaced the Social Aid Program in effect from 1995 to 2001, which due to i t s poor financing, design and implementation became effective. Eligibility for the MIG i s determined by income and asset tests. The income threshold i s a function of family income and size. The MIG benefit covers the gap between the program threshold and actual family income. For able-bodied family members, benefits are conditioned by a workfare requirement, an attempt to self-target program benefits to those in need. In 2002, the program covered almost 619,000 families, for a total cost of 0.28 percent of the GDP. By the end of 2002, however, the number of families benefiting from MIG was about 380,000, or about 5.4 percent of the country's population. Program beneficiaries are entitled to two other tied-benefits: health insurance and heating subsidies.

The Heating Subsidy program provides lump sum benefits for low income families during the cold season (November to March), the size of the benefit depending on the aggregate income level of the family and the source/type of fuel used for heating (district heating, gas or woodcoal). For households not connected to the heating grid, benefits are paid as a lump sum or in monthly installments. For households connected to the heating grid, the benefits are deposited in escrow accounts, from where they are accessed by the district heating suppliers. In 2002, almost 756,000 families (3,023,048 persons) benefited from this program, covering 13.5 percent of the country's population, for a total cost of 0.1 percent of the GDP (included in the MIG budget). Initially, the heating subsidies were provided only for MIG beneficiaries. In January and September 2002, the government issued ordinances modifying the MIG law, and raised the heating subsidy eligibility threshold above the MIG threshold in an attempt to cover a larger share of the population. By far the biggest share of the social assistance transfers are represented by the state child allowance and the supplementary allowance for families with more children. These benefits were granted to 4,835,606 children (state allowance) and 1,022,900 families (supplementary allowance), at a cost of 0.68 percent of GDP in 2002.

The State Child Allowance is a universal benefit, granted monthly for each child up to the age of 16 (1 8 if enrolled in the regular secondary education system), provided those over the age of seven attend school regularly. Since January 2003, the level of the benefit, which i s indexed and adjusted regularly, has been set at 210,000 ROL/month..

At the same time, families with two or more children are entitled to a **Supplementary Child Benefit**. The level of the benefit was set in 1997 at 40,000 ROL/month for a family with two children, 80,000 ROL/month for a family with three children, and 100,000 ROL/month for a family with four or more children. Benefits have not been indexed since 1997. The supplementary allowance was introduced in an attempt to improve the targeting of the program to the poor, knowing that families with more children face a higher risk of poverty. However, two inconsistencies between this objective and the program's design and implementation worked against improved targeting. First, the program had a 1 owner marginal benefit rate for families with 4 children (20,000 ROL/month) and provided no extra benefits for families with five or more children. Thus, the program failed to cover the marginal income gap for those families at the highest risk of poverty, despite the potentially rather low cost of expanding program coverage for this group. Second, only the weakly targeted child allowance was indexed, while the better-targeted supplementary allowance lost its purchasing power through time.

Selected Social Insurance Programs

The public **pension system** is a classical pay-as-you-go scheme which, despite reforms introduced in 200 1, continues to face a chronic deficit (close to 1 % of the GDP). The deficit i s the result of (i) a very low dependency rate caused by population aging and a shrinking number of employees; and (ii) past early retirement policies. To maintain the fiscal balance of the system, the administrators opted for low replacement rates that are too small to protect many pensioners against poverty -- the ratio of the average public pension to the average wage i s around 37 percent. Currently, the Government is implementing a three year recorrelation plan to restore equity among the various cohorts of pensioners who retired with significantly different pension levels despite similar contributions.

The unemployment benefits provided by the unemployment insurance system were rationalized in 2002, when new legislation was enacted. The benefit level i s set at 75% of the minimum gross wage and is granted for a period of 6 to 12 months, depending on the length of service. In addition, severance payments are granted for collectively dismissed workers, their level being linked to the previous average wage and the duration to their length of service. Beside the cash benefits, the unemployment fund finances a wide range of active labor market measures, including job counseling, public works and micro-credit programs.

Annex 5 - Details on risk importance ranking

(source: qualitative research)

Risk	Risk important ranking details
Death of a family/ household member	**<u>Unexpected death</u>** ▪ As it was explained earlier in the report, the impact of the unexpected death should be regarded considering: • the timing of need-response ratio (unforeseen need; instant solving procedure required – does not allow postponement) • the sum of money required (e.g. 1300USD): the funeral costs are costly (coffin, alms etc.) ▪ It was also observed in the research that the majority of the respondents, as main income earners, do not relate themselves to this risk, but are rather tempted to project this risk on their loved ones. Still, even if the Romanian social security system supports part of the funeral costs by paying a fixed funeral amount (approximately 300USD) to the family, while the retired ones are additionally paid the last pension, these costs are not sufficient on one hand, and on the other hand are given post-mortem, hence later than needed. Also, even if relatives, friends, neighbors in some cases contribute to the funeral by making free of charge services (e.g. preparing one of the dishes to be served after funeral), or bringing some food, these do not imply giving large amounts of money to the family, therefore the financial pressure on it remains. **<u>Expected death</u>** ▪ As opposed to the unexpected death, the death of a dear relative which can be foreseen based on age and illness one may suffer from (the older he is, the more probable the anticipation of death), easies the financial pressure on the family finances. On many occasions respondents referred to the old family members who make preparations for their own future funeral, such as saving money, buying towels, even buying the coffin.
Unexpected illness	**<u>Requiring hospitalization, surgery and medication</u>** ▪ Even if at the theoretical level the persons paying monthly contributions to the public health system would have access to free of charge medical care services, the reality in Romania contradicts it. In this context, all the services require money: *"you have to pay from gate keeper to doctor",* as a form of bribe/ unofficial cost. The reasons for paying this cost are different, depending on case: • To receive medical assistance – very often mentioned ("*if I didn't pay, the doctor wouldn't have even looked at him*". "*the doctors rip you off*") • To receive better medical assistance/ to be better treated by the doctor – very rarely mentioned ▪ For surgery, for example, figures ranging from 330USD (for a bile surgery) to 5000USD (for colon transplant) were mentioned in the discussions. **<u>Requiring hospitalization and medicines, without surgery/ chronic disease treatment</u>** ▪ The costs are lower versus the above category, yet they are significant enough to add financial pressure on the family budget.

	<u>Small sickness, requiring only medication</u> ▪ The costs for treating small illnesses differ based on the person suffering from them: • Medical treatment is more expensive (e.g. 33USD) in case their children get sick and parents support the costs from the monthly budget. The sums for medical treatment are mandatory as parents do not afford • Medical treatment is less expensive in case the parents themselves get sick, as cold/ flu are not sever health problems which can be cured with less expensive medicines (e.g. local aspirin). In addition, to have a thorough representation of the health picture, it should be stated that there were cases of respondents who postpone medical treatment for themselves to a later date, when they would afford to pay for it (e.g. stomach surgery).
Damage to property	▪ Respondents generally relate to this considering calamities: such as floods, earthquake, fire. ▪ The assessment of this risk takes into consideration two aspects: • **Frequency of occurrence** - The calamities have a rare occurrence in general, but the repercussions are significant • **Sums involved –** in case of natural disasters the sums required would be considerably high. ▪ In this context, even if they rarely occur, the implications on financial level are disastrous, therefore placing it among the ones in the top. ▪ Also, the relevancy of this risk is increased, at least at the theoretical level (as none of the regions investigated in this study was affected by this natural disaster), by the serious floods affecting Romania in 2005, which resulted in major property damage on extended areas of Romania.
Business risks	▪ It concerns only the self-employed respondents. ▪ Only in one of the two rural regions, comprised in this study, the respondents earned their living by being self-employed, specifically earning from selling the crops they themselves cultivate.
Livestock disease	▪ The persons in the rural area which run their own business based on agricultural activities, raise animals only for their household necessities, therefore in case of diseases affecting the animals the impact is only at individual level ("*it's not the same if the chickens get sick versus onion crop. The former worth ten RONs/3USD, while a parcel of tomato is worth 300RON/100USD*"). ▪ Also, the crops are traded immediately after being harvested, therefore diseases cannot affect them.
Disability	▪ Respondents not working in perceived high-risk domains (e.g. security, metallurgy) do not consider themselves exposed to this risk, therefore lacks relevancy. ▪ Furthermore, its perception is overlapped with health, as in case of accident leading to disability, medical healthcare is required.
Life cycle events	**<u>Education</u>** – very important lifecycle event, considering the sums involved and the length of time ▪ Irrespective of location, either urban or rural, the parents investigated consider it a sine-qua-non investment in their children future, which is regarded as a facilitator for their further wellbeing. **<u>Other lifecycles events</u>** ▪ Birth, wedding, buying a house imply a wide range of costs, to the former corresponding a lower amount, while to the latter a large amount corresponds (e.g. 40000USD). ▪ The reason for placing it at the lower end of risk list is that they are somehow expected, therefore the financial pressure is foreseen and one can prepare for it.

Annex 6 – Details on risk-management strategies

(source: qualitative research)

Coping mechanisms	Access and usage	Effectiveness
Borrowing from relatives and friends	▪ It is the main accessed strategy of all. The reasons for this vary: ○ **approachable source** - in most of the cases the source is easily approachable as it refers to a relative, which is supposed to support unconditionally ("*blood is thicker than water*") the relative in need. Or it may refer to a dear friend, who will help also unconditionally ○ **number of sources**: the more friends, the likelier to gather the necessary amount of money (it applies for relatives as well) ○ **no extra costs charged**: such as interest. The only extra cost, which is considered insignificant, would be that of buying a gift as a form of gratefulness. ○ **more relaxed timing for repayment** versus credit, moneylenders for example. ▪ However, it appears that borrowing from relatives is much more used than from friends, as the latter category might be comprised of a limited number, therefore insufficient, or are not that supportive as relatives are. ▪ Some respondents related to this alternative as being 'humiliating', which may function as a barrier is some situations. ▪ Irrespective of financial situation, from poorer* to wealthier*, people use it, as one of the first resorts.	▪ The effectiveness of this source is tightly interconnected with the amount of money required: if the amount is large, it is likelier for the borrower to gather money from more sources of the same type (e.g. more relatives), or combining it with other risk-management strategies (e.g. bank credit).
Using savings	▪ Viewing the segmentation based on financial status, the segment B, having a slightly better financial situation than segment A, is more likely to make use of it as it is an accessible resource in their case.	▪ The savings are effective only in case of somewhat small amounts required. Most probably this alternative is combined with others in order to successfully satisfy the needs.

* *the evaluation of the risk-management strategies was made based on the respondents' perception on what is the access of poorer and wealthier people to these. Therefore, this data should be regarded as respondents' perception on the accessibility of other categories of income.*

	The wealthier people are perceived to intensively use this alternative, as their financial situation facilitates it.	
Bank credit	▪ Intensively used in the context of a 'credit boom' in the recent years. However, the access to this alternative is limited by the employment record which is considered by the banks in evaluating the eligibility of the credit applicant. Therefore, the unemployed or those having only seasonal jobs are excluded from the target of a credit. ▪ It is perceived to be used by the entire range of financial situations.	▪ **Credit** is the option that **can fully cover** the expenses **if:** o The expenses are not 'sky rocket' o The users' monthly wage is large enough to be credited by the bank with a consistent credit line
Credit union – C.A.R (Casa de ajutor reciproc)	▪ Moreover, the awareness of this product is not consistent among the groups, as in one of the groups (Bucharest) respondents were aware of C.A.R dedicated to retired only, while in others it was not very clear to all respondents where these are available. ▪ The accessibility of this alternative is limited: o On one hand to the employees that work in companies which have this credit union operational (it is not very clear if only state-owned provide this alternative or private one as well). o On the other hand, to retired who have access to a variant of this system, which is dedicated only to retired persons. ▪ Therefore, this alternative is used in a lower degree because of the following reasons: o Credit unions are not operational in the companies where most of the respondents are employed in o Credit unions for retired address only to this segment o The insecurity of the job on a long term perspective limits its accessibility ▪ The poorer are considered to use it in a larger degree than the ones with a better financial situation. ▪ In one of the groups (rural area) this coping mechanism was not mentioned as an alternative.	▪ The effectives is influenced by the amount placed in the system, therefore if it small, the credit is not large enough to cover more serious needs.

Casuta/ roata/ joc	▪ Risk-management strategy mentioned only in the eastern part of Romania, both urban and rural. It is not an alternative at hand for most of the respondents due to the following reasons: o It faded away in the late years, even though in the past it was an alternative highly used, even in the south of Romania (e.g. Bucharest). One of the hypothesis of its decline might be the boom of the bank credit, which has the advantage of providing a larger amount on a long term basis o No long-term perspective job (mainly for the rural area) o Companies they are employed in have a very small human capital (e.g. shop assistant in a small outlet) ▪ It is perceived as not an alternative for the poorer, because it implies a long term contribution, which they do not afford, moreover as their job employment is rather seasonal.	▪ The effectiveness for the users is tightly connected with the number of players: the more they are, the higher the sum collected. Moreover, viewing their poor financial situation, even if playing the game with fewer participants the sums with which each of them contribute are quite large as they are, therefore increasing them is part of the inelastic actions. ▪ The advantage of this source is that in case of urgent need the number in line can be exchanged, therefore getting the money in a short term.
Moneylenders	▪ Along with selling the house, it is the last solution for the investigated respondents they would access, because of: o The high interest charged o Uneven trading value in case the credit is not refunded in the deadline (e.g. house for a significant lower sum) o No possibility of postponing the repayment without major negative implications (increasing the value of the debt). ▪ None of the participants had ever used this solution. ▪ In their perception people with a poorer financial situation use it as they have a limited range of options at hand in desperate situations, versus them.	▪ Is an effective source in case the risk is assumed.
Pawning assets	▪ Is one coping strategy somewhat used by respondents. They consider the following features in the assessment of this alternative: o **Barrier** – the value earned by pawning goods is considerably	▪ The effectiveness is considered depending on the value of the object/ asset pawned: a gold jewelry versus a car.

	inferior to the market value. So, in case they do not wish to redeem it, it is more profitable to have it sold. ○ **Trigger –** (in case of small value goods: e.g. gold) the pawned goods can be redeemed after a period of time, therefore their property is transferred only temporarily ▪ In the respondents' perception houses and cars can be pawned. ▪ Also, persons with lower income than there are perceived to use this alternative as well (in case the other alternatives, such as borrowing from relatives and friends are inexistent), while the one with a better financial situation are very unlikely to use it, as the value is not satisfactory enough and they also have other alternatives at hand (savings, borrowing from relatives and friends)	
Selling assets	▪ As it was previously stated, selling goods/ assets is more worthy than pawning. Nevertheless, there are differences in attitude towards selling, as it depends on what is being sold: ○ **Selling jewelry:** is one of the less stressing coping mechanisms, as they are not indispensable, therefore do not increase the emotional pressure. In their perception, people with better financial status do not use this alternative as there are others at hand for them. While the poorer use it in case they have jewelry. ○ **Selling car:** the assessment of this alternative should take in consideration the usage destination: for those who use this as a business asset (revealed in rural area, used in selling the agricultural goods) it is highly distressful, as it limits their business perspectives. For the others, who use it only for functional reasons, e.g. mobility, it is an alternative to be used if needed. Same as in the case of jewelry ○ **Selling household assets:** not	▪ Depending on the value of the items involved, it could be or not a sufficient alternative.

	an option mentioned by the majority. For them is hardly an alternative, as the value gained is inferior, and because they consist in indispensable assets (TV set, refrigerator). For the poorer is one of the main alternatives. The wealthier would rather use other ways. ○ **Selling real estate:** house, land – one of the last resorts to be accessed, by the persons interviewed, but only in case a very large amount is required. For both poorer and wealthier is one of the ultimate solutions.	
Selling livestock (animals)	▪ It was obviously mentioned only in rural areas. Worthy animals are considered in this case, such as cow, horse. It is not one of the top alternatives to be accessed (as they are sources of food - cow, and even money - horse), but if the situation is imperative it is used. In what the wealthier are concerned, the perception is polarizing: from none to every body. Its usage is triggered by the degree of necessity.	▪ For animals such as cows or horses, the value might be large enough to cover the need.
Donation	▪ It is a custom lately to ask for donations on TV channels. This perception is mainly influenced by the floods in 2005, which caused intensive damage on large areas of Romania. Consequently, the media exposure was very high, as it was breaking news for weeks. All Romanian television channels run humanitarian campaigns, which aimed at collecting funds for the unfortunates. Also, besides these, more and more donation requirements for serious health problems, which are costly because they should be taken care of abroad, are aired on TV. Henceforth, having this background respondents include this in their options, but very close to not being used by them, potentially because these donation requirements are made in case of severe situation, which they might not consider as an option. While the poorer are considered more likely	▪ Depends on the mercy of the donors. Respondents do not have exact information on this topic, it is rather a perception induced by the media exposure.

	to use it as they have little other alternatives at hand. On the contrary, the wealthy is certainly unlikely to use it, as it is considered a form of humiliation, which is out of discussion, corroborated with the idea that they have alternatives available.	
Being sent money from abroad (from relatives or friends)	▪ It is one of the options, yet it is not used in practice by the respondents who mentioned it, as they do not have relatives or friends working abroad. Except for one respondent who had his daughter in Spain, but no money were sent to him.	

Alternatives such as getting an additional job/ working extra hours, borrowing from the employer and renting out the house were only accidentally mentioned. Therefore these coping strategies are not actually considered in case of urgent need for a large amount of money.

Annex 7 – Market enablement zone projections

Market enablement zone by regions

Size of the market within access frontier now for health insurance by region.

Health	population	# of households	% AF now	demand - households	average number of policies	demand - policies
Bucharest	2,226,457	879,490	23.7%	208,300	2.46	511,924
East	6,522,586	2,331,235	8.1%	188,135	2.11	397,703
Center and West	7,221,733	2,747,184	5.9%	163,199	2.59	422,101
South	5,710,198	2,171,005	14.6%	315,930	2.55	804,185

Size of the market within access frontier now for disability insurance by region.

Disability	population	# of households	% AF now	demand - households	average number of policies	demand - policies
Bucharest	2,226,457	879,490	10.5%	92,578	2.64	244,670
East	6,522,586	2,331,235	3.5%	81,798	2.20	179,955
Center and West	7,221,733	2,747,184	3.5%	95,199	2.63	250,692
South	5,710,198	2,171,005	7.1%	153,915	2.48	381,366

Size of the market within access frontier now for life insurance by region.

Life	population	# of households	% AF now	demand - households	average number of policies	demand - policies
Bucharest	2,226,457	879,490	20.2%	177,441	2.57	455,432
East	6,522,586	2,331,235	9.1%	212,674	2.05	436,116
Center and West	7,221,733	2,747,184	10.1%	278,798	2.47	688,796
South	5,710,198	2,171,005	15.3%	332,131	2.38	791,175

Size of the market within access frontier now for property insurance by region.

Property	population	# of households	% AF now	demand - households	average value of policies, ROL	demand - value of policies ROL
Bucharest	2,226,457	879,490	30.7%	270,019	552878947.37	149,287,742,892,428
East	6,522,586	2,331,235	11.9%	278,112	813785714.29	226,323,772,448,622
Center and West	7,221,733	2,747,184	10.4%	285,598	758562974.03	216,644,323,613,703

South	5,710,198	2,171,005	16.0%	348,333	482337128.21	168,013,886,685,880

Size of the market within access frontier future for health insurance by region.

Health	population	# of households	% AF future	demand - households	average number of policies	demand - policies
Bucharest	2,226,457	879,490	42.1%	370,312	2.46	910,088
East	6,522,586	2,331,235	43.2%	1,006,112	2.11	2,126,844
Center and West	7,221,733	2,747,184	45.5%	1,251,193	2.59	3,236,110
South	5,710,198	2,171,005	49.6%	1,077,402	2.55	2,742,477

Size of the market within access frontier future for disability insurance by region.

Disability	population	# of households	% AF future	demand - households	average number of policies	demand - policies
Bucharest	2,226,457	879,490	54.4%	478,319	2.64	1,264,129
East	6,522,586	2,331,235	52.3%	1,218,786	2.20	2,681,329
Center and West	7,221,733	2,747,184	47.5%	1,305,592	2.63	3,438,060
South	5,710,198	2,171,005	53.7%	1,166,510	2.48	2,890,353

Size of the market within access frontier future for life insurance by region.

Life	population	# of households	% AF future	demand - households	average number of policies	demand - policies
Bucharest	2,226,457	879,490	36.8%	324,023	2.57	831,658
East	6,522,586	2,331,235	36.5%	850,696	2.05	1,744,466
Center and West	7,221,733	2,747,184	37.1%	1,019,994	2.47	2,519,985
South	5,710,198	2,171,005	45.9%	996,394	2.38	2,373,524

Size of the market within access frontier future for property insurance by region.

Property	population	# of households	% AF future	demand - households	average value of policies, ROL	demand - value of policies ROL
Bucharest	2,226,457	879,490	53.5%	470,604	552878947.37	260,187,209,041,090
East	6,522,586	2,331,235	54.7%	1,276,044	813785714.29	1,038,426,720,646,620
Center and West	7,221,733	2,747,184	53.7%	1,475,591	758562974.03	1,119,329,005,337,470
South	5,710,198	2,171,005	49.3%	1,069,301	482337128.21	515,763,559,128,749

Market enablement zone by settlement types

Size of the market within access frontier now for health insurance by settlement type.

Health	% in the population	# of households	% AF NOW	demand - households	average number of policies	demand - policies
Large city: 200,000+	21.63%	1,758,284	15.4%	270,505	2.34	634,135
Medium city: 50,000-200,000	15.67%	1,273,801	14.7%	187,324	2.36	442,084
Towns up to 50,000	15.96%	1,297,375	11.4%	147,606	2.35	347,307
Rural	46.74%	3,799,454	6.4%	241,854	2.66	642,258

Size of the market within access frontier now for disability insurance by settlement type.

Disability	% in the population	# of households	% AF NOW	demand - households	average number of policies	demand - policies
Large city: 200,000+	21.63%	1,758,284	6.9%	121,016	2.46	298,111
Medium city: 50,000-200,000	15.67%	1,273,801	4.1%	52,451	2.30	120,398
Towns up to 50,000	15.96%	1,297,375	6.6%	85,456	2.20	187,586
Rural	46.74%	3,799,454	4.1%	156,035	2.79	434,932

Size of the market within access frontier now for life insurance by settlement type.

Life	% in the population	# of households	% AF NOW	demand - households	average number of policies	demand - policies
Large city: 200,000+	21.63%	1,758,284	17.8%	313,217	2.29	718,310
Medium city: 50,000-200,000	15.67%	1,273,801	18.8%	239,774	2.26	542,647
Towns up to 50,000	15.96%	1,297,375	12.0%	155,374	2.17	337,009
Rural	46.74%	3,799,454	7.2%	273,061	2.60	711,194

Size of the market within access frontier now for property insurance by settlement type.

Property	% in the population	# of households	% AF NOW	demand - households	average value of policies, ROL	demand - value of policies ROL
Large city: 200,000+	21.63%	1,758,284	19.4%	341,691	990,982,759	338,609,728,143,766
Medium city: 50,000-200,000	15.67%	1,273,801	20.0%	254,760	688,178,571	175,320,486,241,444
Towns up to 50,000	15.96%	1,297,375	16.8%	217,524	607,189,189	132,078,158,954,842
Rural	46.74%	3,799,454	9.0%	343,277	669,721,262	229,900,036,068,399

Size of the market within access frontier future for health insurance by settlement type.

Health	% in the population	# of households	% AF future	demand - households	average number of policies	demand - policies
Large city: 200,000+	21.63%	1,758,284	0.506072874	889,820	2.34	2,085,971
Medium city: 50,000-200,000	15.67%	1,273,801	0.552941176	704,337	2.36	1,662,235
Towns up to 50,000	15.96%	1,297,375	0.556886228	722,490	2.35	1,699,977
Rural	46.74%	3,799,454	0.361396304	1,373,109	2.66	3,646,367

Size of the market within access frontier future for disability insurance by settlement type.

Disability	% in the population	# of households	% AF future	demand - households	average number of policies	demand - policies
Large city: 200,000+	21.63%	1,758,284	0.5951417	1,046,428	2.46	2,577,787
Medium city: 50,000-200,000	15.67%	1,273,801	0.647058824	824,224	2.30	1,891,969
Towns up to 50,000	15.96%	1,297,375	0.664670659	862,327	2.20	1,892,913
Rural	46.74%	3,799,454	0.367556468	1,396,514	2.79	3,892,645

Size of the market within access frontier future for life insurance by settlement type.

Life	% in the population	# of households	% AF future	demand - households	average number of policies	demand - policies
Large city: 200,000+	21.63%	1,758,284	0.388663968	683,382	2.29	1,567,222
Medium city: 50,000-200,000	15.67%	1,273,801	0.417647059	531,999	2.26	1,203,998
Towns up to 50,000	15.96%	1,297,375	0.54491018	706,953	2.17	1,533,390
Rural	46.74%	3,799,454	0.330595483	1,256,082	2.60	3,271,492

Size of the market within access frontier future for property insurance by settlement type.

Property	% in the population	# of households	% AF future	demand - households	average value of policies, ROL	demand - value of policies ROL
Large city: 200,000+	21.63%	1,758,284	0.611336032	1,074,902	990,982,759	1,065,209,769,785,600
Medium city: 50,000-200,000	15.67%	1,273,801	0.594117647	756,788	688,178,571	520,804,973,834,879
Towns up to 50,000	15.96%	1,297,375	0.562874251	730,259	607,189,189	443,405,247,919,828
Rural	46.74%	3,799,454	0.45174538	1,716,386	669,721,262	1,149,500,180,342,000

Market enablement zone by income segments

Size of the market within access frontier now for health insurance by income

Health	% in the population	# of households	% AF NOW	demand - households	average number of policies	demand - policies
< 65 euro	39.90%	3,243,437	4.1%	131,618	*2.60*	341,885
65-100 euro	23.70%	1,926,553	5.4%	103,376	*2.46*	254,183
101-150 euro	16.20%	1,316,884	15.0%	197,533	*2.55*	504,150
>150 euro	20.10%	1,633,912	26.4%	431,954	*2.11*	912,441

Size of the market within access frontier now for disability insurance by income.

Disability	% in the population	# of households	% AF NOW	demand - households	average number of policies	demand - policies
< 65 euro	39.90%	3,243,437	3.5%	113,520	*2.75*	312,181
65-100 euro	23.70%	1,926,553	4.9%	93,978	*2.46*	231,094
101-150 euro	16.20%	1,316,884	7.1%	94,063	*2.53*	237,509
>150 euro	20.10%	1,633,912	7.5%	122,074	*2.13*	260,424

Size of the market within access frontier now for life insurance by income.

Life	% in the population	# of households	% AF NOW	demand - households	average number of policies	demand - policies
< 65 euro	39.90%	3,243,437	4.6%	150,420	*2.58*	388,247
65-100 euro	23.70%	1,926,553	7.3%	140,967	*2.42*	340,911
101-150 euro	16.20%	1,316,884	17.9%	235,158	*2.39*	561,439
>150 euro	20.10%	1,633,912	28.2%	460,125	*2.13*	978,323

Size of the market within access frontier now for property insurance by income.

Property	% in the population	# of households	% AF NOW	demand - households	average value of policies, ROL	demand - value of policies ROL
< 65 euro	39.90%	3,243,437	5.2%	169,223	528903846	89,502,581,112,098
65-100 euro	23.70%	1,926,553	11.7%	225,548	493266200	111,255,019,197,765
101-150 euro	16.20%	1,316,884	17.9%	235,158	743026316	174,728,485,244,267

>150 euro	20.10%	1,633,912	34.5%	563,418	663451563	373,800,441,255,294

Size of the market within access frontier future for health insurance by income

Health	% in the population	# of households	% AF future	demand - households	average number of policies	demand - policies
< 65 euro	39.90%	3,243,437	0.289855072	940,127	*2.60*	2,442,036
65-100 euro	23.70%	1,926,553	0.570731707	1,099,545	*2.46*	2,703,586
101-150 euro	16.20%	1,316,884	0.435714286	573,785	*2.55*	1,464,437
>150 euro	20.10%	1,633,912	0.494252874	807,566	*2.11*	1,705,869

Size of the market within access frontier future for disability insurance by income

Disability	% in the population	# of households	% AF future	demand - households	average number of policies	demand - policies
< 65 euro	39.90%	3,243,437	0.315942029	1,024,738	*2.75*	2,818,029
65-100 euro	23.70%	1,926,553	0.580487805	1,118,340	*2.46*	2,750,017
101-150 euro	16.20%	1,316,884	0.528571429	696,067	*2.53*	1,757,570
>150 euro	20.10%	1,633,912	0.66091954	1,079,884	*2.13*	2,303,753

Size of the market within access frontier future for life insurance by income

Life	% in the population	# of households	% AF future	demand - households	average number of policies	demand - policies
< 65 euro	39.90%	3,243,437	0.289855072	940,127	*2.58*	2,426,543
65-100 euro	23.70%	1,926,553	0.502439024	967,975	*2.42*	2,340,920
101-150 euro	16.20%	1,316,884	0.414285714	545,566	*2.39*	1,302,539
>150 euro	20.10%	1,633,912	0.281609195	460,125	*2.13*	978,323

Size of the market within access frontier future for property insurance by income

Property	% in the population	# of households	% AF future	demand - households	average value of policies, ROL	demand - value of policies ROL
< 65 euro	39.90%	3,243,437	0.423188406	1,372,585	528903846	725,965,380,131,464
65-100 euro	23.70%	1,926,553	0.580487805	1,118,340	493266200	551,639,470,188,919
101-150 euro	16.20%	1,316,884	0.635714286	837,162	743026316	622,033,407,469,590
>150 euro	20.10%	1,633,912	0.505747126	826,346	663451563	548,240,647,174,432