
Demand for Microinsurance in Georgia

Quantitative Study Results

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Executive summary

This report presents findings of a household survey of a sample of one thousand households representative of eight regions in Georgia. It builds directly on qualitative exploratory research that was conducted in January 2004 and presents a better understanding of the importance of insurable risks, low income household risk-management strategies, and general attitude towards insurance. The main objectives of the quantitative study were:

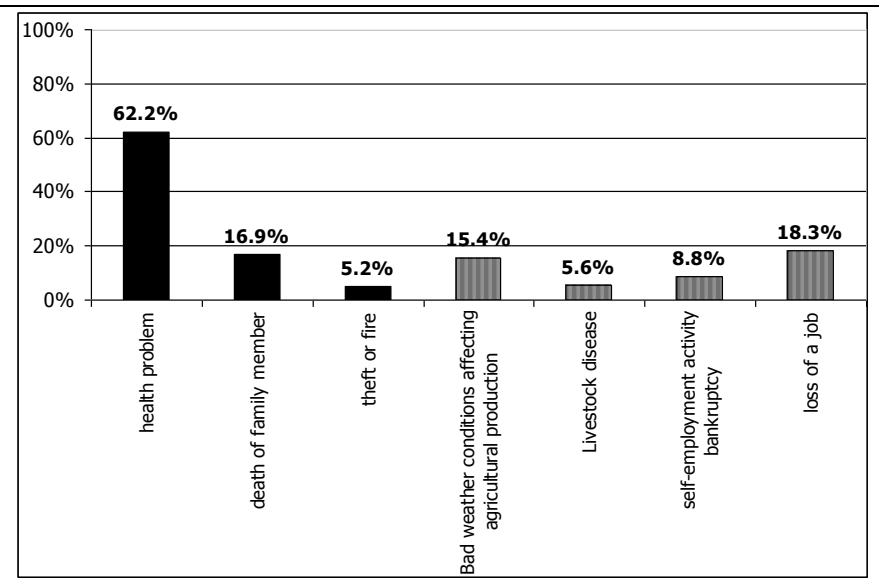
- Evaluate the needs and estimate the potential demand for microinsurance,
- Estimate effective demand and evaluate market preferences for microinsurance,
- Segment market for microinsurance in Georgia.

Needs for microinsurance

The survey confirmed the results of qualitative research that showed needs for microinsurance among poor and vulnerable households in Georgia are very high. The impact of risks on lower income groups is much more acute as they do not have access to good risk management strategies and very often, in a very reactive manner, have to borrow from many sources to face emergency expenses. Occurrence of stressful coping mechanisms that lead to further impoverishment proves a need for widening risk management options for the poor in order to reduce their vulnerability to risks. Moreover, there is a strong correlation between household over-indebtedness and impact of risks. This leads to a conclusion that household over-indebtedness might be explained to by reactive responses to risks.¹

The needs for microinsurance concern primarily coverage of basic healthcare costs, death of the main family breadwinner and to a certain extent, coverage of property loss. The most prevalent were health risks (figure A). Life risks affected 17% of all households. Property loss risks were relatively less widespread and related mostly to theft of household durables (4% of households). The most important risks, having highest impact on households, are minor health

Figure A: Share of households affected by different risks in the last 3 years



problems, which are also the most prevalent.² Quite prevalent and burdensome are emergency cases when there is a need to call an ambulance or obtain therapeutic treatment at the hospital. More complicated health problems are of the same importance for households as some of the property risks related to fire of business premises and theft of household durables. High importance of risks related to

¹ The risk is important if the family well-being and security is reduced significantly when the family has to generate necessary lump sum of money to cope with the risk. Considering both development and business imperatives it makes sense to develop micro-insurance products only for the most important risks faced by the poor. Different households are exposed to different risks depending on the environment in which they live and their livelihood strategies. Some risks are frequent and less severe (i.e. minor health problems), some are less frequent but when they strike they demand immediately a big lump sum of money to recover from them (i.e. fire of business premises). Any risk translates into financial pressure that a household needs to cope with. Some households have access to good risk management strategies (i.e. insurance), some of them use strategies that further impoverish them (i.e. selling household assets). Summing it up, impact of a risk is a function of exposure to the risk by a household, nature of the risk (frequency and severity), financial pressure and effectiveness of household risk management strategies.

² Even if a minor health risk is not associated with high financial pressure, they are the most frequent, and as qualitative research showed, Georgian households cannot rely on external help and have not yet developed effective risk management strategies. As a result poor households very often have to borrow from different sources to smooth their consumption. This causes a risk of over-indebtedness.

death of family members can be proved by the fact that 7% of households have lost their main breadwinner in the past 3 years.

These needs are much more accentuated in rural areas and in small towns, among lower income groups.

On the basis of the risk importance analysis, one can note the importance of coverage issues in designing health insurance. People will demand insurance to cover costs of minor health problems. On the other hand their high prevalence and frequency put at stake sustainable and affordable microinsurance schemes. From the business perspective coverage limited to major health problems leading to surgical treatment at the hospital seem to be the most attractive. However, demand for such a limited coverage is questionable. For property risks it seem to be easier to marry business and developmental objectives. Not so prevalent or frequent are risks related to structure fires or assets, and thus these constitute a good opportunity for an insurer.

Effective demand

Potential demand provides an objective overview of development and market opportunities. Effective demand is more subjective and is based on a clients willingness to buy. Among many factors that can influence the client's decision are: the extent to which the needs are felt; self-evaluation of capacities to pay; intra-household decision making processes; preferences for specific product features; knowledge; previous experience and attitude towards insurance; and trust in insurers. Because of this, it is hard to talk about effective demand in an abstract way. For the purpose of this analysis we have presented to respondents three generic microinsurance products (see the box below) in a level of detail allowing them to declare if they are willing to buy, and allowing us to analyze the decision making factors mentioned above.³

Box: Microinsurance product concepts tested (see more details in the main report)

Health microinsurance:

Coverage: health care costs of the policyholder, including all expenses related to emergency service and all expenses related to emergency hospitalization.

Benefit: includes amount of money to cover fully official and informal costs. Money is given in cash to the policyholder (or other family member) by an insurance agent at the hospital.

Claim processing: within 3 days all the benefits are transferred to the client (in cash).

Price: 4,80 GEL per month⁴

Life microinsurance:

Coverage: 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 3000 GEL. If the policy holder does not die the family receives nothing.

Claim processing: within one month all the benefits are transferred in cash to the family.

Price: the premium payment would be 3 GEL per person per month.

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 or 15 years) his/her family receives the amount saved and a fixed benefit of 3000 GEL. If the policyholder has not died he/she receives all his/her savings and interest earned on them.

Price: the premium payment 3 GEL per person per month and the fixed monthly savings at least 10 GEL.

³ The insurance concepts were on purpose designed and presented in a very general way. The goal was not to test preferences for specific attributes but rather analyze general perception of the given insurance types. That is why, parameters were set as favorably as possible for end-users, realistic market prices were set and the several pricing options were given. Last but not least, this can be called a 'theoretical' effective demand; if there is good marketing strategy and plan the effective demand might be much higher than presented below.

⁴ 1 USD = 1.9 GEL.

Property microinsurance:

Coverage: a loss or damage (due to theft/fire) of a productive or household asset(s) of the value in between 300 and 10 000 GEL.

Benefit: 70% of current market value of insured asset(s).

Claim processing: within one month all the benefits are transferred in cash to the Client

Price: 5.5% of the current value of the insured assets.

32% of households declared a willingness to buy the suggested health insurance product, 20% the life insurance product, and 16% the property insurance. However, very few declare that they will definitely buy it. On the other hand, almost half the population definitely rejected the products. 54% of those willing to buy life insurance product are interested in life insurance with an investment plan.

An analysis of profiles of households willing to buy leads to following conclusions:

- Willingness to buy varies for different products across the regions.
- There are virtually no differences by settlement type and income level, with the exception of slightly higher demand for health and property insurance among households from the highest income group.
- In general, less vulnerable people are more willing to buy.
- Salaried workers are more willing to buy insurance products than other groups. Self-employed are more interested in health products and life insurance linked to investment plans.
- Insurance knowledge and experience as well as trust in insurers are necessary prerequisites to declare willingness to buy insurance products. The health product is a good example, 70% of those who trust insurers are ready to equip their households in health insurance.
- In general, more active financial behaviour – either saving or borrowing – also make the purchase of insurance more likely.
- Interestingly, being an active saver now does not determine interests in life insurance with investment plan. But, trust in the insurer is a necessary condition to express interest in life with investment plan.

Challenges

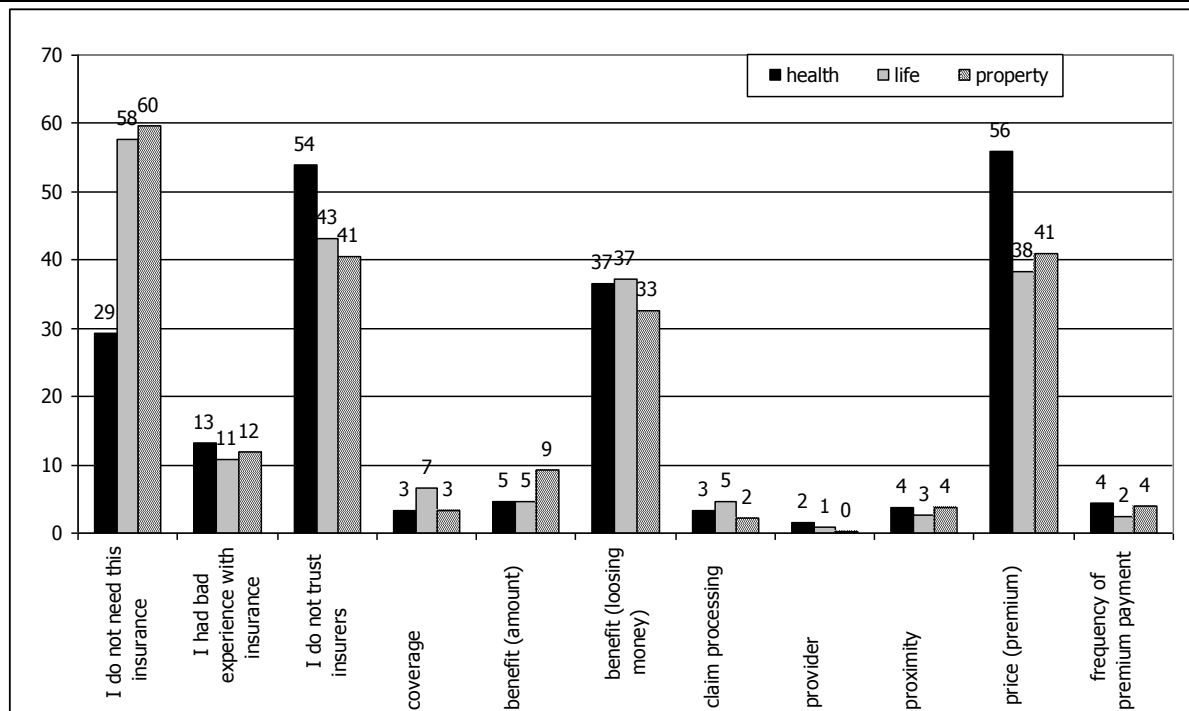
Lack of trust, limited capacity to pay, and lack of sufficient knowledge are the most important challenges for microinsurance delivery. These three factors were the most significant and determined household past, current and future behavior as shown in figures B and C.

<i>Figure B: Main reasons of not using insurance in the past.</i>	<i>%*</i>
never heard about insurance, does not have enough information	44.4
does not trust - insurers do not pay or can run away	36.2
is too expensive	31.6
does not know where to find or insurance agents are too far	20.9
does not need because can manage without or believes that nothing will happen	15.6
<i>* Percentage of households who mentioned given reason. Responses do not sum to 100% as multiple response was possible.</i>	

Knowledge

The knowledge gap can be an important factor in reducing demand for microinsurance. It is due to very limited exposure to insurance and a poor understanding of the insurance concept. Only 7.2% of households have had any voluntary insurance policy in the last 15 years. As expected insurance knowledge and use is much richer in big cities and among highest income group of households. It mirrors the differences in saving behavior and use of formal saving services.

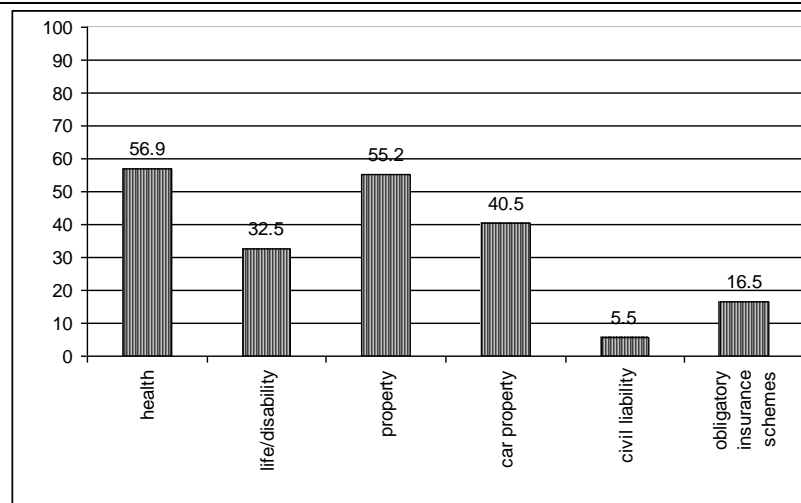
Figure C: Reasons of lack of willingness to buy suggested products.*



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

74.6% of respondents are able to mention at least one type of insurance service (figure D). The knowledge of insurers is lower compared to knowledge of types of insurance. 56.4% are able to mention the name of at least one insurance company operating in Georgia. However, depending on the product as many as 30-43% of respondents do not like the fact that they do not receive anything back if nothing happens (see also figure C as this is also one of the most important reasons of rejecting suggested product concepts). This shows very weak understanding of insurance concept.

Figure D: Knowledge of types of insurance.



Trust

Generally, a low level of trust undermines successful microinsurance delivery. From the sample, only 11.8% trust insurers. As many as 41.7% of households do not trust insurers. Distrust is slightly less pronounced than in the case of banks.⁵ But the majority of households are neutral (45.6%), which is due to limited knowledge and experience with insurance. It shows that trust in insurers is volatile. Any possible bad experience with insurance that might be easily spread by media or word of mouth can turn those neutral into distrustful, thus reducing the market size significantly. On the other hand, big number of neutral people is also an opportunity. This group would not reject a new product because of trust. If they have good first experience significant market opportunities would open up.

⁵ Additionally, trust in banks and insurers are closely correlated. It means that it is a general distrust in financial institutions.

Capacities to pay

Evidently, willingness to buy exceeds capacities to pay. There are many signs that capacities to pay might be one of the major factors reducing demand for microinsurance. It is not so much a question of level of income, but rather a question of how money is managed.

In terms of level of income we might quite safely assume that those households who live on the lowest incomes will have a very hard time paying for microinsurance. A big share of these households has virtually no surplus income nor participate in the cash economy at all. This is approximately one-fourth of the total population of Georgia. This is confirmed by the facts that 30% of households do not have any permanent source of income (wage employment, self-employment, agriculture) and nearly half of rural households live on self-subsistence agriculture. Richer regions – Tbilisi and Achara – have much higher potential in terms of payment capacity.

The analysis of financial behavior and money management makes the general picture much more pessimistic. There is a very limited saving culture in Georgia. Only 13% of households save, and most are those with the highest incomes. Among two middle income groups – that might be classified as poor and vulnerable non poor - only 8.5% of households save, and 15% of them are over indebted.⁶ It gives evidence about a very reactive money management system. It also reflects the attitude that if one is poor one cannot do financial planning as his/her resources are too scarce. This might be one of the main obstacles in microinsurance delivery as subjective capacities to buy insurance will be much under evaluated.

Moreover, market for microinsurance in Georgia is price sensitive. On the basis of the price sensitivity test, we can conclude that if the insurance premiums were decreased by 30% we would be able to add 10% of households to those effectively demanding microinsurance for each product. Households living in rural areas and small towns are much more price sensitive. Lower income households are more price sensitive for health insurance. But income level does not determine price sensitivity for life and property insurance. In general, those who borrow actively and do not save are much more price sensitive.

Market development projections

As hardly anyone uses insurance (and nobody uses microinsurance) it is hard to project future microinsurance market development based on historical trends. The access frontier approach proposed by David Porteous is useful in projecting the market development for microinsurance.⁷

Health insurance seems to have the biggest potential as 32% of the market is likely to be covered in short-term (figure E). Total market within the access frontier now (all segments) for health insurance can be estimated for 850 000 policies.⁸ Moreover, this market can be doubled in the medium-term. There is a big group that will probably need some redistribution policies to be included in the market. The natural

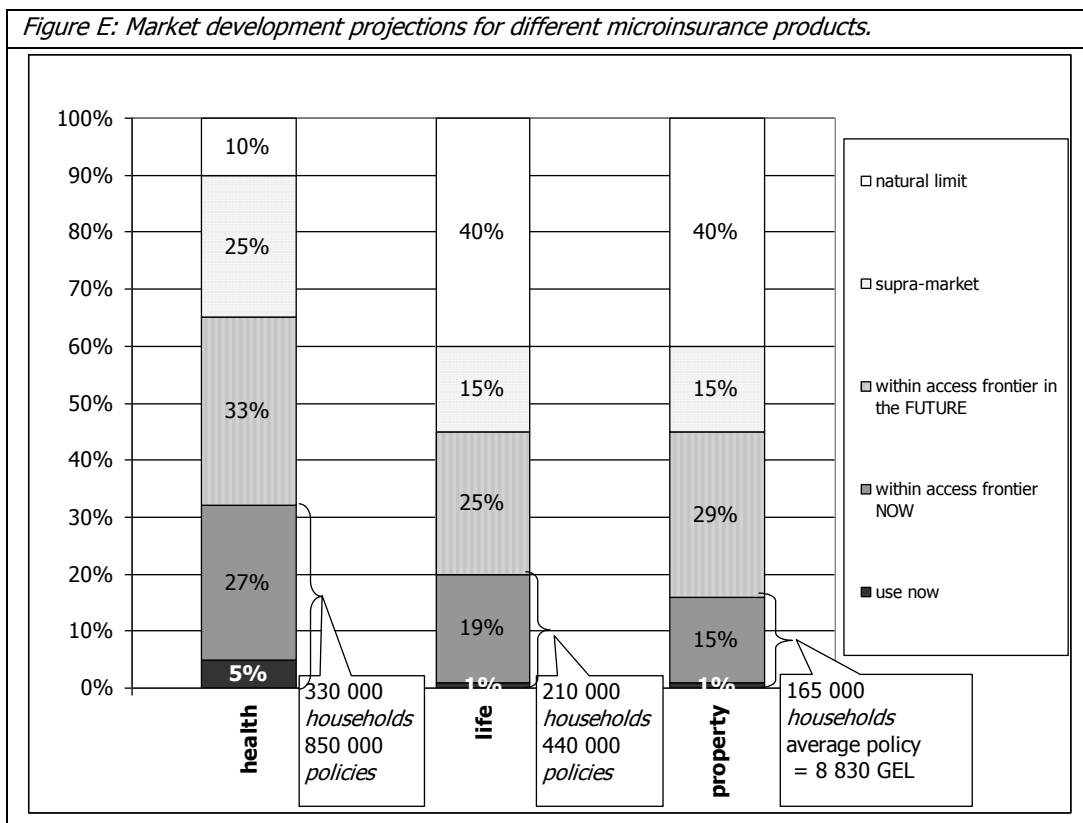
⁶ It is even more striking when we analyze saving behavior by vulnerability. Among those most vulnerable only 4% save, while among least vulnerable as many as 31% save. This is a very scary sign

⁷ As explained in *'The Access Frontier as a Tool in Making Markets Work for the Poor'* by David Porteous (April 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."

⁸ The market size projections for the group within access frontier are done on the basis of willingness to buy different products and number of households in total or on studied market segments. The projections are extrapolated to the total population of Georgia and to the specific sub-groups (market segments). These are market size projections considering current knowledge and attitude towards insurance without any specific marketing effort.

limit is projected in a very conservative way, as the needs for risk-management strategy for healthcare costs are extremely high.

Markets for life and property insurance are also prospective in short-term. They are estimated at 440 000 for life insurance (including 240 000 for life insurance with an investment plan); and 165 000 for property insurance (average value of the property insurance policy amounting to 8 830 GEL). However, they have less potential in terms of market development in medium-term due to significant natural limit. For life insurance it is about old age (30% of population) and negative attitudes towards the idea of insuring death of somebody abound. For property insurance, a large group of the society do not possess assets worth insuring. These natural limits should decrease in the more distant future as those old-aged would have their policies bought before and the development will contribute to building physical assets (and probably, unfortunately, higher levels of crime).



In terms of the market within the access frontier now, the biggest markets for health insurance are Tbilisi (23% of total market), Imereti and Kvemo Kartli; for life insurance - Tbilisi, Imereti and Samegrelo; for property insurance –Tbilisi, Imereti, Achara and Kakheti.

Given no significant differences in willingness to buy across different settlement types, the market within the access frontier now is the biggest for health and life insurance; big cities are the largest market for life insurance with investment plan and property insurance (due to the higher value of assets to be insured).

There are no huge differences in sizes of the market within access frontier now by income level.⁹ The highest income segment is still the biggest market size for health and property insurance. If the highest income segment is excluded (as it usually is not a target group for microinsurance) the 'traditional'

⁹ Given that the poverty incidence in Georgia is around 50%, the market was divided in four equal segments by income in the following way: group 1 (25% of the lowest incomes) as very poor, group 2 as poor, group 3 as vulnerable non-poor and group 4 as non-poor (25% of the highest income).

market size for health microinsurance is 607,000 policies; for life microinsurance – 342,000 policies; and for property insurance – 120,000 policies.

The size of the market within the access frontier now using the self-employed segment, is appropriate for the partner-agent microinsurance delivery model. It is 142,000 health policies, 65,000 life insurance policies (including 44,000 of life with investment plan) and 54,000 property policies.

Market segmentation and marketing

Market segmentation is fundamental to develop successful marketing strategies to reach those within access frontier now and in the future. Two types of segmentation have been proposed: 1) basic segmentation based on geography, settlement type and income level; and 2) more sophisticated segmentation based on financial behaviors that promise to inform better marketing strategies.

The most promising market segments¹⁰ in terms of geography are Imereti and Kvemo Kartli regions for health insurance, while Kakheti for property insurance. The needs are relatively high and market sizes are significant. As expected, the biggest business leverage is in Tbilisi and Achara. It would be unreasonable to lose these opportunities but one should remember that in relative terms these are not the areas where microinsurance is the most needed. However, Tbilisi is an exception as the total market is the biggest and in absolute terms, there are still many target beneficiaries there.

The rural market provides an excellent match of development and business objectives.

Effective demand is relatively high, though limited payment capacity is a big issue in rural areas. Additionally, identifying efficient delivery mechanisms in rural areas might be very problematic. Big cities provide an excellent business opportunity, while not necessarily for those in the biggest need.

As mentioned earlier, well-designed marketing strategies should help to reach those that are within the access frontier now and in the future. It is needless to say that a marketing strategy should be designed around three key challenges – knowledge, capacities to pay, and trust – and their importance for key basic segments. However, a drawback of the segmentation using geographic or/and demographic variables is a multitude of segments making it difficult to design a simple and comprehensive marketing strategy. It is clear from previous analyzes that current financial behavior and literacy is one of the key factors determining effective demand for insurance. We have made an attempt to segment the market by financial behavior and literacy in order to reduce the number of segments and add some psychographic and usage dimensions.¹¹

There are three segments that are more prospective than others: reactive borrowers, informal savers, and knowledgeable formal savers (see figure F). They cover 35-50% of the population, giving a significant market to start with. The common feature is that they are within the access frontier now and do not have a problem with trusting insurers. Reactive borrowers and informal savers fit very well the development objectives of microinsurance as their profile is relatively poorer. There is some gap in knowledge but it does not necessarily distract the people from seeing the value of microinsurance. Efficient microinsurance delivery mechanisms are an issue for these two groups as they use mostly informal financial services and reside in small towns and rural areas. Formal savers are much richer and are probably the most prospective segments in terms of profitability for those who serve them. They are also much easier to reach as insurance can be bundled with formal financial services. If one can cover all

¹⁰ Evaluation of the market segments is made on the basis of development needs, main challenges for delivery as identified in the report and business opportunities (effective demand and market size). As microinsurance intends to marry development and business the best match would be: high needs, low challenges and high business opportunities.

¹¹ A factor analysis was run on key financial behavior and literacy variables, which resulted in identifying five independent factors (groups) that have some potential to be used as bases for segmentation.

three segments there are some opportunities of cross-subsidizing to balance development and business objectives.

Figure F: Market segmentation by financial behavior and literacy.

	REACTIVE BORROWERS	INFORMAL SAVERS	KNOWLEGEABLE FORMAL SAVERS
<i>Approximate share in population</i>	20-25 %	10-15%	5-10%
<i>segment description</i>	<ul style="list-style-type: none"> ▪ Borrow extensively from all the sources but especially informal ones, mostly to manage risks. ▪ Some are over indebted. ▪ Very limited knowledge on insurance. ▪ No significant problem with trust in insurers. ▪ are price sensitive. 	<ul style="list-style-type: none"> ▪ Save regularly using informal services. ▪ Sometimes borrow from moneylenders; do not have access to banks. ▪ Used insurance before, but know few insurers and not so much on insurance services. 	<ul style="list-style-type: none"> ▪ Save regularly; have a bank account; trust banks. ▪ borrow from banks if they must ▪ Know a lot about insurance; have used it before; trust insurers or at least are neutral.
<i>suggested marketing strategy</i>	<ul style="list-style-type: none"> ▪ needs emphasis on benefits of insurance as risk management strategy compared to long-term effects of excessive borrowing; ▪ very basic introduction to insurance is needed; ▪ careful pricing. 	<ul style="list-style-type: none"> ▪ emphasis on contribution of insurance to securing long-term savings; ▪ benefits for saving/insuring at formal institutions. 	<ul style="list-style-type: none"> ▪ easy to sell bundled with saving products; ▪ emphasis on contribution of insurance to securing hard work done on saving; ▪ sophisticated product information.
<i>anticipated costs of marketing</i>	medium	medium	low
<i>segment profile</i>	<ul style="list-style-type: none"> ▪ lower income ▪ rural and small towns ▪ lower education ▪ more vulnerable ▪ income from self-employment or agriculture 	<ul style="list-style-type: none"> ▪ rural and small towns 	<ul style="list-style-type: none"> ▪ highest income ▪ big cities ▪ at least secondary education ▪ younger than 40 years old ▪ least vulnerable ▪ salaried workers, self-employed and receiving remittances
<i>current effective demand</i>	medium to high	medium	medium to high

Conclusions

The survey confirmed results of the qualitative research that needs for microinsurance among poor and vulnerable households in Georgia are very high. These needs are much more accentuated among the lower income groups in rural areas and in small towns.

Given that microinsurance is an unknown service for majority of Georgians, the effective demand declared by interviewed households is substantial. The market development projections show that the market for all three microinsurance products (health, life, property) is prospective in short-term. The health microinsurance market has also a big potential to be doubled in the medium-term.

The demand analysis provides many interesting insights regarding market segmentation. In terms of geography, there are some regions like Imereti, Kvemo Kartli and Kakheti where the development needs

are very high and markets are sizeable. Tbilisi is of course a market in itself, where in absolute terms there are many people in need of microinsurance. Surprisingly, rural markets are also very substantial. Rural households also have a substantial need for more risk-management options as they not only have a very limited menu of strategies to draw from but are also the most vulnerable due to combined effects of health and weather-related agricultural risks.

Capacities to pay for microinsurance are much lower among the groups in the biggest need. It does not concern only income levels but also poor money management practices undermining any possibility to benefit from microinsurance. There is a scope for redistribution policies on the microinsurance market as the needs are very high and one-fourth of the population might face significant problems in paying for microinsurance. There is less sense for government intervention on life and property microinsurance markets.

On the other hand, it is surprising that income levels do not discriminate household willingness to buy. It points to the fact that among lowest income groups willingness to buy is much higher than capacities to pay. It proves that if a household with scarce resources sees value in microinsurance product it will manage its resources in a way to be able to pay for it. So encouraging people to buy microinsurance should be about showing value to end-users and giving them tools to manage their money more successfully.

Showing value should be also about building knowledge and skills to use microinsurance effectively. The knowledge gap occurred to be more significant than expected. The general knowledge is quite impressive – people are able to mention insurance types and know quite well existing insurers. But if we go more in-depth we suddenly discover that they do not fully understand insurance concept.

Distrust is a big issue at first glance. Almost half of the sampled population declares that they do not trust insurers. It is a wider problem of lack of trust in financial institutions during difficult transition from planned to market economy. In the case of insurance, it is based on secondary information rather than on one's own experience. On the other hand, there are some prospective segments that are not discouraged by general distrust. To conclude, the lack of trust should not undermine the start of well-targeted microinsurance development in Georgia. If safety and high quality services are provided to end-users the good news will spread fast, and should easily change attitudes of a big group of those who are neutral, and hopefully those distrustful as well. However, upfront investment in insurance sector stability, product design and delivery channels is needed as bad news spreads even faster.

Marketing is crucial for the success of microinsurance in Georgia as the effective demand contrasted with enormous needs is still small. If marketing addresses major challenges identified on specific segments it will speed up significantly the market development. The three prospective segments identified using financial behavior criterion provide a good and cost-effective start. Microinsurance providers should combine their strategic marketing plans with specificities of the three segments, develop specific marketing strategies and carefully test their operationalization. The well-designed marketing strategies can help microinsurance in realizing its development goal – encouraging poor households to use more effective risk management strategies.

1. Introduction

This research has been funded by Microinsurance Centre and KfW and is an integral part of feasibility study to identify opportunities for microinsurance development in Georgia. This report presents findings of household survey run on representative sample for eight regions in Georgia that was conducted in March 2005. It builds directly on qualitative exploratory research that was conducted in January 2004 and allowed to understand better importance of insurable risks, low income household risk-management strategies and general attitude towards insurance.¹²

In the next section study objectives and methodology are presented. Section 3 and 4 give necessary background on households and their financial behavior. Section 5 provides a general introduction into knowledge and attitude towards insurance. Section 6 discusses potential demand in terms of importance of risks and capacities to buy. Section 7 evaluates effective demand based on test of three generic microinsurance concepts. Section 8 calculates market sizes based on effective demand figures. Section 9 goes more in-depth regarding market segmentation and presents some ideas for marketing strategies. Some general conclusions follow in the last section.

The study was conducted in cooperation with IPM¹³ - Georgian research firm. The author would like to acknowledge very valuable input from Nana Morbedadze – IPM’s project manager – who helped to adapt the study to local context, solved all the data collection problems and ensured very high data quality. Additionally, the author would like to thank Michael J. McCord and Constantin Tsereteli for their very important help in designing product concepts.

¹² Matul M. (2004) Understanding demand for microinsurance in Georgia, unpublished MFC report submitted to Microinsurance Centre.

¹³ Institute for Polling and Marketing (IPM) is one of the biggest and widely recognized research firm in Georgia. For more information see www.ipm.ge.

2. Study objectives and methodology

2.1. Study objectives

The study objectives are presented in figure 2-1 together with an outline of conceptual framework.

Figure 2-1: Study objectives.

Study objectives	Details
1. Evaluate needs and estimate potential demand for micro-insurance	The needs for micro-insurance are a function of exposure and impact of a risk on a given household. The analysis is limited mostly to insurable risks. Potential demand is a function of the needs and capacities to pay.
2. Estimate effective demand and evaluate market preferences for micro-insurance	For many reasons potential demand for micro-insurance is not manifested fully (the latent needs due to low financial literacy, lack of trust, negative attitude, etc.). That is why, the concept test for specific micro-insurance products (selected generic concepts of health, life, property insurance products) has been conducted.
3. Segment market for micro-insurance in Georgia	The following information has been collected for segmentation purposes: context, household composition and demographics, income level, household vulnerability based on level of household assets, household economic activities, financial literacy, behavior and experience with insurance.

2.2. Methodology¹⁴

A quantitative study was conducted as statistical analysis was necessary to reach the objectives and quantify some results of the qualitative research that has been conducted before on risks, risk management strategies and attitude towards insurance.

IPM, professional Georgian research firm, was hired to collect the data. The draft design and tool were prepared by MFC and then further fine tuned with the research firm. MFC has analyzed the data.

The survey was conducted in 8 regions of Georgia. Tbilisi was considered as a separate region. Two smallest and most remote regions (Guria and Racha) were excluded from the sample to facilitate data collection. The basic assumption is that there is virtually no infrastructure in these regions to deliver microinsurance services in the near future. Thus, exclusion of the two regions do not change much country-level results.

Multistage cluster sampling has been applied for the survey. Database of 2002 census tracts was used as a sampling frame. Three strata have been identified: large cities, towns, and rural settlements. The random walk technique was used to identify households. Household heads were interviewed. The interviewers had to make three call backs to reach the right respondent.

For several reasons it was decided not to limit the research only to typical microinsurance market being those households living in between 50 to 150% of the poverty line. Firstly, the screening would make the data collection difficult. Secondly, the national poverty data is not sufficiently reliable to use as a benchmark for extrapolation of results. Thirdly, given the income level distribution, 70% of population

¹⁴ For more information on methodological issues refer to annex 1.

falls into target market for microinsurance. Fourthly, the Georgian consumer insurance market is virtually not developed and even richer households have very limited insurance experience. This makes the comparison between poor and better off households interesting and can shed more light on 'traditional' microinsurance market. That is why, it was decided to survey all Georgians, irrespective of their poverty level.

Total sample size was 1000 interviews. Interviews were distributed to the three strata according to settlement type. A quota was set for rural areas – 250 interviews. 750 interviews were distributed between large cities (600) and towns (150) proportionally to total population residence shares. For the analysis the data was weighted according to strata in order to obtain the same proportions as in total population, thereby allowing direct extrapolation from the survey to the entire population of households in Georgia.¹⁵

All the statistics presented are already extrapolated to the total population. For two- and multi-dimensional analyzes only statistically significant relationships are presented at significance level 0.05.

A structured questionnaire was administered face-to-face. It was pre-tested and further improved prior to the main data collection. The questionnaire can be found in annex 2.

Most of the demographic variable distributions mirror that found in other studies and the field control has not discovered any important data collection failures. Minor problems were encountered as highlighted in annex 1. The high data quality was achieved thanks to significant investment in preparation and design, various fieldwork quality controls and professionalism of IPM.¹⁶

¹⁵ The distribution of interviews among the regions was done in a way that after the weighting the regional distributions in the data mirror the distribution of the total population among the regions. This has enabled aggregate analyses at the country level as well as comparisons between the regions to be reliable.

¹⁶ As expected collection of the income data was the most difficult. Depending on the income source 10 to 25% respondents refused to report level of income. However, this problem was solved through replacing the missing values by median incomes for each income source taking into consideration household asset base and settlement type. That way, we avoided to overestimate the incomes for poorer households in rural areas, and underestimate incomes for richer households in urban areas. This enabled to use the entire sample for all analyzes using income variable.

3. Background information on households

3.1. Household demographics

General, well-known characteristics of Georgian population are reflected in information on households demographics (figure 3-1). Most of the population lives in big cities or in rural areas, with a little share living in secondary towns. It is due to polarization of urban area development around capital city and some regional capitals. Most of the population has at least secondary education, and almost one third graduated from university. Nuclear families are the most prevalent and the average household size is 3.9 persons.

3.2. Income sources and level

Almost half of households have a permanent salaried income source. 14% reports earning their living from self-employment activities. It is worth to note that mostly middle aged individuals are self-employed (20% among those aged 41-60). Almost half of households reside in rural areas, most of them cultivate land or breed cattle but only 23% report generating any income from agricultural activities. This leads to a conclusion

Figure 3-1: Household demographics

<i>Demographics</i>	<i>Categories</i>	<i>%</i>
Settlement type	Big city	44.0
	Town	11.0
	Rural area	45.0
Gender	male household heads	57.0
Marital status (household head)	Single	7.8
	Married	72.0
	Separated / divorced	3.6
	Widow(er)	16.6
Education grade completed (household head)	none	0.5
	primary	4.9
	secondary	35.9
	vocational (technical)	21.5
	incomplete higher	6.1
	higher (university, PhD)	31.1
Age (maximum age of household head and spouse)	less than 40	25.4
	41 to 60	47.4
	more than 60	27.1
Disability	% of households with disabled adults	13.4
Household composition	single headed household	32.4
	household with children	71.5
	households with parents	24.1
	households with 3 generations	16.2
Household size	1	8.6
	2	14.9
	3	18.0
	4	22.6
	5	17.8
	more than 5	18.0

Figure 3-2: Share of households receiving income from different sources

<i>income sources</i>	<i>%</i>
permanent job	43.8
temporary small jobs	13.0
self-employment	14.2
<i>trade</i>	10.2
<i>services</i>	2.8
<i>production</i>	1.4
agriculture	22.8
<i>land</i>	4.9
<i>livestock</i>	20.8
pension	50.2
social benefits	18.5
remittances	11.6
<i>external</i>	7.3
<i>internal</i>	5.1
Most common combinations:	
<i>salaried only</i>	16.8
<i>self-employment only</i>	5.0
<i>agriculture only</i>	7.1
<i>social benefits or pension only</i>	14.4
<i>salaried and self-employment or agriculture</i>	10.3
<i>no wage employment, self-employment or agriculture</i>	29.4

that self-subsistence agriculture concerns nearly half of the population in rural areas.

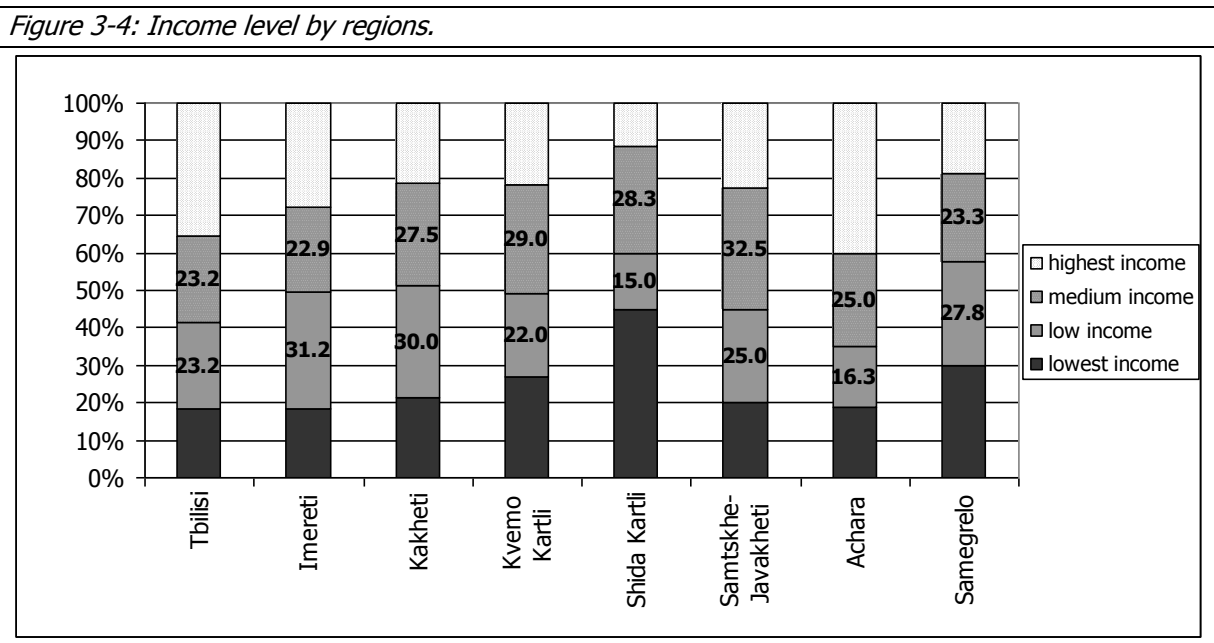
An analysis of most common combinations of different income sources reveal that households have very diversified strategies and try not to rely on one source of income. Only 17% rely only on salaried work. This is in line with the fact that large number of the salaried workers work for the state agencies or enterprises where remuneration is very low and quite often paid in an irregular manner. As many as 30% of households do not have any permanent source of income (wage employment, self-employment, agriculture).

As households with self-employment activities are particularly important for feasibility of microinsurance delivery through partner-agent model combining insurers and microenterprise lenders regional distribution of self-employed activities is provided in the figure 3-3. In absolute figures four regions provide regional markets bigger than 100 thousand households: Tbilisi, Shida Kartli, Imereti and Samegrelo. The two regions excluded from the sample should provide even smaller potential than Samtskhe-Javakheti.

Figure 3-3: Regional distribution of households who receive income from self-employment activities.

	Tbilisi	Imereti	Kakheti	Kvemo Kartli	Shida Kartli	Samtskhe-Javakheti	Achara	Samegrelo
Income from self-employment activities (%)	12.1	16.5	20.0	15.0	28.3	2.5	12.5	22.2
Number of households	130,940	115,239	81,436	74,630	124,520	5,190	47,002	103,578

Average yearly household income per capita¹⁷ is 644 GEL¹⁸ and 50% of households have the yearly income per capita lower than 410 GEL.¹⁹ The highest incomes are among those living in Tbilisi and Achara (figure 3-4).

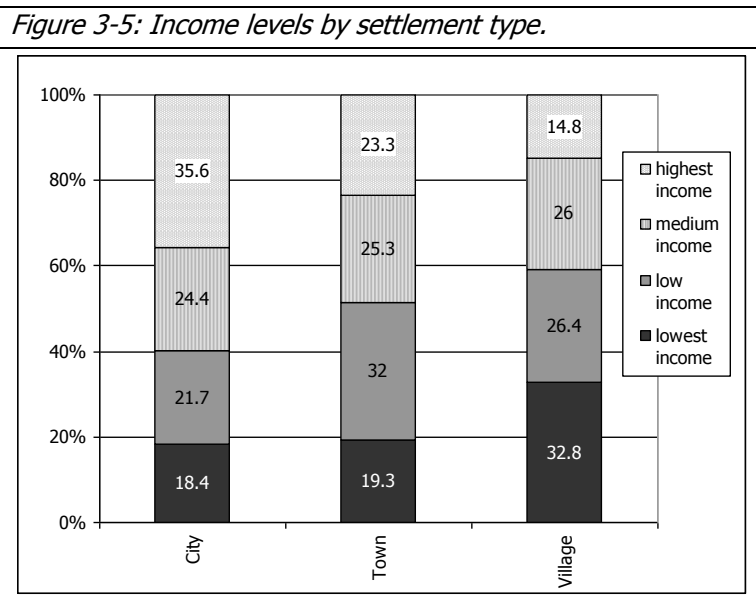


Higher incomes are at the disposal of households living in big cities (figure 3-5) and when household head is male, has higher education, or is younger.

¹⁷ Equivalence scales were used to calculate income per capita: 1 = adult, 0.7 = child.

¹⁸ 1 USD = 1.9 GEL.

¹⁹ The income descriptive statistics are much lower than those reported by State Department of Statistics. According to their 2002 survey, the median income is around 1440 GEL (compared to 410 GEL in our study). This might be due to methodological differences. However, the difference is big enough to conclude that in our study the respondents underreported their incomes. It means that the income level loses its absolute measurement value. However, it still keeps its relative value because it is safe to assume that most of the respondents were underreporting. Therefore, we can still compare households by income level category. It is enough for our further analyzes where four equal groups by income level will be used. Given that the poverty incidence in Georgia is around 50% we can define in broad terms the group 1 (25% of the lowest incomes) as very poor, group 2 as poor, group 3 as vulnerable non-poor and group 4 as non-poor (25% of the highest income).



3.3. Household assets and vulnerability

Vulnerability can be defined as ability of a household to manage various risks. Vulnerability is key to define household needs for microinsurance from a development point of view.²⁰ Those who are vulnerable to risks need badly insurance services to enrich their risk-management strategies. Vulnerability is hard to measure, especially when longitudinal data is not available.²¹ For this study we have made an attempt to define vulnerability using a household assets approach. Main assumption is that the ability to manage risks is a function of a mix and level of household assets:

- *financial assets:* cash, savings, loans and gifts, regular remittances or pensions, and other financial instruments;
- *physical assets:* housing, buildings and land, and improvements to these, land, consumer durables such as household appliances, shoes, clothing, and vehicles, and productive assets, including fixed-enterprise assets;
- *human assets:* skills and knowledge, ability to labour, good health, self-esteem, bargaining power, autonomy, and control over decisions; and
- *social assets:* networks, group memberships, relationships of trust, access to wider institutions of society, and freedom from violence.²²

For the sake of analysis of vulnerability household asset index was created.²³ Drawing on statistically significant relationships between demographic variables and the household index the household vulnerability profile is presented in the figure 3-6.

²⁰ Sebstad, J., M. Cohen (2000), *Microfinance, Risk Management, and Poverty*. AIMS Paper. Washington, D.C.: Management Systems International.

²¹ Hoddinott J., A. Quisumbing (2003) *Methods for microeconomic risk and vulnerability assessments*, Social Protection Discussion paper n 324, Social Protection Unit, Human Development Network, World Bank.

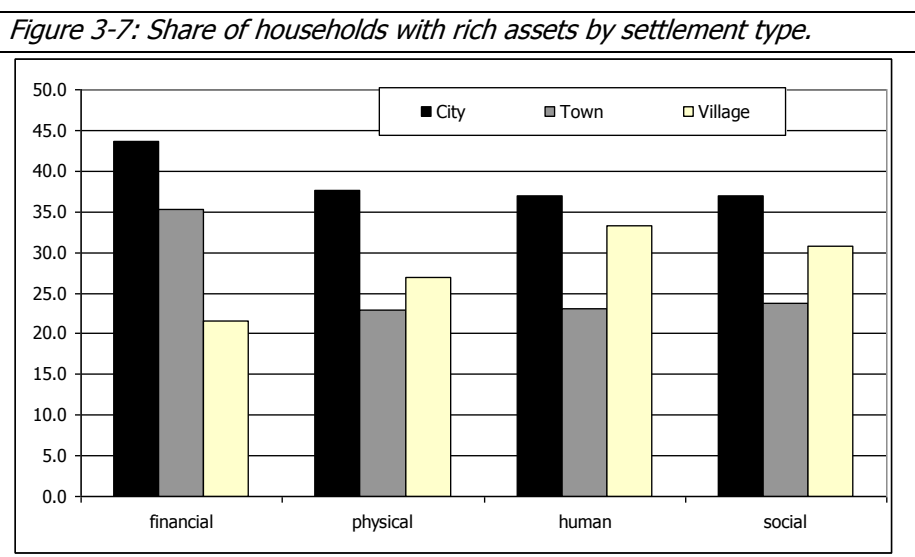
²² The framework is drawn from Sebstad and Cohen 2000.

²³ The household asset index is combination of four indexes describing physical, financial, human and social assets. Equal weights are given to all four asset categories. The four indexes (and consequently the main index) are constructed to allow relative comparisons between households – households are divided into those having rich, average and poor ownership of assets. Each of four indexes is constructed using simple scoring model – for different variables household get points on a scale 0-1 or 0-1-2. The variables used for the index construction are: physical assets – housing (ownership and condition of living place) and ownership of color TV, stereo CD player, refrigerator, motorcycle, car, tractor; human assets – education level, improved work abilities in the last 3 years, disable adults, age of household head; social assets – number of people from whom the household can borrow 10, 100, 1000 GEL for one month without interest; financial assets – income level.

Figure 3-6: Vulnerability profile.

More likely to be vulnerable	Less likely to be vulnerable
<ul style="list-style-type: none"> ▪ Living in Samegrelo region ▪ Living in small towns and rural areas ▪ Being separated, divorced or widowed ▪ Having primary education only ▪ More than 60 years old²⁴ ▪ Households with at least one disabled adult ▪ Lower income 	<ul style="list-style-type: none"> ▪ Living in Tbilisi and in Achara region ▪ Living in big cities ▪ Living in the same household with household head (or spouse) parents ▪ Single households ▪ Having higher education ▪ Less than 40 years old ▪ Higher income

Georgian example confirms typical situation in the context of transition from planned to market economy, where small towns inhabitants seem to be more vulnerable than those living in bigger cities and rural areas. Small towns are usually inhabited by ex-workers of closed down factories; mostly with vocational education. As shown in the figure 3-7 even if small town dwellers generate more income than those living in rural areas their human (and social) assets are much lower.²⁵



²⁴ Older people are more vulnerable probably due to inefficiencies of the welfare system inherited from soviet times.

²⁵ It is about breadth and quality of social networks. In big cities the quality is the highest – rich friends and relatives. In rural areas the breadth is the highest – lots of friends and relatives but not necessarily rich. The small towns are lower in both categories.

4. Financial behavior

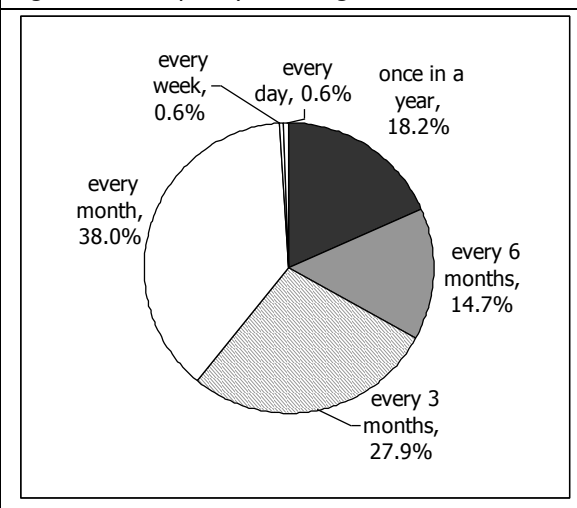
Current financial behavior is crucial to study demand for microinsurance as it gives a lot of insights regarding both needs and capacities to pay for microinsurance.

4.1. Saving

As in other post-communist settings saving behavior is limited in Georgia. Only in 12.8% of households there is somebody who puts from time to time some money aside.²⁶ Only 3,5% reports savings higher than 400 GEL per household per year.

The figure 4-1 shows that there is no habit to save in a systematic way. Around 60% of those who save do it in an ad-hoc manner. As saving is more popular amongst salaried workers as many as 38% of households who save try to save some money from their regular monthly earnings. Lastly, almost nobody saves in a weekly or daily mode. It means that nobody tries to cut daily or weekly expenses and puts some money aside for future expenses. Even without any data from Africa, Asia and Latin America one can observe that in most of poor countries on these continents most of the people will be saving on daily/weekly basis using for that a wide range of informal saving mechanisms (i.e. ROSCAs). Given some studies in other parts of Eastern Europe one can conclude that this lack of saving behavior is linked rather to low financial literacy and poor money management skills and not only to low level of incomes.²⁷

Figure 4-1: Frequency of saving



In only 4.4% of households there is a person who has or has had in the last 5 years any bank account. In richer regions of Tbilisi and Achara the incidence of households having a bank account is the highest (7-8%); in other regions hardly anyone uses bank saving or payment services. Only 1.7% of households report that they have saved actively and voluntarily at bank during the last 5 years.

48.5% of the total population do not trust banks, 30.1% trust and the rest is neutral. Interestingly, in the regions where people use to lesser extent bank services (bank account) more people are neutral. It might be due to their limited exposure to bank services in the past.

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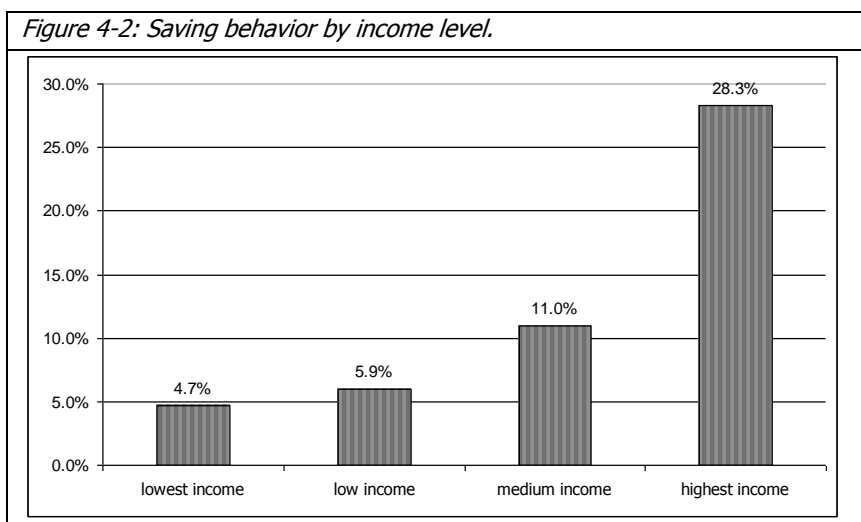
Saving behavior, use of formal saving services and trust in banks are very closely positively correlated. That is why profiles of households for the all three aspects can be combined. As it is outlined in the figure 4-2 income level discriminates very well the saving behavior (and in the same way using formal saving services and trusting banks). Saving is much more popular among the highest income households compared to all three lower groups. It is even more striking when we analyze saving behavior by vulnerability. Among those most vulnerable only 4% save, while among least vulnerable as many as 31% save. This is a very scary sign.

Surprisingly, there are no differences in saving behavior by gender and settlement type. The only exception is that, as formal saving services are more available in big cities than in rural areas, in big cities more people use bank services and trust banks more. Additionally, the saving behavior, use of saving service and trust in banks are more popular among those having at least secondary education, being younger than 40 years old, having income from permanent wage employment. Those who have

²⁶ Achara is the only exception as 26% of households save, while in Samegrelo it is only 4% of households.

²⁷ Matul M., K. Pawlak, J. Falkowski (2004) Needs for Financial Education in Poland, unpublished MFC research report.

self-employment activities or receive remittances save more often than other groups. However, it does not translate into using bank account or more trust in banks.



4.2. Borrowing

57% of households have taken at least one credit in the last 3 years. They used mostly one credit source. The most popular source was a loan from relatives and friends (53%). 41% of those who borrowed some money from any source have had 5 or more loans in the past 3 years.

The figure 4-3 outlines profiles of borrowers for the sources under investigation. The location is key variable determining types of credit sources used. Informal sources are more popular in rural areas and small towns that is probably linked to higher vulnerability (needs for short-term emergency credit) and lower access to formal services. Borrowing from relatives and friends is more widespread among poor and vulnerable. Interestingly, income does not discriminate the use of moneylenders, microfinance institutions and banks. It confirms some of the results of qualitative research that even richer individuals can take a loan from moneylender to smooth their consumption. Additionally, bank pawn loans are accessible to most of the people, however, at the same time the access to banks is limited by regular income sources from salaried or self-employment work.

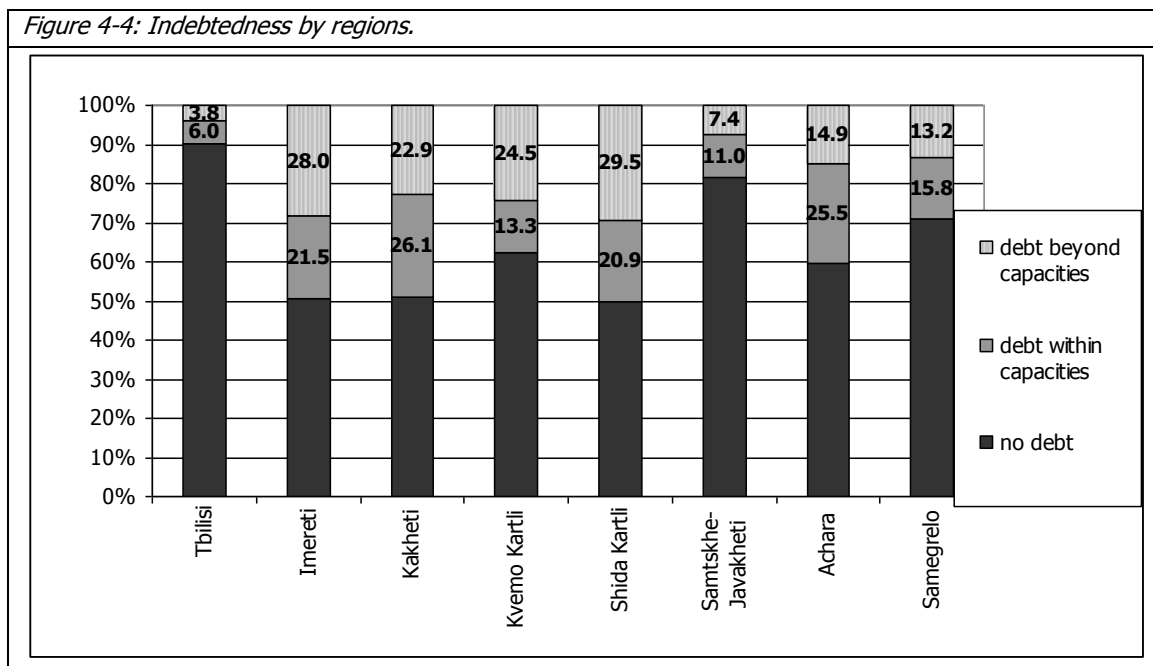
Figure 4-3: Borrowers profiles by credit sources

<i>Relatives and friends</i>	<i>Moneylenders</i>	<i>Microfinance institutions</i>	<i>Banks</i>
53.1%	8.5%	0.7% ²⁸	8%
<ul style="list-style-type: none"> ▪ Rural (68%) and small towns ▪ Primary, secondary or vocational education ▪ Lowest, low and medium income ▪ Most vulnerable and averagely vulnerable ▪ Agriculture 	<ul style="list-style-type: none"> ▪ Rural and small towns 	<ul style="list-style-type: none"> ▪ Small towns ▪ Self-employment activities 	<ul style="list-style-type: none"> ▪ Younger ▪ Married ▪ Bigger families ▪ Rich physical and rich social household assets ▪ Permanent Job ▪ Self-employment

²⁸ The low incidence of using microfinance institutions (MFIs) in the sample is understandable. A study by Gary Woller on demand for microfinance among micro-enterprises found that only 2.3% of microenterprises had used microfinance institutions in the last 12 months. Even if the MFIs reach now around 50-60 thousand clients (reaching 5-6% of households in Georgia) the microfinance operations are concentrated in selected regions and mostly in bigger cities. The sample size is too small, even if weighted for regions and settlement types, to counter such big diversity. The coverage of those using MFI services is too small to use them as a unit of analysis.

35% of households is repaying any credit now. Half of them have more than one credit and for half of them their debt can be classified as beyond capacities.²⁹ As household indebtedness is correlated very closely with scope of borrowing (number of sources used and number of loans taken) the profiles are analyzed using the indebtedness indicator.

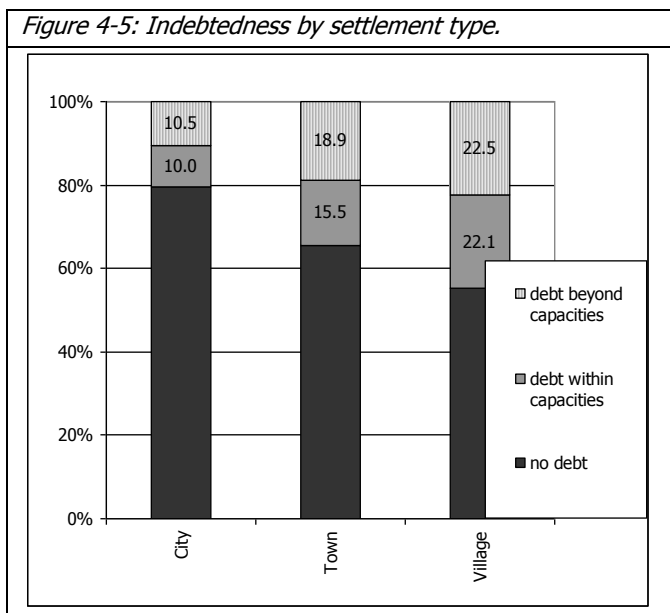
Shida Kartli, Imereti, Kvemo Kartli and Kakheti – are regions more affected by over indebtedness.



Those residing in rural areas and small towns are significantly more indebted than others (figure 4-5). The low-income households are much more over indebted than better off households (figure 4-6).³⁰

Additionally the likelihood of being more indebted increases if household:

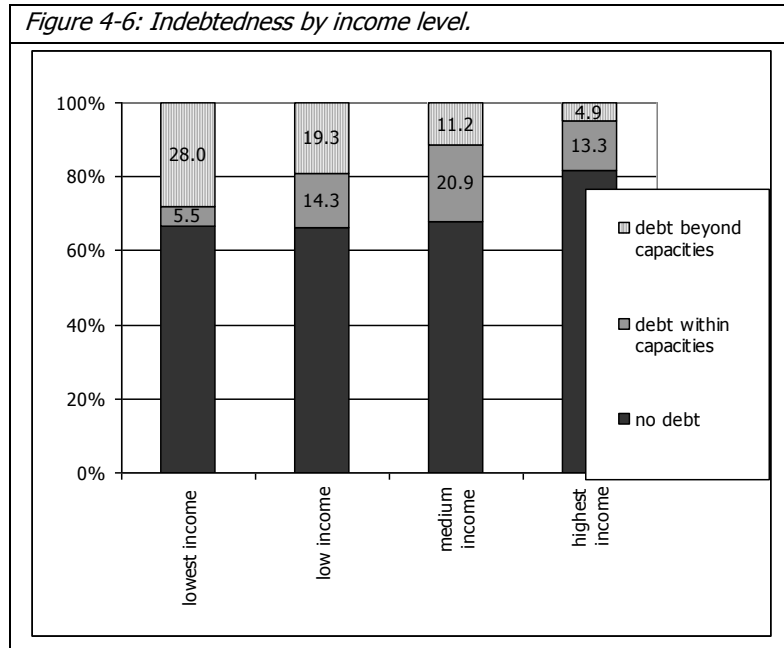
- members are poorly educated,
- has income from self-employment (20%),
- has income from agriculture (23%),
- has either one member or is a big family,
- has children.



²⁹ Ratio debt to yearly household income more than 25%.

³⁰ The differences are statistically significant even if we control for settlement type, e.g. when we take only those who live in small towns, those among them who live on low incomes are more over indebted.

Figure 4-6: Indebtedness by income level.



Last but not least, excessive borrowing behaviour of a household and over indebtedness are closely correlated with exposure to risks and impact of the risks on a household (see section 6.1). It confirms findings from the qualitative research that most of poorer households do not have access to effective risk-management strategies and very often, in a very reactive manner, have to borrow from many sources to face emergency expenses.

5. Insurance – knowledge, use and attitude

5.1. Knowledge and use

74.6% of respondents are able to mention at least one type of insurance service (figure 5-1). 41.4% are able to mention more than two types. The most known insurance products are health and property. Surprisingly, as many as 32.5% of respondents mention life insurance product, that was virtually unknown during soviet times and is available to the limited extent nowadays.

Figure 5-1: Knowledge of types of insurance.

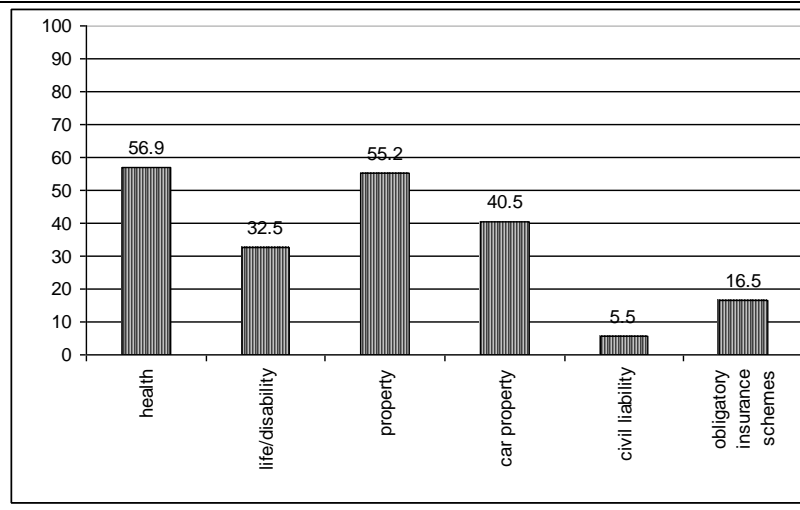
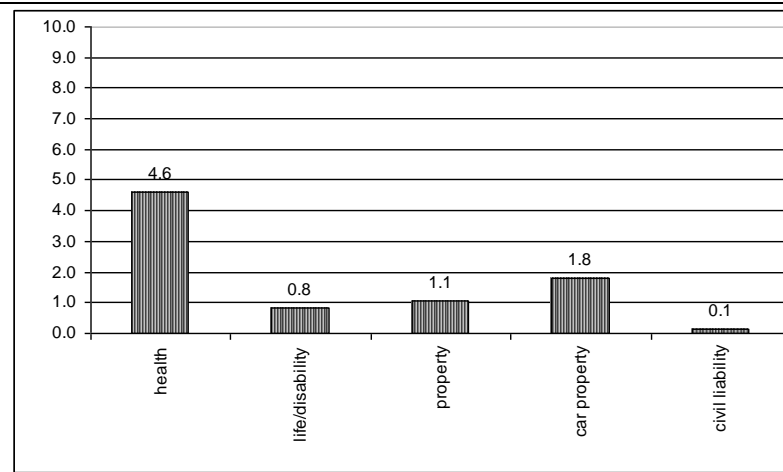


Figure 5-2: Use of insurance in the last 15 years.



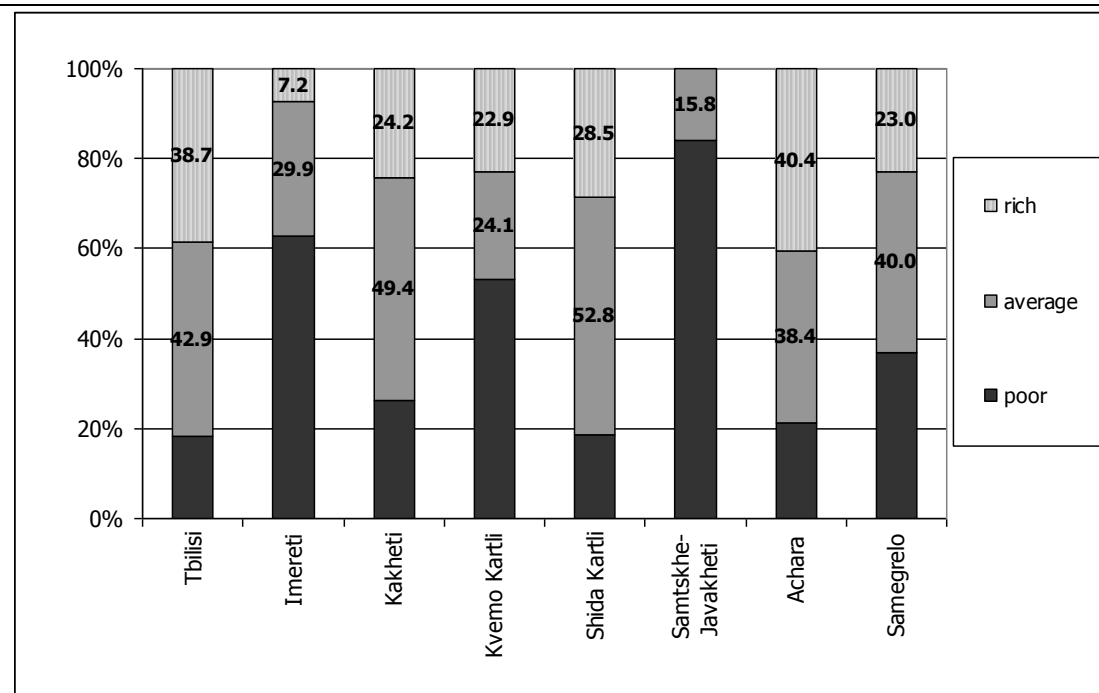
The knowledge of insurers is lower compared to knowledge of types of insurance. 56.4% is able to mention at least one name of insurance company operating in Georgia. 32.2% is able to mention more than one name.

As expected only 7.2% of households have had any voluntary insurance policy in the last 15 years (figure 5-2). Half of those had used health insurance.

As knowledge of types of insurance, knowledge of insurers and use of insurance are very closely correlated, and index was created and the total population was divided into 3 equal groups by insurance knowledge and use (poor, average, rich).

The regionalization of insurance knowledge and use (based on the index) is much sharper than in the case of financial behavior (section 4). However, there are some similarities with saving behavior and use of formal saving services. Tbilisi and Achara are characterized by much higher knowledge and use and are followed by Kakheti, Shida Kartli and Samegrelo (figure 5-3).

Figure 5-3: Insurance knowledge and use by region (based on the index).



As expected insurance knowledge and use is much richer in big cities (figure 5-4) and among highest income group of households (figure 5-5). It mirrors the differences in saving behavior and use of saving services. This is proved by the fact that among those who save 46% have rich insurance knowledge and use; and among those who have banks account as many as 70%. Once again, the differences are even more visible if we take into account household vulnerability. Only the least vulnerable households know or has had any experience with insurance.

Figure 5-4: Insurance knowledge and use by settlement type (based on the index).

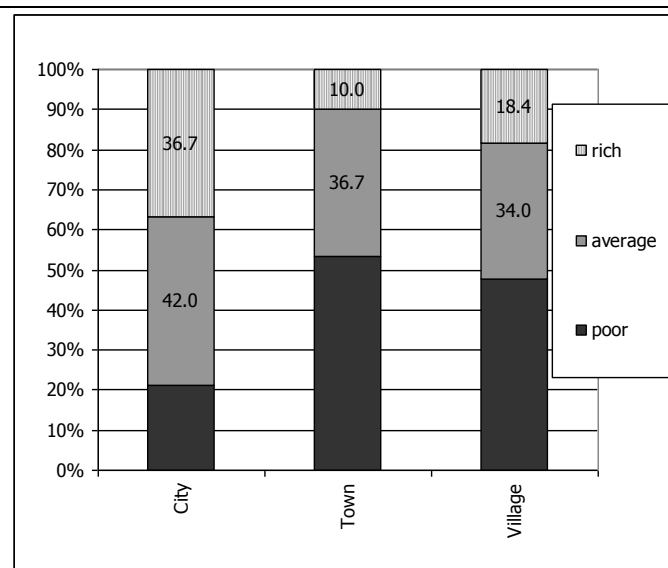
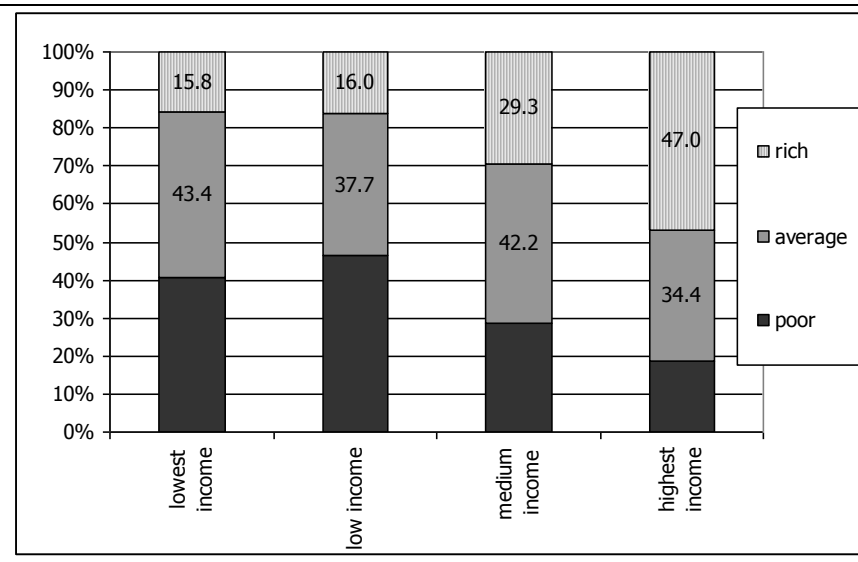


Figure 5-5: Insurance knowledge and use by income level (based on the index).



Additionally, those who know more / have used more are more likely to be found among:

- men,
- highly educated,
- young and middle aged,
- salaried (40% have rich experience and knowledge),
- self-employed (33%).

5.2. Attitude towards insurance and trust in insurers

Lack of sufficient knowledge, lack of trust and belief that the insurance is too expensive are the most important factors why people have not used insurance services in the past (figure 5-6). Only 16% reject insurance concept by saying that they can manage risks by themselves or that they are sure that nothing bad will happen to them.

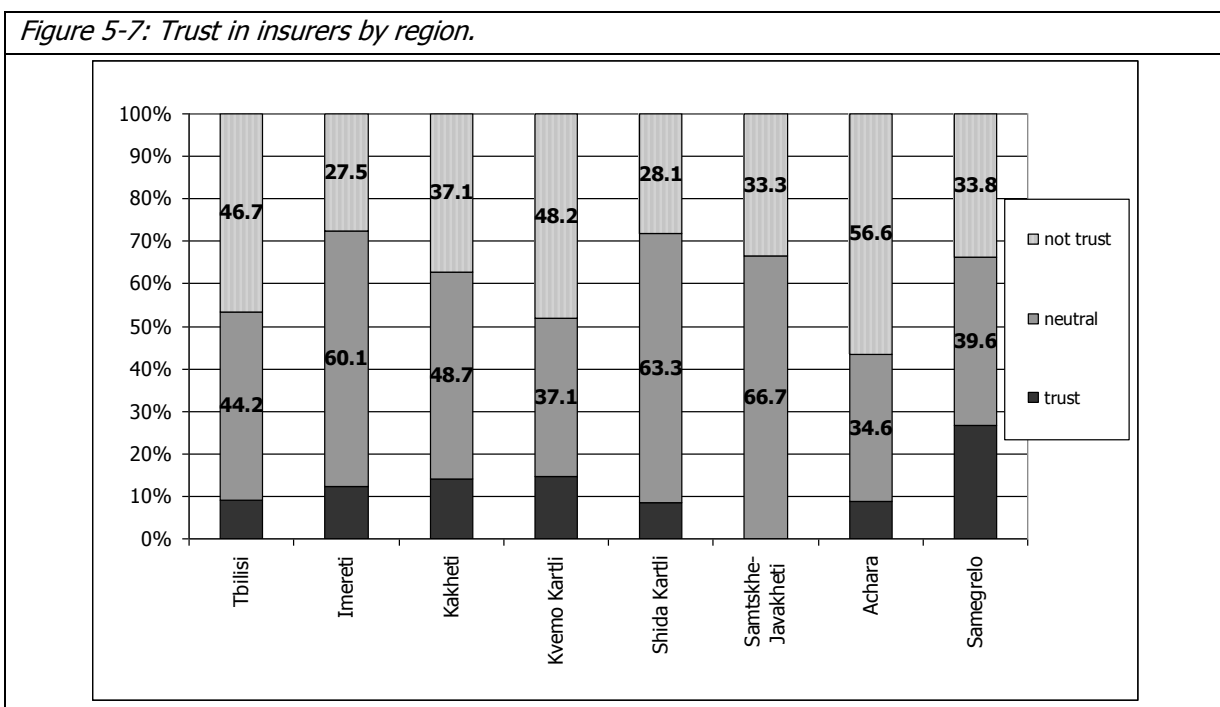
Figure 5-6: Main reasons of not using insurance in the past.	%*
never heard about insurance, does not have enough information	44.4
does not trust - insurers do not pay or can run away	36.2
is too expensive	31.6
does not know where to find or insurance agents are too far	20.9
does not need because can manage without or believes that nothing will happen	15.6

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

Evidently, low level of trust undermines successful microinsurance delivery.³¹ Only 11.8% trust insurers. As many as 41.7% of households do not trust insurers. Distrust is slightly less pronounced than in case of banks. But the majority of households is neutral (45.6%), which is due to limited knowledge and experience with insurance. It shows that trust in insurers is volatile. Any possible bad experience with insurance that might be easily spread by media or word of mouth can turn those neutral into distrustful, thus reducing the market size significantly. On the other hand, big number of neutral people is also an opportunity. This group would not reject a new product because of trust. If they have good experience significant market opportunities would open up.

Additionally, trust in banks and insurers are closely correlated. It means that it is a general distrust in financial institutions.

The lack of trust is universal. There are no specific groups that trust more or less, i.e. poorer and richer households trust to the same extent. The only differences might be observed across the regions (figure 5-7). Surprisingly, in Tbilisi and Achara where there is bigger knowledge and experience people trust less. This might be linked to previous bad experience with insurance services.



³¹ Knowledge of insurance has been already discussed in section 5.1, attitude to price is discussed in section 7.4.

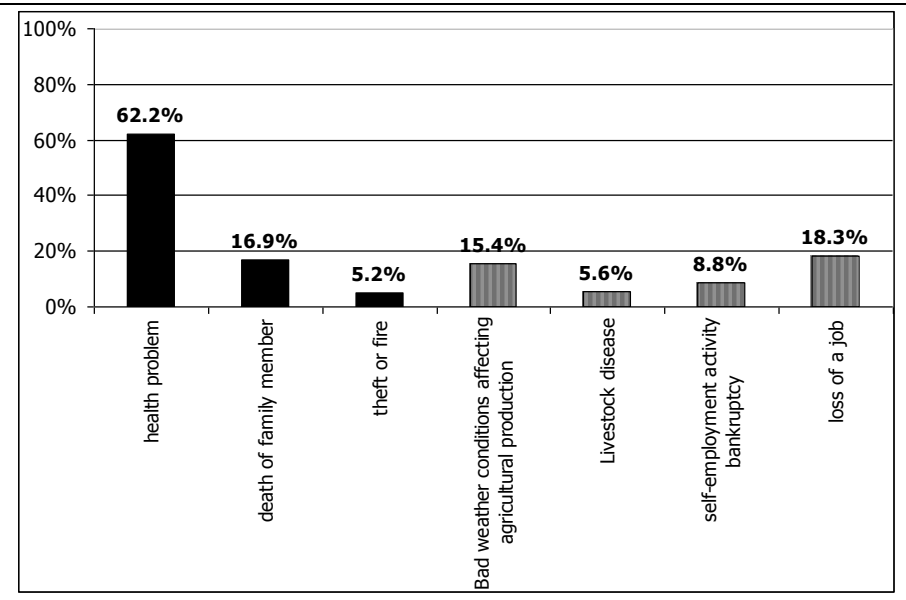
6. Potential demand – needs and capacities

Potential demand for microinsurance is analyzed in terms of needs and capacities. Needs for insurance are defined in terms of impact of risks, and capacities to pay for insurance in terms of income level, saving behavior and indebtedness.

6.1. Risks and their impact

80% of households have been affected by any of the risks listed in the figure 6-1 in the last 3 years. The most prevalent were health risks. For 37% of households health problems required hospitalization. 37% of households were affected by minor health problems needed a visit to a doctor. Life risks affected 17% of all households.³² Property loss risks were relatively less widespread and related mostly to theft of household durables (3.8% of households).

Figure 6-1: Share of households affected by different risks in the last 3 years



Agriculture production was very vulnerable to risks; given that 45% of households live in rural areas, 23% generates any income from agriculture, and as many as 15.4% households in total population have been affected by weather risks affecting agriculture production. Lastly, self-employment activities seem to be very volatile, as 14% of households reports income from self-employment, and 9% of all households mentioned that business of one of household members had gone down in the past 3 years.

Different households are exposed to different risks depending on the environment in which they live and their livelihood strategies. Some risks are frequent and less severe (i.e. minor health problems), some are less frequent but when they strike they demand immediately a big lump sum of money to recover from them (i.e. fire of business premises). Any risk translates into financial pressure that a household needs to cope with.³³ Some households have access to good risk management strategies (i.e. insurance), some of them use strategies that further impoverish them (i.e. selling household assets). Summing it up, impact of a risk is a function of exposure to the risk by a household, nature of the risk (frequency and severity), financial pressure and effectiveness of household risk management strategies. Figure 6.2 summarizes all the above risk indicators and quantified index for importance (impact) of different types of risks.

The risks that are much more frequent compared to other risks are health risks resulting in need for a visit to a doctor, emergency ambulance service or therapeutic treatment in hospital.

The highest financial pressure is associated with accidents leading to permanent disability, fire of business premises, and weather risks affecting agriculture production.

³² Death of a family member was not analyzed in as much detail as other risks because of its sensitivity for respondents.

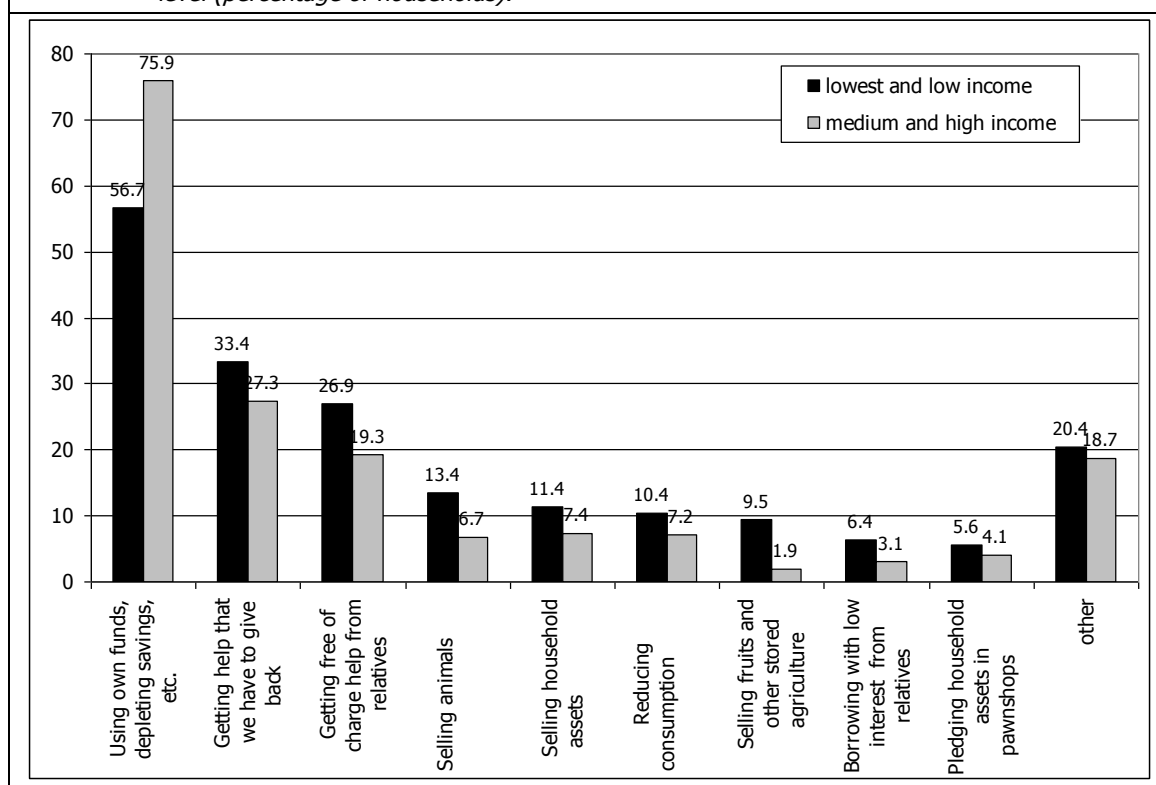
³³ Financial pressure is defined as amount of money needed to cope with the risk and difficulty in getting it.

Figure 6-2: Comparison of risks – prevalence, frequency, financial pressure and importance.

Risk	% of total population of households affected	Average number of times it happened in the last 3 years*	Average financial pressure**	Index of importance***
HEALTH: Illness/accident of family member...	62.2%			18.6
leading to permanent disability (hospitalization necessary, surgical/therapeutic treatment needed)	3.2%	1.39	4.56	6.86
hospitalization necessary, surgical treatment needed	19.5%	1.39	4.21	6.41
hospitalization necessary, only therapeutic treatment	14.7%	3.05	3.99	10.90
only urgent medical help needed (calling ambulance)	9.5%	4.03	3.28	14.90
without hospitalization, but needed visit to a doctor	37.0%	5.11	3.14	19.10
LIFE	16.9%			
death of main breadwinner of the family	6.8%	na	na	na
PROPERTY	5.2%			6.70
fire of business premises and/or productive assets	0.4%	1.45	4.37	7.60
fire of house/flat and/or household durables	1.0%	1.26	3.77	5.28
theft of productive assets	0.4%	1.55	2.37	2.65
theft of household durables	3.8%	1.64	4.19	6.78
OTHER				
bad weather conditions affecting agricultural production	15.4%	1.63	4.44	na
livestock disease	5.6%	1.82	3.74	na

* only for affected households
 ** mean of scores for households affected by the risk; scale from 1 (very small) to 5 (very big)
 *** index is a multiplication of risk frequency, related financial pressure, and subjective evaluation of impact of the risk by respondent after an analysis of coping mechanisms used

Figure 6-3: Risk management strategies used by households for the most recent health risk by poverty level (percentage of households).



Gaps in effective risk-management options inform about the role microinsurance can play. The combined analysis of risk management strategies for all health risks is provided in the figure 6-3.³⁴ It confirms the differences discovered during qualitative research in access to coping mechanisms between richer and poorer households. The poor households less often have access to their own funds and more often have to rely on external help in different forms or sell their assets. Occurrence of some more stressful mechanisms that lead to further impoverishment proves a need for widening risk management options for the poor in order to reduce their vulnerability to risks. Additionally, different forms of borrowing with interest to respond to risks are used more often by lowest and low income households (19% of those households) than medium and high income (11%). Moreover, there is strong correlation between household over indebtedness and exposure/importance of risks. This leads to a conclusion that household over indebtedness might be explained to great extent by reactive responses to risks.

Regarding property risks $\frac{3}{4}$ of affected households do not take any action. If there is a need to rebuild lost assets the poor most often sell other assets (10% of cases) or rely on free of charge help from relatives (10%). The non-poor most often use their own funds (12%) or sell other household assets (11%).

Analysis of importance of risks confirms findings of the qualitative research. The most important risks, having highest impact on households, are minor health problems, which are also the most prevalent.³⁵ Quite prevalent and burdensome are also emergency cases when there is a need to call ambulance or therapeutic treatment at the hospital. More complicated health problems are of the same importance for households as some of the property risks related to fire of business premises and theft of household durables. High importance of risks related to death of family members can be proved by the fact that 7% of households have lost their main breadwinner in the past 3 years.³⁶ This is a risk that is hard to cope with for everybody, but especially to already vulnerable poor households.

On the basis of the risk importance analysis one can note how important are coverage issues in designing health insurance. People will demand insurance to cover costs of minor health problems. On the other hand their high prevalence and frequency put at stake sustainable and affordable microinsurance schemes. From the business perspective coverage limited to major health problems leading to surgical treatment at the hospital seem to be the most attractive. But demand for such a limited coverage options is under question mark.

For property risks it seem to be easier to marry business and developmental objectives. Not so prevalent and frequent risks related to fire of buildings or assets constitute a good opportunity for insurer. On the other hand, they are still perceived as important for potential customers.

Potential demand is hard to measure in absolute figures as prevalence and importance of risks do not translate automatically in demand for insurance and it is hard to estimate spread out effects of different risks.³⁷ However, the information on risk prevalence and importance gives an understanding which are priority risks to be covered taking into consideration development imperatives. Differences in risk

³⁴ Respondents mentioned the most common immediate response and secondary coping mechanism used in the future to mitigate stresses related to first response.

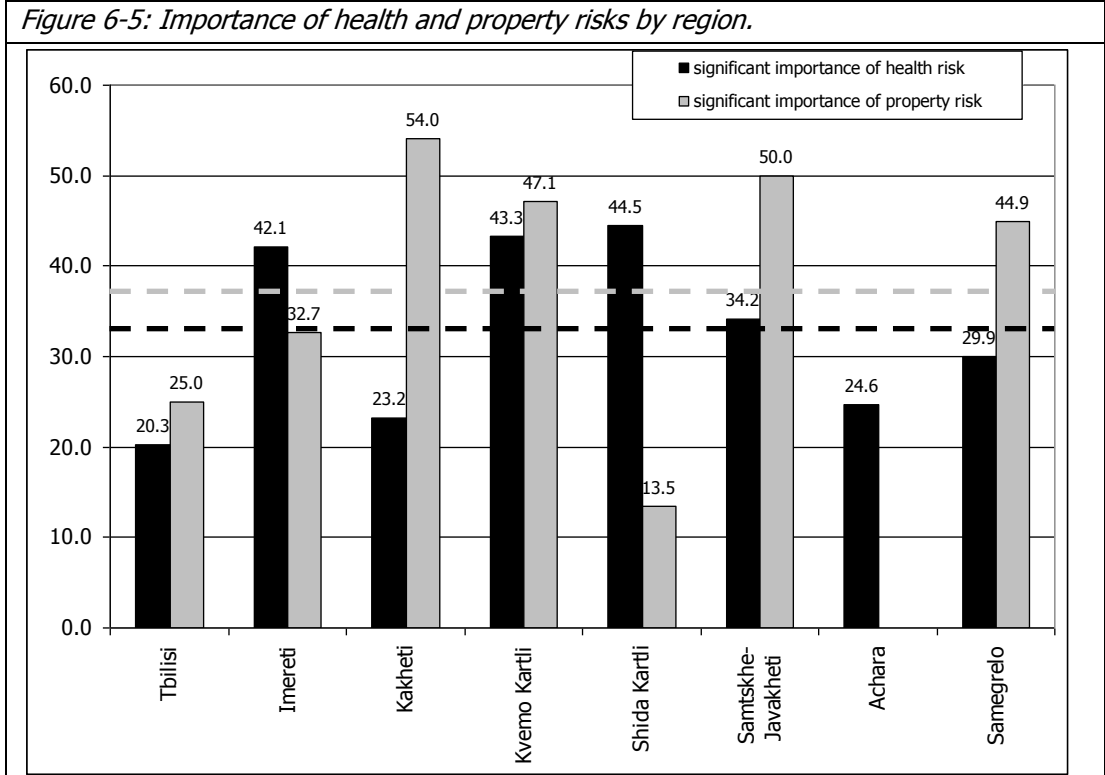
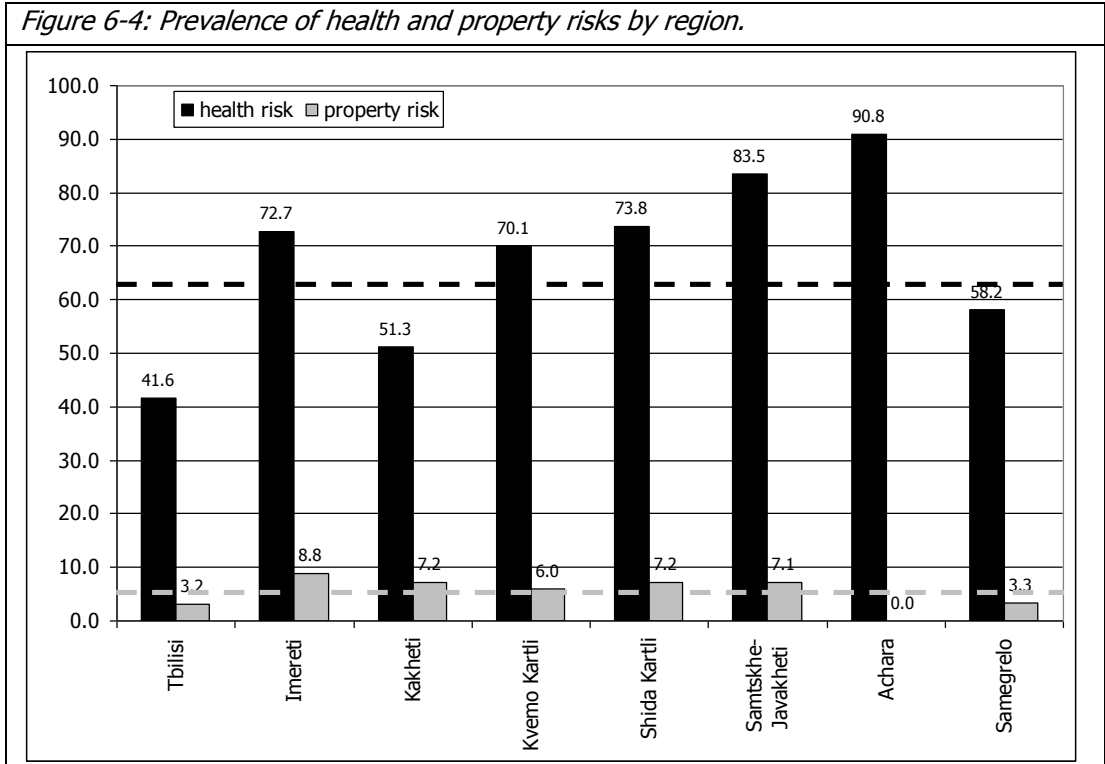
³⁵ Even if a minor health risk is not associated with high financial pressure, they are the most frequent, and as qualitative research showed, households cannot rely on external help and have not yet developed effective risk management strategies. As a result poor households very often have to borrow from different sources to smooth their consumption. This may lead to over indebtedness problems accentuated in section 4.2.

³⁶ Potential demand for life insurance might be a little bit higher than for property insurance taking into account its prevalence. However, it was not possible to quantify it in more detail. Based on qualitative research death is not related to a very significant financial pressure because relatives and friends very often contribute to funeral costs and take care of orphaned family.

³⁷ Definitely, those who are directly affected by the risks feel the need for protection mechanisms more than others. However, those who hear about difficulties of their neighbors, relatives, friends in coping with risks are also alerted by importance of selected risks. These spread out effects are much higher for more spectacular risks. This increases demand for covering risks related to fire or accidents. And do not have much impact on more private risks, like minor health problems in Georgia.

prevalence and importance across groups gives an idea which of the groups are more in need for protection mechanisms.

There are some differences across the regions in potential demand (figures 6-4 and 6-5). Households living in Imereti, Shida Kartli and Kvemo Kartli have more difficulties in coping with health risks. Additionally, the prevalence of health risks is the highest in Achara and Samtskhe-Javakheti. Regarding property risks they are the most burdensome for households living in Kakheti, Samtskhe-Javakheti, Kvemo Kartli and Samegrelo.



Dotted lines on figures 6-4, 6-5, 6-6, 6-7 represent a share of households in the total population reporting being affected by the risk or evaluating its impact as significant.

Figures 6-6 and 6-7 illustrate some differences by settlement type. Both for health and property risks it is much more difficult to cope with them in rural areas. Health risks are more prevalent in small towns and in rural areas. The property risks are less prevalent in rural areas. The property risks are less prevalent in rural areas.

Figure 6-6: Prevalence of health and property risks by settlement type.

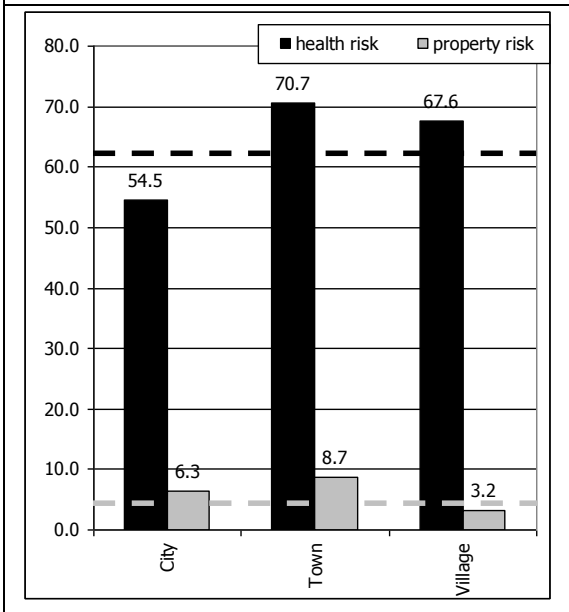
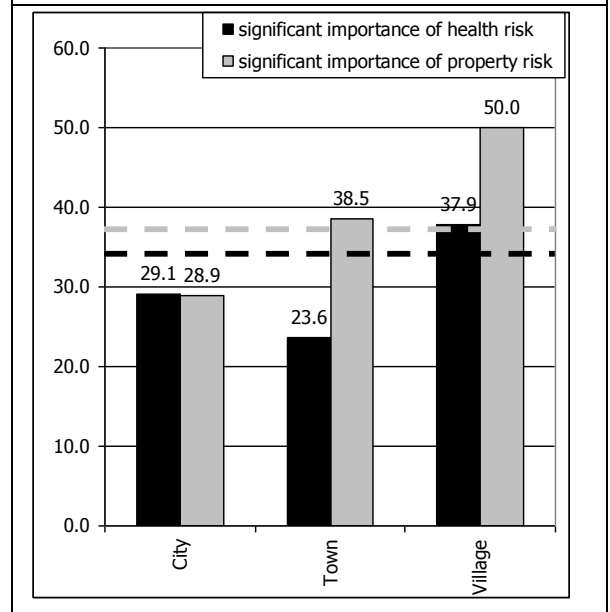
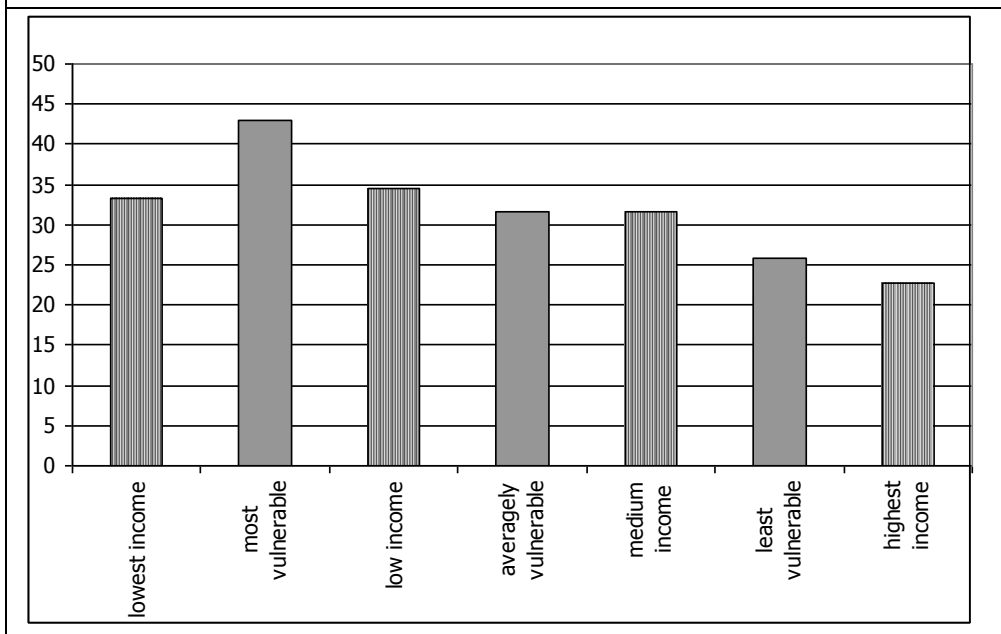


Figure 6-7: Importance of health and property risks by settlement type.



Apart from differences by region and settlement there are no other groups that are more exposed to risks than others. However, in terms of risk importance the poorer and more vulnerable households report much higher impact of health risks on their households (figure 6-8).

Figure 6-8: Households reporting significant importance of health risks by income level and vulnerability



Regarding property risks, there are no significant differences in risk impact by income and vulnerability. As might be expected, those who have more physical assets report much higher impact of fire or theft on their households.

6.2. Capacities to pay

There are many signs that capacities to pay might be one of the major factors reducing demand for microinsurance. It is not as much a question of level of income, but rather a question of how money is managed.

In terms of level of income we might quite safely assume that those households who live on the lowest incomes will have very hard time to pay for microinsurance. A big share of these households have virtually no income. This reduces the total market by 25%, and especially in rural areas by 33% (see figure 3-5). These simple calculations are confirmed by the facts that 30% of households do not have any permanent source of income (wage employment, self-employment, agriculture) and nearly half of rural households live on self-subsistence agriculture. Richer regions – Tbilisi and Achara – have much higher potential in terms of payment capacity.

The analysis of financial behavior and money management in the section 4 makes the general picture much more pessimistic. There is very limited saving culture. Only 13% of households save, and most of them are those with the highest income. Among two middle income groups – poor and vulnerable non poor - only 8.5% of households save, and 15% of them are over indebted. It gives evidence about a very reactive money management. It also reflects an attitude that if one is poor one cannot do financial planning as his/her resources are too scarce. This might be one of the main obstacles in microinsurance delivery as subjective capacities to buy insurance will be much under evaluated.

Last but not least, analysis of regularity of saving confirms a common sense observation that in urban areas income flows are more regular, usually on a monthly basis, while in rural area they are much more seasonal. This must be taken into consideration while pricing microinsurance products.

7. Effective demand

Potential demand provides an objective overview of development and market opportunities. Effective demand is more subjective and is based on a client willingness to buy. Among many factors that can influence the client's decision are: the extent to which the needs are felt, self-evaluation of capacities to pay, intra-household decision making processes, preferences for specific product features, knowledge, previous experience and attitude towards insurance, and trust in insurers. That is why, it is hard to talk about effective demand in an abstract way, i.e. effective demand for insurance. For the purpose of this analysis we have presented to respondents three generic microinsurance products (see box 1) in a level of detail allowing them to declare if they are willing to buy and allowing us to analyze the decision making factors mentioned above.³⁸

Even if this exercise gives a lot of new insights its results remain on a very hypothetical level as the insurance is virtually unknown for most of the respondents and their declarations must be treated with caution. Last but not least, this can be called a 'theoretical' effective demand; if there is good marketing strategy and plan the effective demand might be much higher than presented below.

Box 1: Microinsurance product concepts tested.

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: includes amount of money to cover fully official (according to the government list) and informal costs. Money is given in cash to the policyholder (or other family member) by an insurance agent at the hospital.

Claim processing: within 3 days all the benefits are transferred to the client (in cash).

Provider: The service is provided by one of the biggest Georgian private insurance companies.

Proximity: The service is available in the nearest town.

Price: 4,80 GEL per month

Frequency of premium payment: payments can be done on a monthly basis or up-front.

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 3000 GEL. If the policy holder does not die the family receives nothing.

Claim processing: within one month all the benefits are transferred in cash to the family.

Provider: The service is provided by one of the biggest Georgian private insurance companies.

Proximity: The service is available in the nearest town.

Price: the premium payment would be 3 GEL per person per month.

Frequency of premium payment: monthly.

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 or 15 years) his/her family receives the amount saved and a fixed benefit of 3000 GEL. If the policyholder has not died he/she receives all his/her savings and interest earned on them (which is 1200 GEL for 10 years + interest). In this case, the interest rate on savings is similar to those practiced by Georgian banks for 1 year term deposit.

³⁸ The insurance concepts were on purpose designed and presented in a very general way. The goal was not to test preferences for specific attributes but rather analyze general perception of the given insurance types. That is why, parameters were set as favorably as possible for end-users, realistic market prices were set and the several pricing options were given. Evaluation of likes and dislikes (section 7.1) reveals that the product core parameters are either neutral or positively evaluated. This proves that the product concepts were designed correctly to analyze general demand for microinsurance.

Price: the premium payment would be the same as in the previous product presented = 3 GEL per person per month and the savings would be a fixed monthly amount of at least 10 GEL. It gives a total payment of at least 12 GEL per person per month.

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 300 and 10 000 GEL.

Benefit: 70% of current market value of insured asset(s).

Claim processing: within one month all the benefits are transferred in cash to the client

Provider: The service is provided by one of the biggest Georgian private insurance companies.

Proximity: The service is available in the nearest town.

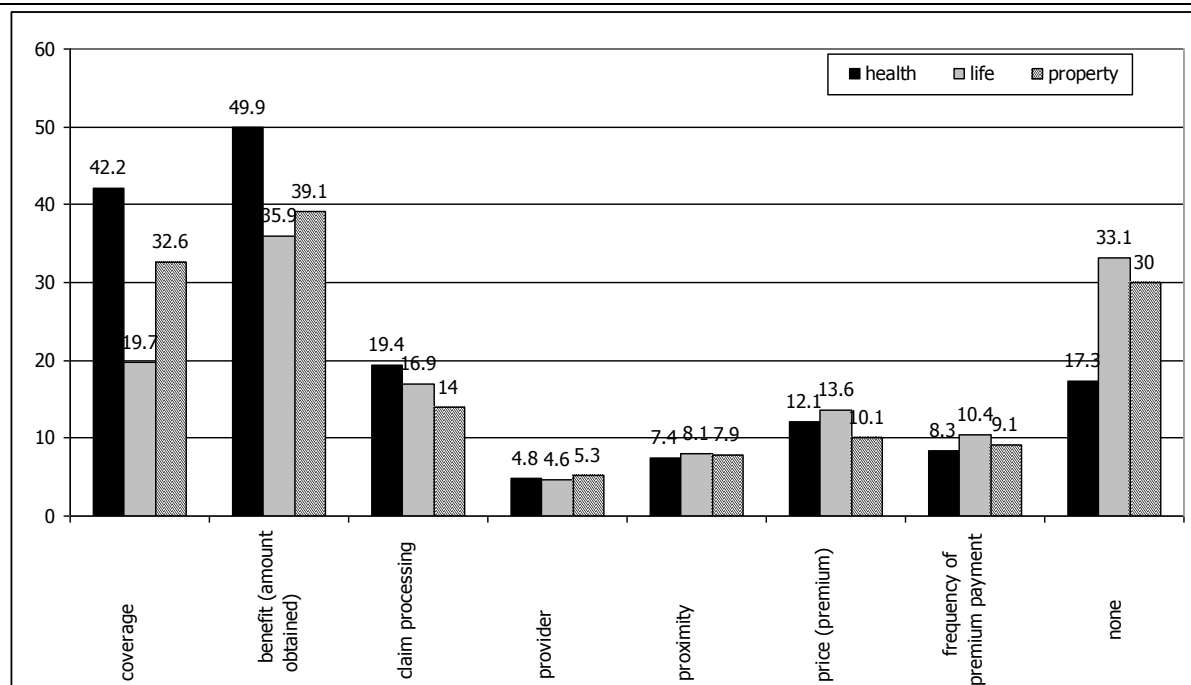
Price: 5.5% of the current value of the insured assets, i.e. if you insure an asset worth 1000 GEL, you will have to pay 55 GEL for the year (4,6 GEL monthly); in case of a loss you will obtain 700 GEL.

Frequency of premium payment: payment can be done in regular monthly installments or up-front

7.1. General evaluation of concepts

Among many product characteristics listed for three product concepts the respondents like the most the benefit to be obtained in case of risk (figure 7-1). For health and property insurance products the coverage was also evaluated very high. Especially, among those affected by health risks in the past the coverage of health scheme was evaluated very high. The property insurance coverage was very popular among self-employed. The fact that the coverage for life insurance was evaluated very low can be interpreted as a negative attitude to the idea of insuring somebody’s life. It was especially associated with low evaluations among lower income respondents. Lastly, quite a lot of respondents do not see anything interesting in the concepts presented, especially in the case of life and property insurance products.

Figure 7-1: Aspects positively evaluated.*

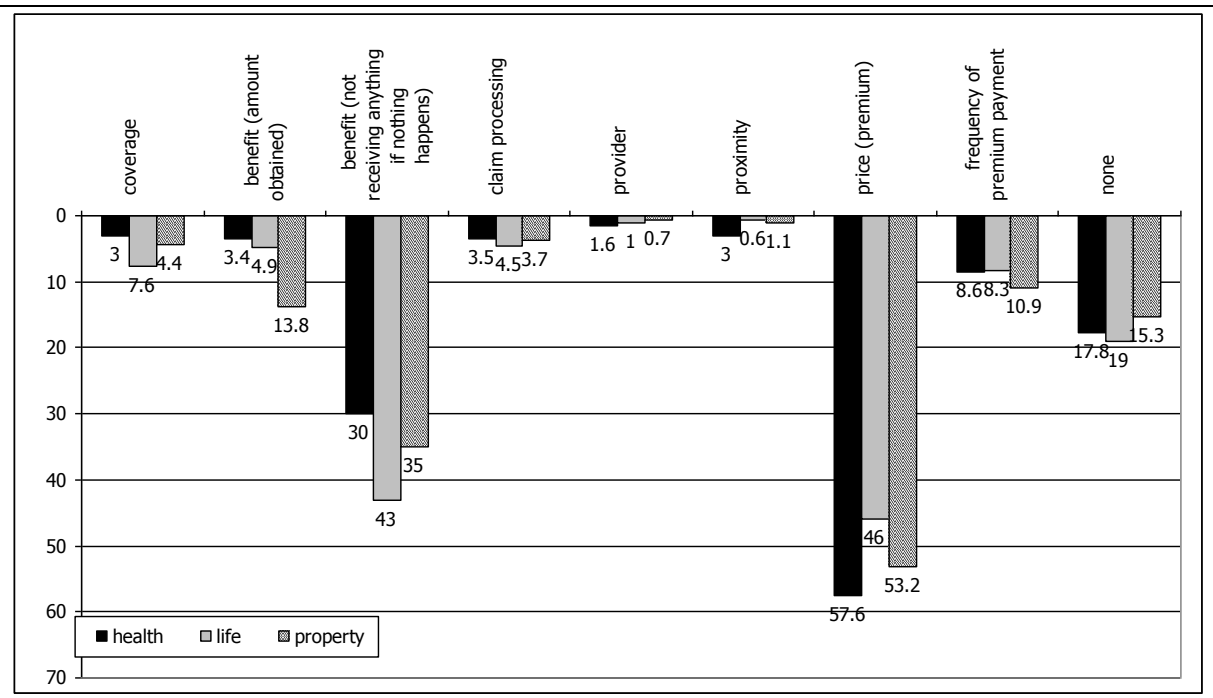


* Percentage of households who selected given aspect. Responses do not sum to 100% as multiple response was possible.

Discussion of dislikes confirms worries about capacity to pay (figure 7-2). As many as 46-58% of respondents do not like the pricing of products (see section 7.4 for more details). As many as 30-43% of respondents do not like the fact that they do not receive anything back if nothing happens. This is the most surprising finding (have not occurred during the qualitative research) as it shows very weak understanding of insurance concept. It is further accentuated by low evaluation of benefit for property insurance – 70% of the asset value. The knowledge gap can be important factor in reducing demand for

microinsurance. Interestingly, higher education do not help much in this regard, the knowledge gap is universal.

Figure 7-2: Aspects negatively evaluated.*



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

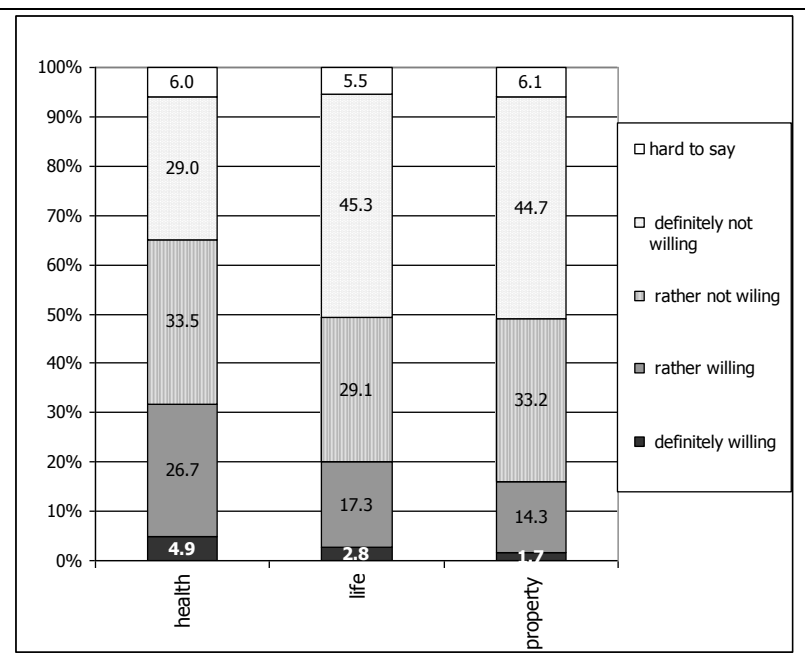
7.2. Willingness to buy

32% of households declares willingness to buy suggested health insurance product, 20% life insurance product and 16% property insurance (figure 7-3).³⁹ However, very few declare that they will definitely buy it. On the other hand, there is almost half of population who definitely rejects the products.

15% of households are willing to buy both health and life insurance, 13% health and property, and 8% life and property.

54% of those willing to buy life insurance product is interested in life insurance with investment plan (figure 7-4).

Figure 7-3: Willingness to buy insurance products.

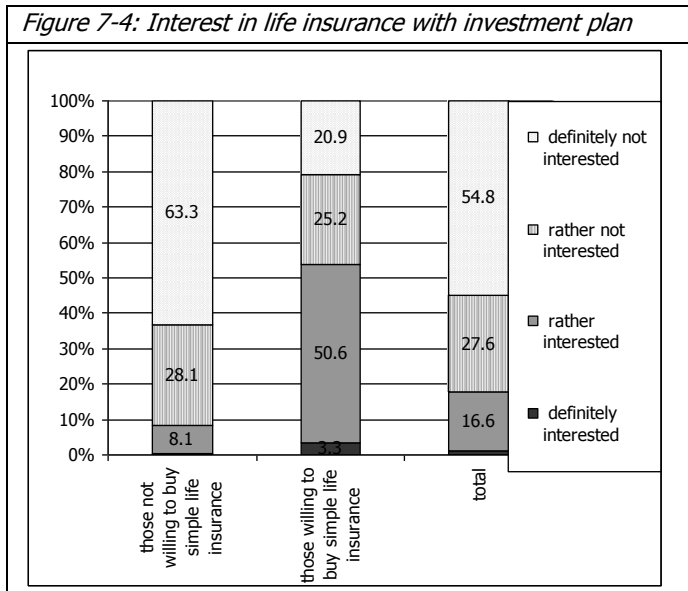


³⁹ Lower interest in life insurance might be due to the fact that in 27% of the households the household head has more than 60 years old.

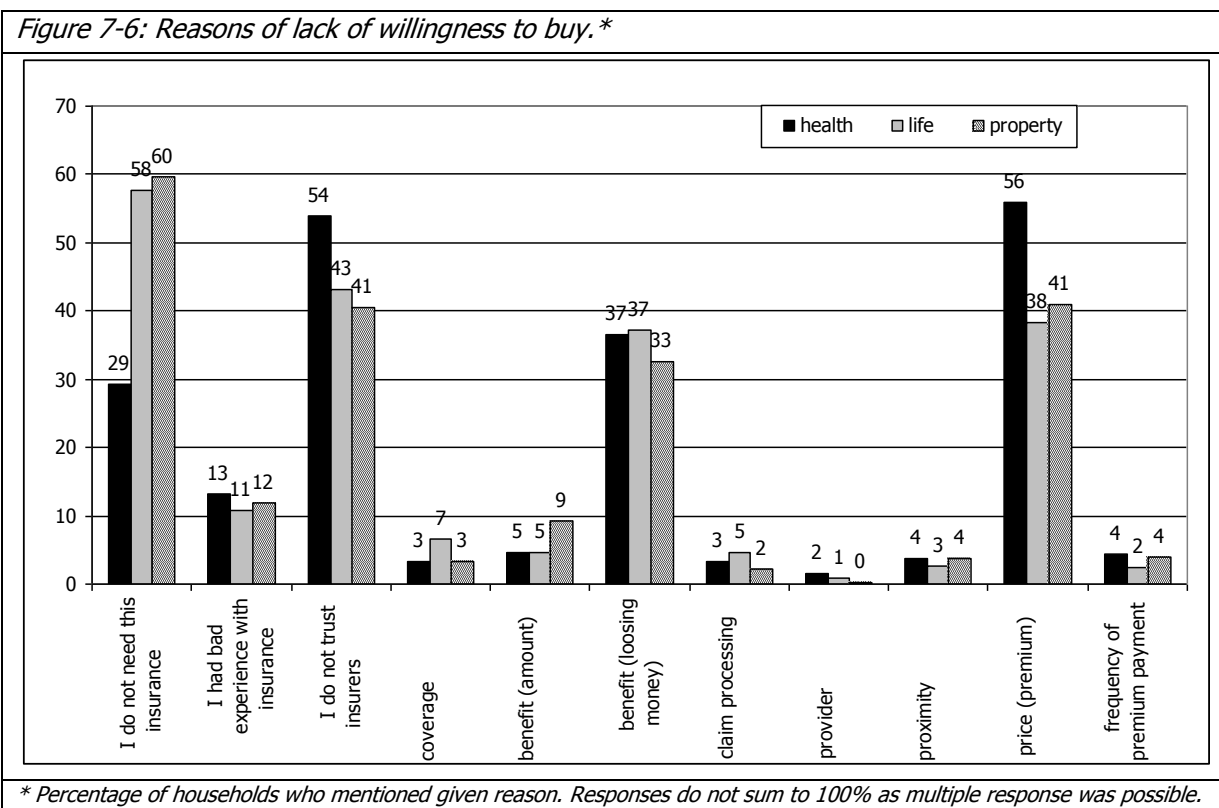
Figure 7-5: Policies per household.

	Health (persons)	Life (persons)	Property (value of assets)
mean	2.56	2.09	7 363 GEL
1 person	29.1%	44.5%	median = 4 000 GEL
2	28.7%	31.0%	
3	17.1%	9.2%	
4	13.1%	7.9%	
5	8.1%	4.4%	
6	2.5%	1.2%	
7	0.9%	0.9%	
8	0.6%	0.9%	

Those who are willing to buy insurance usually think about insuring more than one person (figure 7-5).



Lack of willingness to buy (figure 7-6) is linked to the issues identified in previous analyzes. Lack of trust is the most significant, especially that it could be combined with 'bad experience' category. Too high price is the second most important reason, especially for health insurance scheme. However, for life and property insurance the most popular answer is lack of need for this kind of product. It is significantly less the case of health insurance. The other important reason is already identified knowledge gap in the form of dissatisfaction from the fact that there is no benefit while nothing happens.



An analysis of profiles of households willing to buy leads to following conclusions (figure 7-7):

- Willingness to buy varies for different products across the regions.
- There are virtually no differences by settlement type.
- Income is a discriminatory variable only for health insurance.

- In general, less vulnerable people are more willing to buy, that might be linked to low capacities to pay of more vulnerable households (see section 6.2).
- Salaried workers are more willing to buy insurance products than other groups. Self-employed are more interested in health product and life insurance with investment plan.
- As assumed in analysis of potential demand those who have been affected by respective risks in the last 3 years are more willing to pay for new protection mechanisms.
- Insurance knowledge and experience as well as trust in insurers are necessary prerequisite to declare willingness to buy insurance products. Health product is a good example, 70% of those who trust insurers is ready to equip their households in health insurance.
- In general, more active financial behaviour – either saving or borrowing – make the purchase of insurance more likely.
- Interestingly, being an active saver now do not determine interests in life insurance with investment plan. But trust in insurer is a necessary condition to express interest in life with investment plan.

Figure 7-7: Profiles of households willing to buy insurance.

<i>More willing to buy health insurance</i>	<i>More willing to buy life insurance</i>	<i>More willing to buy property insurance</i>
<ul style="list-style-type: none"> ▪ Achara, Kakheti and Kvemo Kartli ▪ Men ▪ Younger ▪ Having higher income ▪ Less vulnerable ▪ Households with children (less willing are singles and widows) ▪ Salaried (less willing are pensioners) ▪ Self-employment ▪ Affected by health problems in the past 3 years 	<ul style="list-style-type: none"> ▪ Achara and Samegrelo ▪ Less vulnerable ▪ Salaried ▪ Affected by any or health risk ▪ Richer knowledge and experience in insurance (23%) ▪ Trusting insurance companies (39%) ▪ Used insurance before ▪ Saving actively (48%) ▪ Borrowing more 	<ul style="list-style-type: none"> ▪ Kakheti, Samtskhe-Javakheti, Achara ▪ Less vulnerable ▪ more members in the household ▪ Salaried ▪ Affected by risks, affected by property risk ▪ Richer knowledge and experience in insurance ▪ Trusting insurance companies ▪ Used insurance before ▪ Saving actively ▪ Trusting banks ▪ Borrowing more
	<p><i>More likely to be interested in life insurance with investment plan</i></p> <ul style="list-style-type: none"> ▪ Self-employment ▪ Richer knowledge and experience in insurance ▪ Trusting insurance companies 	
<ul style="list-style-type: none"> ▪ Richer knowledge and experience in insurance (39%) ▪ Trusting insurance companies (70%) ▪ Saving actively (48%) ▪ Trusting banks ▪ Borrowing more ▪ Being over indebted 		

7.3. Intra-household decision making

The analysis of intra-household insurance purchase decision making processes goes beyond the scope of this research. It is an important issue as probably decisions to buy insurance will be discussed in the household because insurance is still rather a mysterious product that in most cases benefits the entire household. In order to get a general idea about intra-household decision making with regard to insurance purchase a question was asked if the household head spouse or partner would have any impact on the declared willingness.

No matter what the product is, among those who were willing to buy around 45% declare that discussion with a spouse or partner can change the decision; other 25% say 'maybe yes'. Among those who were not willing to buy there were slightly less of decision prone to change in intra-household decision making processes (33% for yes; 23% for maybe yes). Assuming that for both willing and no willing the decisions can be change to the extent shown by this basic analysis the effective demand can be slightly lowered.

There is no clear clue who among household heads is more likely to consult his/her decisions as no significant differences across demographic/behavior groups were found.

7.4. Price sensitivity

Market for microinsurance in Georgia is price sensitive.⁴⁰ There are more price sensitive households for health insurance. As many as 39% of those not willing to buy are sensitive (including 24% of very sensitive) (figure 7-8). 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 10% of households to those effectively demanding microinsurance for each product.

Figure 7-8: Price sensitivity.

	health		life		property	
	in total population	among not willing	in total population	among not willing	in total population	among not willing
sensitive (to 30% decrease in price)	9.3	15.2	10.1	13.7	10.9	13.9
very sensitive (give their own price lower than 70% of suggested price) ⁴¹	14.7	23.9	7.3	10.0	7.5	9.5
<i>Total of all sensitive</i>	<i>24.0</i>	<i>39.1</i>	<i>17.4</i>	<i>23.7</i>	<i>18.4</i>	<i>23.5</i>

Households living in rural areas and small towns are much more price sensitive. Lower income households are more price sensitive for health insurance. But income level does not determine price sensitivity for life and property insurance. In general, those who borrow actively and do not save are much more price sensitive.

Figure 7-9: Price sensitivity profiles.

<i>More likely to be price sensitive - health insurance</i>	<i>More likely to be price sensitive - life insurance</i>	<i>More likely to be price sensitive - property insurance</i>
<ul style="list-style-type: none"> ▪ Shida Kartli ▪ rural and small towns ▪ women ▪ vocational education ▪ low income ▪ agriculture ▪ do not save actively ▪ borrow more 	<ul style="list-style-type: none"> ▪ rural and small towns ▪ middle aged ▪ agriculture ▪ do not save 	<ul style="list-style-type: none"> ▪ rural and small towns ▪ middle aged ▪ agriculture ▪ borrow more and are over indebted

⁴⁰ 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 were categorized as sensitive, and those who gave their own price (lower than 70% of original premium) were categorized as very sensitive.

⁴¹ Average premium suggested for health and property – 1.3 GEL for life 2.1 GEL.

8. Market development projections

As hardly anyone uses insurance (and nobody uses microinsurance) it is hard to project future microinsurance market development based on historical trends. The access frontier approach proposed by David Porteous is useful in projecting the market development for microinsurance.⁴² The total market is divided in five shares as explained in the figure 8-1.⁴³

Figure 8-1: Access frontier methodology applied in this study.

<i>Main market shares</i>	<i>Description of the segment</i>	<i>How defined in our study</i>
<i>Usage</i>	The percentage of eligible households who use insurance.	Those who use insurance. (section 5.1)
<i>Within access frontier now</i>	The maximum percentage of households who can access the suggested microinsurance product concepts on current terms and conditions.	Those who are willing to buy suggested microinsurance products. (section 7.2)
<i>Within access frontier in the future</i>	A group of households who are likely to access the suggested microinsurance product concepts if terms and conditions are more adapted to them. In the case of microinsurance, they are reluctant to buy now due to limited knowledge, distrust or underestimation of their capacities to pay due to poor money management.	The rest of the market.
<i>Supra-market</i>	A group of households who may wish to buy microinsurance but are unable to, mostly due to lack of surplus income.	It is hard to estimate insurance poverty line because a big part of the lack of capacity to pay is caused by poor money management practices among the low-income households. It is estimated based on the income sources (section 3.2), financial behavior (section 4), and price sensitivity (section 7.4).
<i>Natural limit</i>	The maximum extent of usage possible after eliminating those who can but choose not to, use the microinsurance.	It poses the biggest conceptual problem because a big part of those who say "I do not need the microinsurance product" do it because of ignorance. The calculations are based on willingness to buy (section 7.2), age for life insurance (section 3.1), attitude towards life insurance (section 7.2) and possession of household assets for property insurance (section 3.3).

⁴² As explained in 'The Access Frontier as a Tool in Making Markets Work for the Poor' by David Porteous (April 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."

⁴³ Given that the approach works better for existing products its application to to-be-developed microinsurance poses some problems. It concerns especially the intuitive classification of households between "within access frontier in the future" and "natural limit" groups. It is for the reasons mentioned in the figure 8-1, mainly due to low insurance literacy of potential customers that causes that the low-income households do not feel the need for microinsurance, even that the analysis of risk importance and risk-management gap shows they do need it.

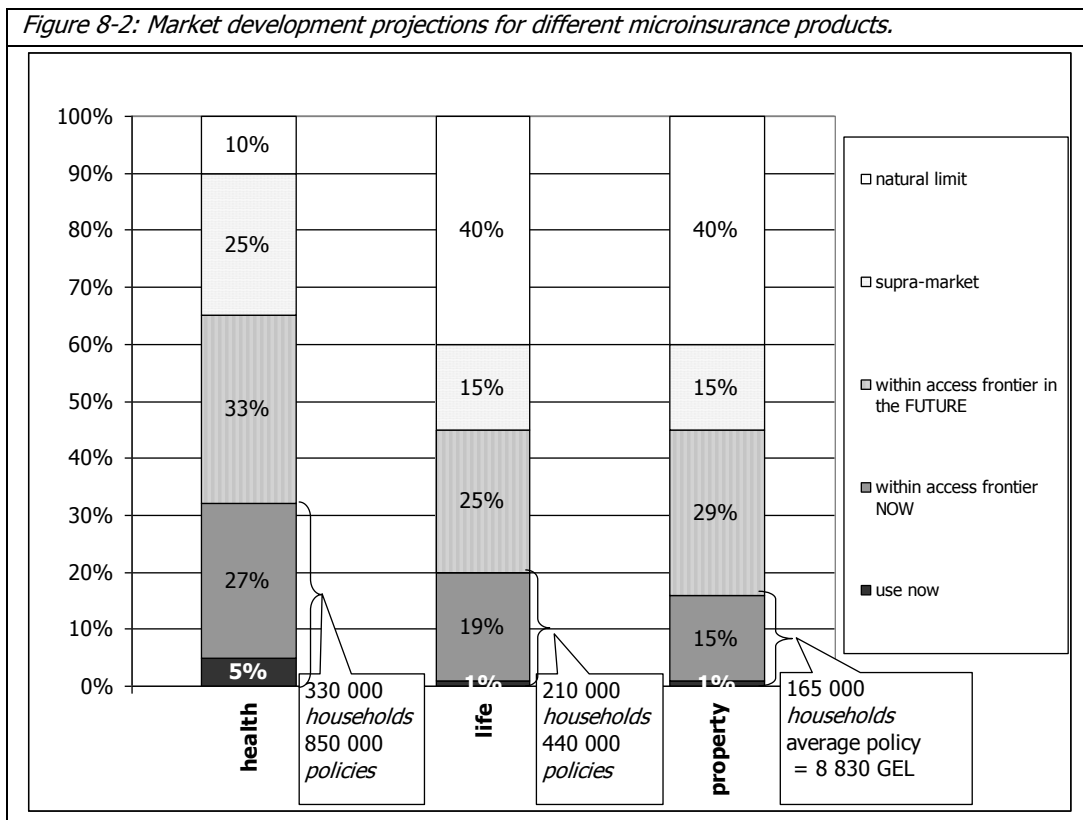
This approach identifies three zones on the market:

- Market enablement zone – that is easy to be covered with new adapted products; it a combination of usage and a big part of the group within access frontier now.
- Market development zone – that 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.
- Market redistribution zone – this is a task for the government to include this group in a market through smart subsidies.

8.1. Total market development

Health insurance seems to have the biggest potential as 32% of the market is likely to be covered in short-term (figure 8-2). Total market within access frontier now (all segments) for health insurance can be estimated for 850 000 policies.⁴⁴ Moreover, this market can be doubled in medium-term. Additionally, there is a big group that will probably need some redistribution policies to be included in the market. The natural limit is projected in a very conservative way as the needs for risk-management strategy for healthcare costs are extremely high.

Markets for life and property insurance are also prospective in short-term. They are estimated at 440 000 for life insurance (including 240 000 for life insurance with investment plan); and 165 000 for property insurance (average value of the property insurance policy amounting to 8 830 GEL). However, they have less potential in terms of market development in medium-term due to significant natural limit. For life insurance it is about old age (30% of population) and negative attitude towards the idea of insuring death of somebody. For property insurance it is about a big group of the society that do not possess assets to be insured and still low level of prevalence of property loss risks. On the other hand, these natural limits should decrease in the future as those old aged would have their policies bought before and the development will contribute to building physical assets (and probably, unfortunately, higher levels of crime).



⁴⁴ The market size projections for the group within access frontier are done on the basis of willingness to buy different products and number of households in total or on studied market segments. The projections are extrapolated to the total population of Georgia and to the specific sub-groups (market segments). These are market size projections considering current knowledge and attitude towards insurance without any specific marketing effort.

8.2. Market by regions⁴⁵

The biggest markets for health insurance are Tbilisi (23% of total market), Imereti and Kvemo Kartli; for life insurance - Tbilisi, Imereti and Samegrelo; for property insurance –Tbilisi, Imereti, Achara and Kakheti.

Figure 8-3: Size of the market within access frontier now for health insurance by region.

HEALTH	population	average household size	# of households	% willing to buy	demand - households	average number of policies	demand - policies
Tbilisi	1,081,679	3.49	310,217	28.7	88,983	2.21	196,468
Imereti	699,666	3.88	180,458	32.9	59,325	2.83	167,640
Kakheti	407,182	4.21	96,718	41.3	39,960	2.61	104,102
Kvemo Kartli	497,530	3.93	126,620	36.3	46,008	3.00	138,242
Shida Kartli	439,482	3.98	110,452	5.3	5,816	1.82	10,560
Samtskhe-Javakheti	207,598	4.28	48,554	30.0	14,566	3.23	47,086
Achara	376,016	4.59	81,871	41.2	33,771	2.29	77,303
Samegrelo	466,100	3.93	118,704	32.9	39,053	2.45	95,847
Guria	143,357	<i>no data</i>					
Racha	50,969						

Figure 8-4: Size of the market within access frontier now for life insurance by region.

LIFE	population	average household size	# of households	% willing to buy	life (all products)			life with investment plan only		
					demand - households	average number of policies	demand - policies	interest in life with investment plan	demand - households	demand - policies
Tbilisi	1,081,679	3.49	310,217	16.32	50,615	1.96	99,454	64.7	32,751	64,352
Imereti	699,666	3.88	180,458	21.00	37,900	2.46	93,296	49.5	18,751	46,159
Kakheti	407,182	4.21	96,718	24.89	24,078	1.61	38,878	50.7	12,205	19,707
Kvemo Kartli	497,530	3.93	126,620	6.33	8,017	2.00	16,033	80.0	6,412	12,823
Shida Kartli	439,482	3.98	110,452	10.97	12,116	1.33	16,153	22.4	2,717	3,622
Samtskhe-Javakheti	207,598	4.28	48,554	23.55	11,433	3.42	39,154	76.4	8,730	29,897
Achara	376,016	4.59	81,871	38.82	31,785	1.71	54,398	48.5	15,411	26,374
Samegrelo	466,100	3.93	118,704	27.73	32,922	2.35	77,372	44.3	14,595	34,300
Guria	143,357	<i>no data</i>								
Racha	50,969									

Figure 8-5: Size of the market within access frontier now for property insurance by region.

PROPERTY	population	average household size	# of households	% willing to buy	demand - households	average value of policies	demand - value of policies
Tbilisi	1,081,679	3.49	310,217	10.79	33,471	15000.00	502,066,078
Imereti	699,666	3.88	180,458	11.86	21,406	15000.00	321,083,266
Kakheti	407,182	4.21	96,718	26.13	25,273	7669.12	193,825,303
Kvemo Kartli	497,530	3.93	126,620	19.72	24,970	2766.67	69,083,589
Shida Kartli	439,482	3.98	110,452	5.26	5,809	7362.00	42,765,477
Samtskhe-Javakheti	207,598	4.28	48,554	27.09	13,155	432.55	5,690,097
Achara	376,016	4.59	81,871	21.99	18,000	12137.26	218,471,588
Samegrelo	466,100	3.93	118,704	19.31	22,917	4513.84	103,442,453
Guria	143,357	<i>no data</i>					
Racha	50,969						

⁴⁵ The projections presented in the section from 8.2 to 8.5 are done for the group within access frontier now.

8.3. Market by settlement types

Given virtually no differences in willingness to buy across different settlement types the rural market is the biggest for health and life insurance; big cities are the biggest market for life insurance with investment plan and property insurance (due to higher value of assets to be insured).

Figure 8-6: Size of the market within access frontier now for health insurance by settlement type.

HEALTH	% in the population of households	# of households	% willing to buy	demand - households	average number of policies	demand - policies
city	38%	408,329	33.00	134,748	2.47	333,287
town	14%	150,644	30.67	46,198	2.73	125,994
rural	48%	512,477	30.40	155,793	2.61	407,287

Figure 8-7: Size of the market within access frontier now for life insurance by settlement type.

LIFE	% in the population of households	# of households	% willing to buy	life (all products)			life with investment plan only		
				demand - households	average number of policies	demand - policies	interest in life with investment plan	demand - households	demand - policies
city	38%	408,329	20.33	83,027	2.14	178,022	59.3	49,201	105,494
town	14%	150,644	19.33	29,124	2.14	62,409	61.5	17,923	38,407
rural	48%	512,477	20.00	102,495	2.02	207,082	46.5	47,672	96,317

Figure 8-8: Size of the market within access frontier now for property insurance by settlement type.

PROPERTY	% in the population of households	# of households	% willing to buy	demand - households	average value of policies	demand - value of policies
city	38%	408,329	15.67	63,971	11003	703,876,648
town	14%	150,644	14.00	21,090	2060	43,446,425
rural	48%	512,477	16.80	86,096	5460	470,085,720

8.4. Market by income segments

Surprisingly, there are no huge differences in market sizes by income level.⁴⁶ The higher the income household has the more willing to buy health and property insurance it is, but even the lowest income households express high willingness to buy. The highest income segment is the biggest market size for health and property insurance. If the highest income segment is excluded (as it usually is not a target group for microinsurance) the 'traditional' market size for health microinsurance is 607 thousand policies; for life microinsurance – 342 thousand policies; and for property insurance – 120 thousand policies.

Figure 8-9: Size of the market within access frontier now for health insurance by income level.

HEALTH	% in the population of households	# of households	% willing to buy	demand - households	average number of policies	demand - policies
lowest income	25%	266,996	27.43	73,245	2.594	189,965
low income	25%	268,399	28.88	77,520	2.568	199,040
average income	25%	268,399	32.04	86,003	2.532	217,794
highest income	25%	268,399	37.75	101,323	2.572	260,588

Figure 8-10: Size of the market within access frontier now for life insurance by income level.

LIFE	population	# of households	% willing to buy	life (all products)			life with investment plan only		
				demand - households	average number of policies	demand - policies	interest in life with investment plan	demand - households	demand - policies
lowest income	25%	266,996	18.86	50,345	2.16	108,515	50.9	25,602	55,183
low income	25%	268,399	20.88	56,051	2.14	120,154	55.5	31,084	66,634
average income	25%	268,399	20.32	54,544	2.09	113,758	49.4	26,924	56,153
highest income	25%	268,399	19.99	53,660	1.98	106,199	59.5	31,946	63,224

⁴⁶ This is linked to the fact that there is high interest in rural areas, where households live on lower incomes.

Figure 8-11: Size of the market within access frontier now for property insurance by income level.

PROPERTY	population	# of households	% willing to buy	demand - households	average value of policies	demand - value of policies
lowest income	25%	266,996	14.50	38,719	5335.9	206,603,032
low income	25%	268,399	13.29	35,679	8043.5	286,986,130
average income	25%	268,399	16.85	45,237	5762.4	260,677,275
highest income	25%	268,399	19.37	51,991	10961.5	569,905,744

8.5. Market on self-employed segment

Market size on self-employed segment is for interest of partner-agent microinsurance delivery model. It is 142 thousand health policies, 65 thousand life insurance policies (including 44 thousand of life with investment plan) and 54 thousand property policies.

Figure 8-12: Size of the market within access frontier now on self-employed segment.

	% in the population of households	# of households	% willing to buy	demand - households	average number of policies	demand - policies			
Health	14%	151,654	35.40	53,686	2.64	141,730			
Property (value of policies)			19.50	29,573	9252	273,604,994	interest in life with investment plan	demand - households	demand - policies
Life				<i>life (all products)</i>			<i>life with investment plan only</i>		
			20.60	31,241	2.11	65,918	67.1	20,963	44,231

9. Market segmentation

Market segmentation is fundamental to develop successful marketing strategies to reach those within access frontier now and in the future. Basic segmentation presented in section 9.1 is based on geography, settlement type and income level. In section 9.2 more sophisticated segmentation based on financial behaviors is presented that promise to inform better marketing strategies.

9.1. Promising market segments

This section attempt to summarize the information gathered on key basic market segments (by region, by settlement type, and by income). Evaluation of the market segments (figure 9-1) is made on the basis of development needs, main challenges for delivery as identified in the report (capacities to pay, insurance knowledge and use, trust in insurers) and business opportunities (effective demand and market size). As microinsurance intends to marry development and business the best match would be: high needs, low challenges and high business opportunities.

Figure 9-1: Comparison of key basic market segments.

	Development needs ⁴⁷	Capacities	Insurance knowledge and use	Trust in insurers	Effective demand	Market size
Tbilisi		+	++	-		H ++ L ++ P ++
Imereti	H +		-			H + L ++ P +
Kakheti	P +		+		H + P +	P +
Kvemo Kartli	H + P +			-	H +	H +
Shida Kartli	H +		+			
Samtskhe-Javakheti	H + P +		-		P +	
Achara		+	++	-	H + L + P +	P +
Samegrelo	P +		+	+	L +	L +
city		+	++		+	H + L + P ++
town	P +				+	
rural	H + P +	-			+	H ++ L ++ P +
lowest income	H +	--			+	H + L +
low income	H +	-			+	H + L ++ P +
average income	H +		+		+	H + L + P +
highest income		++	++		+	H ++ L + P ++

⁴⁷ Needs for risk management strategy related to death risk are not included in this analysis due to lack of data.

Imereti and Kvemo Kartli regions seem to be the best matches for health insurance, while Kakheti for property insurance. The needs are relatively high and market sizes are significant. As expected, the biggest business leverage is in Tbilisi and Achara. It would be unreasonable to lose these opportunities but one should remember that in relative terms these are not the areas where microinsurance is the most needed. However, Tbilisi is an exception as the total market is the biggest and in absolute terms there are still many target beneficiaries there.

Rural market provides an excellent match of development and business objectives. Effective demand is relatively high, though limited payment capacity is a big issue in rural areas. Additionally, identifying efficient delivery mechanisms in rural areas might be very problematic. Big cities provide an excellent business opportunity, while not necessarily are in the biggest need.

The low income segment is in big need for health insurance. It also seems to be a good business opportunity. However, once again, their payment capacity poses a real challenge.

9.2. Segmentation by financial behavior to guide marketing strategy

As mentioned earlier well designed marketing strategies should help to reach those within access frontier now and in the future. It is needless to say that a marketing strategy should be designed around three key challenges – knowledge, capacities to pay and trust – and their importance for key basic segments (figure 9-1). For example, in Imereti more stress should be put on knowledge, product information provided must very simple, etc., in Kvemo Kartli more emphasis should be put on building trust in insurers. However, a drawback of the segmentation using geographic or/and demographic variables is a multitude of segments making it difficult to design a simple and comprehensive marketing strategy.

It is clear from previous analyzes that current financial behavior and literacy is one of the key factors determining effective demand for insurance. If the market can be segmented by financial behavior and literacy this will reduce number of segments and add some psychographic and usage dimensions. A factor analysis was run on key financial behavior and literacy variables⁴⁸, which resulted in identifying five independent factors (groups) that have some potential to be used as bases for segmentation (figure 9-2).

The five distinct groups identified are: reactive borrowers, informal savers, knowledgeable formal savers, distrustful, and formal borrowers; and cover 50-75% of the total population. The rest of the population do not seem to be very prospective for microinsurance as it is hard to classify them by financial behavior, therefore identify core characteristics on which marketing strategy can be based. The “unclassifiable” have very limited financial behavior, knowledge and either do not trust insurers by definition or are neutral.

Segment descriptions give clearer idea how the marketing strategy should be tailored and how costly would it be. Segment profile describes who composes the segment, where and at which groups the marketing strategies should be targeted. Segment descriptions and profile allow the link to current effective demand, providing a general clue how prospective can be the segment in the near future.

Figure 9-2: Market segmentation by financial behavior and literacy.

	REACTIVE BORROWERS	INFORMAL SAVERS	KNOWLEDGEABLE FORMAL SAVERS	DISTRUSTFUL	FORMAL BORROWERS
<i>Approximate share in population</i>	20-25 %	10-15%	5-10%	10-15%	5-10%

⁴⁸ The variables were: saving actively, bank account, trust in banks, scope of borrowing, borrowing from informal sources, borrowing from moneylenders, borrowing from banks, household over indebtedness, scope of knowledge of types of insurance, having used insurance before, number of known insurance companies, trust in insurance companies.

	REACTIVE BORROWERS	INFORMAL SAVERS	KNOWLEGEABLE FORMAL SAVERS	DISTRUSTFUL	FORMAL BORROWERS
<i>segment description</i>	<ul style="list-style-type: none"> ▪ Borrow extensively from all the sources but especially informal ones, mostly to manage risks. ▪ Some are over indebted. ▪ Very limited knowledge on insurance. ▪ No significant problem with trust in insurers. ▪ are price sensitive. 	<ul style="list-style-type: none"> ▪ Save regularly using informal services. ▪ Sometimes borrow from moneylenders; do not have access to banks. ▪ Used insurance before, but know few insurers and not so much on insurance services. 	<ul style="list-style-type: none"> ▪ Save regularly; have a bank account; trust banks. ▪ If have to borrow do it from banks ▪ Know a lot about insurance; have used it before; trust insurers or at least are neutral. 	<ul style="list-style-type: none"> ▪ Do not trust banks and insurers. ▪ Very limited financial behaviour. ▪ Have sufficient knowledge on insurance. 	<ul style="list-style-type: none"> ▪ Avoid informal credit services; borrow quite often from banks. ▪ Apart from that have limited financial behaviour. ▪ Some problems with trust in insurers.
<i>suggested marketing strategy</i>	<ul style="list-style-type: none"> ▪ needs emphasis on benefits of insurance as risk management strategy compared to long-term effects of excessive borrowing; ▪ very basic introduction to insurance is needed; ▪ careful pricing. 	<ul style="list-style-type: none"> ▪ emphasis on contribution of insurance to securing long-term savings; ▪ benefits for saving/insuring at formal institutions. 	<ul style="list-style-type: none"> ▪ easy to sell bundled with saving products; ▪ emphasis on contribution of insurance to securing hard work done on saving; ▪ sophisticated product information. 	<ul style="list-style-type: none"> ▪ sophisticated product information with emphasis on trust. ▪ showing benefits of financial planning and formal financial services. 	<ul style="list-style-type: none"> ▪ very basic introduction to insurance is needed; ▪ showing benefits of financial planning and formal insurance services.
<i>anticipated costs of marketing</i>	medium	medium	low	high	medium to high
<i>segment profile</i>	<ul style="list-style-type: none"> ▪ lower income ▪ rural and small towns ▪ lower education ▪ more vulnerable ▪ income from self-employment or agriculture 	<ul style="list-style-type: none"> ▪ rural and small towns 	<ul style="list-style-type: none"> ▪ highest income ▪ big cities ▪ at least secondary education ▪ younger than 40 years old ▪ least vulnerable ▪ salaried workers, self-employed and receiving remittances 	<ul style="list-style-type: none"> ▪ lower income ▪ rural and small towns ▪ older 	<ul style="list-style-type: none"> ▪ higher education ▪ younger ▪ salaried workers ▪ self-employed
<i>current effective demand</i>	medium to high	medium	medium to high	low	low

It seems like there are three segments that are more prospective than others: reactive borrowers, knowledgeable formal savers, informal savers. They cover 35-50% of population, giving a significant market to start with. The common feature is that they are within access frontier now and do not have a problem with trust in insurers. Reactive borrowers and informal savers fit very well the development objectives of microinsurance as their profile is relatively poorer. There is some gap in knowledge but it not necessarily distracts the people from seeing the value in microinsurance. Efficient microinsurance delivery mechanisms is an issue for these two groups as they use mostly informal financial services and reside in small towns and rural areas. Formal savers are much richer and are probably the most prospective segments in terms of profitability for those who serve them. They are also much easier to reach as insurance can be bundled with formal financial services. If one can cover all three segments there are some opportunities of cross-subsidizing to balance development and business objectives.

10. Conclusions

The survey confirmed results of qualitative research that needs for microinsurance among poor and vulnerable households in Georgia are very high. These needs are much more accentuated among lower income group in rural areas and in small towns.

Given that microinsurance is an unknown service for majority of Georgians, the effective demand declared by interviewed households is substantial. The market development projections show that the market for all three microinsurance products (health, life, property) is prospective in short-term. The health microinsurance market has also a big potential to be doubled in the medium-term.

The demand analysis gives lots of interesting insights regarding market segmentation. In terms of geography, there are some regions like Imereti, Kvemo Kartli and Kakheti where the development needs are very high and markets are sizeable. Tbilisi is of course a market in itself, where in absolute terms there are many people in need for microinsurance. Surprisingly, rural markets are very substantial. Rural households are also in big need for more risk-management options as not only they have very limited menu of strategies to draw from but are also the most vulnerable due to combined effects of health and weather-related agricultural risks.

Capacities to pay for microinsurance are much lower among the groups in the biggest need. It does not concern only income levels but also poor money management practices undermining possibility to benefit from microinsurance. There is a scope for redistribution policies on the microinsurance market as the needs are very high and one-fourth of population might face significant problems in paying for microinsurance. There is less sense for government intervention on life and property microinsurance markets.

On the other hand, it is surprising that income level do not discriminate household willingness to buy. It points to the fact that among lowest income groups willingness to buy is much higher than capacities to pay. It proves that if a household with scarce resources sees value in microinsurance product it will manage its resources in a way to be able to pay for it. So encouraging people to buy microinsurance should be about showing value to end-users and giving them tools to manage their money more successfully.

Showing value should be also about building knowledge and skills to use microinsurance effectively. The knowledge gap occurred to be more significant than expected. The general knowledge is quite impressive – people are able to mention insurance types and know quite well existing insurers. But if we go more in-depth we suddenly discover that they do not fully understand insurance concept.

Distrust is a big issue at first glance. Almost half of population declares that they do not trust insurers. It is a wider problem of lack of trust in financial institutions during difficult transition from planned to market economy. In the case, of insurance it is based on secondary information rather than on one's own experience. On the other hand, there are some prospective segments that are not discouraged by general distrust. To conclude, the lack of trust should not undermine the start of well-targeted microinsurance development in Georgia. If safety and high quality services are provided to end-users the good news will spread fast, and should easily change attitudes of a big group of those who are neutral, and hopefully those distrustful as well. However, upfront investment in insurance sector stability, product design and delivery channels is needed as bad news spread even faster.

Marketing is crucial for the success of microinsurance in Georgia as the effective demand contrasted with enormous needs is still small. If marketing addresses major challenges identified on specific segments it will speed up significantly the market development. The three prospective segments identified using financial behavior criterion provide a good and cost-effective start. Microinsurance providers should combine their strategic marketing plans with specificities of the three segments, develop specific marketing strategies and carefully test their operationalization. The well-designed marketing strategies can help microinsurance in realizing its development goal – encouraging poor households to use more effective risk management strategies.

Annex 1 – More details on methodology and fieldwork quality

Technical Report prepared by IPM.

Sampling

Total number of interviews was distributed to the 3 strata. Quota was set for rural areas – 250 interviews. 750 interviews were distributed between large cities and towns proportionally to the number of population residing there. As a result the following distribution of interviews was obtained:

- Large cities – 600 interviews
- Towns – 150 interviews
- Rural areas/villages – 250 interviews

Regional distribution of interviews is given in the table below:

	Regions	Number of Interviews
1	Tbilisi	380
2	Achara	80
3	Imereti	170
4	Kakheti	80
5	Kvemo Kartli	100
6	Samegrelo	90
7	Samtskhe-Javakheti	40
8	Shida Kartli	60
	Total	1000

Census tracts were considered as Primary Sampling Units in urban areas. In rural areas villages were considered as PSU. Number of Primary Sampling Units was identified to be sampled in each strata based on the calculation that 5 interviews are to be conducted in each PSU in large cities and 10 interviews in each PSU in towns and villages. Number of PSUs in each stratum is the following:

Stratum	Number of PSUs
Large Cities	120
Towns	15
Villages	25
Total	160

Primary Sampling Units have been sampled from the list of PSUs in each stratum. Selection of households within each PSUV will take place by simple random walking. Interviewers received starting points, direction and step size. In each household main wage earner was interviewed. Interviewers had to make 3 call backs to interview main wage earner.

Fieldwork

A total of 53 interviewers participated in the study (Tbilisi–15, Imereti-6, Kakheti-4, Kvemo Kartli- 7, Shida Kartli-3, Samtskhe-Javakheti-4, Achara-6, Samegrelo-8) Thus each intervbiwer conducted 18.8 interviews on average (2 interviews per day on average). Based on the length of the interview it was possible to conduct 4-

5 interviews a day, but as long as interviewers had to travel a lot and make 3 call backs to reach the right respondents (main wage earner), the fieldwork took 9 days.

A total of 83 call backs were made to reach the main wage earner. Call backs primarily took place in urban and not rural areas. Response rate for the survey was high. 96% of respondents agreed to answer the questions. To register call backs and non-responses interviewers had a special sheet. There were 41 non-responses. The highest non response rates were in Tbilisi (15), Kvemo Kartli (8), Imereti (7) and Shida Kartli (7). There were low rate of non-response in Kakheti, Samegrelo, Achara and Samtskhe-Javakheti (1 in each).

Fieldwork took place in the period March 2-11, 2005.

Technical Details

In three regions of Georgia – Kvemo Kartli, Samtskhe-Javakheti, Imereti due to the road/snow problems, 4 villages from the original sampled were replaced by the villages in the same district.

Imereti – village **Jvarisa** was replaced by adjacent **Orpiri** and **Legovani** with **Vakhani**.

Kvemo Kqrtli – village **Tsalka** was replaced by **Koda**

Samtskhe-Javakheti – **Alastani** was replaced by **Varevani**.

Transportation was impossible to these villages due to weather and road conditions. Replacements were made by project coordinator, who was informed about the above mentioned problems by regional coordinators.

As regional supervisors and interviewers reported, in general respondents did not experience any difficulties in understanding questions, although it took some time for them to comprehend concepts of different insurance products. They seemed to be involved in the interview, calculating insurance costs and benefits and answer questions willingly.

The average length of the interview was 37 minutes, ranging from 20 minutes to 80 minutes. In Samtskhe-Javakheti interviews lasted longer than in any other region.

The most irritating questions were ones regarding the income. 19.5% refused to report income. This is a little greater number than it was anticipated (14-15%). Based on interviewers experience high rate of non-response accrued because income from various sources was asked separately in great detail, which was an irritating experience for respondents.

Field Control

As it was specified in the proposal, field control took place in 3 randomly selected regions:

- Tbilisi
- Samegrelo
- Shida Kartli

All interviewers that took part in the survey in these regions have been controlled. (Tbilisi – 15, Samegrelo - 8, Shida Kartli -3). Completed questionnaires for control were selected randomly.

	Total Number of interviews	Total Number of interviewers participating in the study	Number of interviewers controlled	Number of interviews controlled		% Controlled by regions
				Repeated visit	Phone call	
Tbilisi	380	15	15	90	75	43
Samegrelo	100	8	8	48		48
Shida kartli	60	3	3	45		75
Total	540			183	75	48

A total of **48%** of interviews have been controlled in the selected regions either by repeated visit or by phone, which amounts to **26%** of all completed interviews (1000).

In Tbilisi 6 randomly selected questionnaires of 15 interviewers have been controlled by repeated visit and additional 5 by phone. Phone control was used in Tbilisi only. In Samegrelo 6 randomly selected questionnaires of 8 interviewers and in Shida Kartli 15 randomly selected questionnaires of 3 interviewers have been controlled. Control group was send to the regions from Tbilisi.

Control aimed at checking the following:

- Correct implementation of sampling procedures – selection of households (*random walking and step size*) and respondent within a household (*main wage earner*)
- Correct implementation of procedures (*Did the interview take place? Did the interviewer behaved ethically? Did the interviewer use cards? What was the length of the interview?*)
- The fact of asking specific questions to respondents, namely, 3 Product concepts, potential interest in the proposed insurance products employment of household members and income. These questions were assumed as key variables of the study and thus have been monitored.

Types of errors identified as a result of Field Control

Two types of interviewer errors have been identified:

I – Violation of respondent selection rules (The person interviewed was not the head of the household) In these cases control group members were instructed to conducted interview with the head of the household and the invalid interview was replaced by the valid one in the data file.

II – Mechanical error (*Household member, whose name is the 1st in the list was not the head of the household, although the interview was conducted with the head of the household*) these errors were corrected while cleaning data file. Head of the household was moved to the 1st position.

III – Interviewer did not use cards. In these cases control group members were instructed to ask the questions requiring cards to the respondent repeatedly, check answers given without cards and make amendments.

All interviews conducted by the interviewers, who made one of these errors, were 100% controlled at the **second stage** of field control. Second stage required control of additional 28 interviews by repeated visit in Tbilisi, 24 in Samegrelo and 5 in Shida Kartli to make sure that all interviews conducted by interviewers with errors was checked.

Number of different types of errors identified as a result of field control (*After checking 100% of interviews conducted by each interviewer with at least one error -identified at the first stage of field control*)

Types of errors	Number of errors		
	Tbilisi	Samegrelo	Shida Kartli
I	2	2	0
II	1	2	1
III	1		1

Thus at the 1st stage of field control 258 interviews have been back-checked and additional 57 on the 2nd stage, making a total of 315 interviews, **58%** of interviews conducted in the selected regions and **32%** of total number of interviews.

Weighting

Weighting was performed on the level of strata. In i stratum ⁴⁹ ($i=1, 2, 3$) the initial weight of each respondent was identified as the reverse probability of the respondent to be sampled:

$$W_i^{(0)} = \frac{N_i}{n_i}$$

Where

N_i is 18+ population in " i " stratum.

n_i is number of 18+ respondents in " i " stratum in the sample.

⁴⁹ There were a total of 3 strata: 1. Large Cities, 2. Towns 3. Rural settlements

Annex 2 - Survey questionnaire

Survey questionnaire, demand for micro- insurance in Georgia

Done by MFC in collaboration with IPM for Microinsurance Center and KfW

(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. Tbilisi
2. Imereti
3. Kakheti
4. Kvemo Kartli
5. Shida Kartli
6. Samtskhe-Javakheti
7. Achara
8. Samegrelo

Q6. Name of location: _____

Q7. Interview lasted: I__I minutes

Q8. How do you evaluate the credibility for the information captured during the interview?

- 1 – definitely not credible
- 2 – rather not credible
- 3 – neither not credible nor credible
- 4 – rather credible
- 5 – definitely credible

INT.: READ: „Good morning / good evening. My name is ... and I work as a researcher for IPM. 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 that are currently present or left for short period of time (less than 6 months).

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.

					<i>the questions from A5 to A7 does not apply to children below 16 years old</i>		
A1. ID	Please give names of all your household members. INT.: WRITE A NAME.	A2. Relation to the household head <i>1 – household head 2 – spouse / partner 3 – child 4 – parent 5 – grandchild 6 – other person</i>	A3. Gender <i>1 – male 2 – female</i>	A4. Age ENTER AGE OF THE PERSON	A5. Marital status <i>1 – single 2 – married 3 – separated / divorced 4 – widow(er)</i>	A6. Education grade completed <i>1 – none 2 – primary 3 – secondary 4 – vocational (technical) 5 – incomplete higher 6 – higher (university, PhD)</i>	A7. Disability (cannot work) <i>1 – Yes 0 – No</i>
1		<input type="checkbox"/> 1 2 3 4 5 6	1 2		1 2 3 4	1 2 3 4 5 6	0 1
2		1 2 3 4 5 6	1 2		1 2 3 4	1 2 3 4 5 6	0 1
3		1 2 3 4 5 6	1 2		1 2 3 4	1 2 3 4 5 6	0 1
4		1 2 3 4 5 6	1 2		1 2 3 4	1 2 3 4 5 6	0 1
5		1 2 3 4 5 6	1 2		1 2 3 4	1 2 3 4 5 6	0 1
6		1 2 3 4 5 6	1 2		1 2 3 4	1 2 3 4 5 6	0 1
7		1 2 3 4 5 6	1 2		1 2 3 4	1 2 3 4 5 6	0 1
8		1 2 3 4 5 6	1 2		1 2 3 4	1 2 3 4 5 6	0 1
9		1 2 3 4 5 6	1 2		1 2 3 4	1 2 3 4 5 6	0 1
10		1 2 3 4 5 6	1 2		1 2 3 4	1 2 3 4 5 6	0 1
11		1 2 3 4 5 6	1 2		1 2 3 4	1 2 3 4 5 6	0 1
12		1 2 3 4 5 6	1 2		1 2 3 4	1 2 3 4 5 6	0 1

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)?		B2. How many times has it happened in your household during the last 3 years (since 2002 till today)?	B3. On average, how would you evaluate the financial pressure on your household created by the risk taking into account the amount of money needed to cope with the risk and difficulty in getting it?
		1 – yes	0 -no		
		<i>MARK A CODE IN EACH ROW</i>		<i>ENTER THE NUMBER OF TIMES</i>	READ CODES AND <input type="checkbox"/> SHOW A CARD #
				<i>99 – hard to say (do not read)</i>	<i>1 – very small</i> <i>2 – rather small</i> <i>3 – neither big nor small</i> <i>4 – rather big</i> <i>5 - very big</i> <i>99 – hard to say (do not read)</i>
	Health				
A	Illness/accident of family member leading to permanent disability (hospitalization necessary, surgical/therapeutic treatment needed)	1	0		1 2 3 4 5 99
B	Illness/accident of family member (hospitalization necessary, surgical treatment needed)	1	0		1 2 3 4 5 99
C	Illness/accident of family member (hospitalization necessary, only therapeutic treatment)	1	0		1 2 3 4 5 99
D	Illness/accident of family member (only urgent medical help needed, only calling ambulance)	1	0		1 2 3 4 5 99
E	Illness/accident of family member (without hospitalization, but needed visit to a doctor)	1	0		1 2 3 4 5 99
	Property				
F	Fire – business premises and/or productive assets	1	0		1 2 3 4 5 99
G	Fire – house/flat and/or household durables	1	0		1 2 3 4 5 99
H	Theft of productive assets	1	0		1 2 3 4 5 99
I	Theft of household durables	1	0		1 2 3 4 5 99
	Other				
J	Bad weather conditions affecting agricultural production	1	0		1 2 3 4 5 99

K	Livestock disease	1	0		1	2	3	4	5	99
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	<i>Analyze only the risks identified for the household in the previous table</i>	B4. What was the most important coping mechanism ⁵⁰ you used immediately after the risk happened <u>last time</u> ? <i>Show the list of coping mechanisms (next page), ask the respondent to select the mechanism and put respective code below</i>	B5. If you needed to use other coping mechanisms later to mitigate the stress created by immediately used coping mechanisms <u>last time</u> , what was it? <i>Show the list of coping mechanisms (next page), ask the respondent to select the mechanism and put respective code below 98 – no need to use other coping mechanism (DO NOT READ)</i>	B6. How would you evaluate the general effect of the risk itself and using the coping mechanisms on your household standard of living? READ CODES AND SHOW A CARD # 1- decreased significantly 2- decreased slightly 3- no influence 99 – hard to say (do not read)
	Health			
A	Illness/accident of family member leading to permanent disability (hospitalization necessary, surgical treatment needed)			1 2 3 99
B	Illness/accident of family member (hospitalization necessary, surgical treatment needed)			1 2 3 99
C	Illness/accident of family member (hospitalization necessary, therapeutic treatment)			1 2 3 99
D	Illness/accident of family member (only urgent medical help needed, only calling ambulance)			
E	Illness/accident of an adult family member (without hospitalization, but needed visit to a doctor)			1 2 3 99
	Property			
F	Fire- business premises and/or productive assets			1 2 3 99
G	Fire– house/flat and/or household durables			1 2 3 99
H	Theft of productive assets			1 2 3 99
I	Theft of household durables			1 2 3 99
	Other			
J	Bad weather conditions affecting agricultural production			1 2 3 99

⁵⁰ The one that contributed the most to generate the necessary amount of money.

K	Livestock disease			1	2	3	99
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List of coping mechanisms:

- No coping action (i.e. neglecting the illness, not re-building the stolen assets, etc.)

- Insurance
- Using own funds, depleting savings, etc.

- Reducing consumption
- Getting additional job (or working more)

- Getting free of charge help from government (benefits, ad-hoc help)
- Getting help from local associations you belong to or private persons (local businessmen, etc.)
- Getting free of charge help from relatives/friends (not to be repaid)
- Getting help that we have to give back (borrowing without interest)

- Buying necessary things (medicines, materials, etc.) with delayed payment (no interest rate)
- Buying necessary things (medicines, materials, etc.) on credit (with interest rate)
- Borrowing with low interest (up to 5% per month) from relatives/friends
- Borrowing from microfinance institutions (Constanta, FINCA, etc.)
- Borrowing from banks
- Borrowing with higher interest (more than 5% per month) relatives/friends
- Borrowing with higher interest (more than 5% per month) moneylenders (wealthy private persons)

- Selling animals
- Selling wood
- Selling fruits and other stored agricultural products (including barter arrangements)
- Pledging household assets in pawnshops (including jewellery, household consumer durables, etc.)
- Selling household assets (including jewellery, household consumer durables, land, transport vehicles, etc.)

- other _____

C. Insurance – knowledge, use and attitude

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 (including illness and accidents)
B	Disability (death and disability)
C	Property
D	Car property
E	Civil liability
F	Obligatory policies, including former state insurance

C2. Have you or any of your family members had a voluntary insurance policy during the last 15 years?⁵¹

0 – no GO TO QUESTION C3

1 – yes (used to have or have now) GO TO QUESTION C4

99 – hard to say (do not read) GO TO QUESTION C4

C3. Why not?

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 C5.

- 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
- 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
- 7 - heard it is a long / bureaucratic process to realize claim
- 8 - no trust in insurer - heard that insurers do not pay (manipulate with conditions, etc.)
- 9 - no trust in insurance companies – they can go bankrupt or run away stealing my money
- 10 - I am not sure the insurance will work because third party (e.g. hospital) might refuse to accept it

OTHER: _____

99 – hard to say (do not read)

AFTER THIS QUESTION GO TO NEXT SECTION (QUESTION D1)

C4. What was the type of policy you had in the last 15 years or you have now?

GO WITH RESPONDENT THROUGH THE LIST.

		1-yes	0-no
A	Health (including illness and accidents)	1	0
B	Life (including death and disability)	1	0
C	Property	1	0
D	Car property	1	0
E	Civil liability	1	0
F	Obligatory policies, including former state insurance	1	0

⁵¹ Only voluntary policies, the previous government insurance scheme does not count here.

D. Product concept I – health insurance

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 selected or all health care costs.

I will read you a concept of a new health insurance product, and then I would like to ask for your opinion about it.

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: includes amount of money to cover fully official (according to the government list) and informal costs. Money is given in cash to the policyholder (or other family member) by an insurance agent at the hospital.




Claim processing: within 3 days all the benefits are transferred to the client (in cash).

Provider: The service is provided by one of the biggest Georgian private insurance companies.

Proximity: The service is available in the nearest town.

Price: 4,80 GEL per month

Frequency of premium payment: payments can be done on a monthly basis or up-front.

<p style="text-align: center;">READ CODES AND  SHOW A CARD #</p> <p>D1. What are up to 2 things you like the most about this product? MAX. 2 ANSWER POSSIBLE.</p>	<ol style="list-style-type: none"> 1. coverage 2. benefit (amount obtained) 3. claim processing 4. provider 5. proximity 6. price (premium) 7. frequency of premium payment <p>OTHER:</p> <p><i>98 – none (do not read)</i> <i>99 – hard to say (do not read)</i></p>
<p style="text-align: center;">READ CODES AND  SHOW A CARD #</p> <p>D2. What are up to 2 things you dislike the most about this product? MAX. 2 ANSWER POSSIBLE.</p>	<ol style="list-style-type: none"> 1. coverage 2. benefit (amount obtained) 3. benefit (not receiving anything if nothing happens) 4. claim processing 5. provider 6. proximity 7. price (premium) 8. frequency of premium payment <p>OTHER:</p> <p><i>98 – none (do not read)</i> <i>99 – hard to say (do not read)</i></p>
<p style="text-align: center;">READ CODES AND  SHOW A CARD #</p> <p>D3. How willing would you be to buy this product? When answering use the scale presented on this card (INT. READ POSSIBLE ANSWERS).</p>	<ol style="list-style-type: none"> 1 – definitely not willing – GO TO D5 2 – rather not willing – GO TO D5 3 – rather willing - GO TO NEXT QUESTION 4 – definitely willing - GO TO NEXT QUESTION <p><i>99 – hard to say (do not read)</i></p>
<p>D4. How many people in your household would you like to insure? (including respondent) WHEN DONE GO TO D8</p>	<p>[_____] <i>99 – hard to say (do not read)</i></p>

<p>ASK ONLY THOSE NOT WILLING TO BUY</p> <p>D5. Why not?</p> <p>INT.: THIS IS SPONTANEOUS QUESTION. DO NOT READ ANSWERS.</p>	<ol style="list-style-type: none"> 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 (losing money) 7. claim processing 8. provider 9. proximity 10. price (premium) 11. frequency of premium payment <p>OTHER:</p> <p><i>99. hard to say (do not read)</i></p>
<p>ASK ONLY THOSE NOT WILLING TO BUY</p> <p>D6. And if the premium is lowered to 3,60 GEL per month how willing would you be to buy the product?</p>	<p>0 – it will not change my decision – GO TO D7</p> <p>1 – maybe I will reconsider my decision – GO TO D8</p> <p>2 – I would be willing to buy it - GO TO D8</p> <p><i>99 – hard to say (do not read)</i></p>
<p>ASK ONLY THOSE NOT WILLING TO BUY</p> <p>D7. Is there any price at which you will change your decision and decide to buy?</p>	<p>0 – No, I am not interested at all</p> <p>Yes, the price is [_____] GEL per month</p>
<p>READ CODES AND <input type="checkbox"/> SHOW A CARD #</p> <p>D8. Would you recommend this product to your relatives and friends?</p>	<ol style="list-style-type: none"> 1 – definitely no 2 – rather no 3 – rather yes 4 – definitely yes <p><i>99 – hard to say (do not read)</i></p>

E. Product concept II – life insurance

<p>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.</p> <p>I will read you a concept of a new life insurance product, and then I would like to ask for your opinion about it.</p> <p><u>Coverage:</u> This is the risk-management product that covers death of the policyholder during the fixed term (1, 3 or 5 years).</p> <p><u>Benefit:</u> In case of death of the policyholder during the selected period his/her family receives a fixed benefit of 3000 GEL. If the policy holder does not die the family receives nothing.</p> <p><u>Claim processing:</u> within one month all the benefits are transferred in cash to the family.</p> <p><u>Provider:</u> The service is provided by one of the biggest Georgian private insurance companies.</p> <p><u>Proximity:</u> The service is available in the nearest town.</p> <p><u>Price:</u> the premium payment would be 3 GEL per person per month.</p> <p><u>Frequency of premium payment:</u> monthly.</p>	
<p>READ CODES AND <input type="checkbox"/> SHOW A CARD #</p> <p>E1. What are up to 2 things you like the most about this product?</p> <p>MAX. 2 ANSWER POSSIBLE.</p>	<ol style="list-style-type: none"> 1. coverage 2. benefit (the level of fixed amount) 3. benefit (not receiving anything if nothing happens) 4. claim processing 5. provider 6. proximity 7. price (premium) 8. frequency of premium payment <p>OTHER:</p> <p><i>98 – none (do not read)</i></p> <p><i>99 – hard to say (do not read)</i></p>

<p style="text-align: center;">READ CODES AND [] SHOW A CARD #</p> <p>E2. What are up to 2 things you dislike the most about this product? MAX. 2 ANSWER POSSIBLE.</p>	<ol style="list-style-type: none"> 1. coverage 2. benefit (the level of fixed amount) 3. claim processing 4. provider 5. proximity 6. price (premium) 7. frequency of premium payment <p>OTHER:</p> <p><i>98 – none (do not read)</i> <i>99 – hard to say (do not read)</i></p>
<p style="text-align: center;">READ CODES AND [] SHOW A CARD #</p> <p>E3. How willing would you be to buy this product? When answering use the scale presented on this card (INT. READ POSSIBLE ANSWERS).</p>	<p>1 – definitely not willing – GO TO E5 2 – rather not willing – GO TO E5 3 – rather willing - GO TO NEXT QUESTION 4 – definitely willing - GO TO NEXT QUESTION</p> <p><i>99 – hard to say (do not read)</i></p>
<p>E4. How many people in your household would you like to insure? (including respondent) WHEN DONE GO TO E8</p>	<p>[_____]</p> <p><i>99 – hard to say (do not read)</i></p>
<p style="text-align: center;">ASK ONLY THOSE NOT WILLING TO BUY</p> <p>E5. Why not? INT.: THIS IS SPONTANEOUS QUESTION. DO NOT READ ANSWERS.</p>	<ol style="list-style-type: none"> 1. I do not need this insurance 2. I had bad experience with insurance 3. I do not trust insurers 4. coverage 5. benefit (the level of fixed amount) 6. benefit (loosing money) 7. claim processing 8. provider 9. proximity 10. price (premium) 11. frequency of premium payment <p>OTHER:</p> <p><i>99. hard to say (do not read)</i></p>
<p style="text-align: center;">ASK ONLY THOSE NOT WILLING TO BUY</p> <p>E6. And if the premium is lowered to 2 GEL per month, how willing would you be to buy the product?</p>	<p>0 – it will not change my decision – GO TO E7 1 – maybe I will reconsider my decision – GO TO E8 2 – I would be willing to buy it - GO TO E8</p> <p><i>99 – hard to say (do not read)</i></p>
<p style="text-align: center;">ASK ONLY THOSE NOT WILLING TO BUY</p> <p>E7. Is there any price at which you will change your decision and decide to buy?</p>	<p>0 – No, I am not interested at all Yes, the price is [_____] GEL per month</p>
<p style="text-align: center;">READ CODES AND [] SHOW A CARD #</p> <p>E8. Would you recommend this product to your relatives and friends?</p>	<p>1 – definitely no 2 – rather no 3 – rather yes 4 – definitely yes</p> <p><i>99 – hard to say (do not read)</i></p>
<p>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 (or 15) years. Savings has to be at least 10 GEL per month. Your savings safety is guaranteed by the government (as in banks). Benefit: In case of death of the policyholder during the fixed term (10 or 15 years) his/her family receives the amount saved and a fixed benefit of 3000 GEL. If the policyholder has not died he/she receives all his/her savings and interest earned on them (which is 1200 GEL for 10 years + interest). In this case, the interest rate on savings is similar to those practiced by Georgian banks for 1 year term deposit. Price: the premium payment would be the same as in the previous product presented = 3 GEL per person per month and the savings would be a fixed monthly amount of at least 10 GEL. It gives a total payment of at least 12 GEL per person per month.</p>	

<p style="text-align: center;">READ CODES AND [] SHOW A CARD #</p> <p>E9. How interested would you be in the saving (investment) plan function? When answering use the scale presented on this card.</p>	<p>1 – definitely not interested 2 – rather not interested 3 – rather interested 4 – definitely interested</p> <p><i>99 – hard to say (do not read)</i></p>
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F. Product concept III – property insurance

<p>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.</p> <p>I will read you a concept of a new insurance product, then I would like to ask for your opinion about it’.</p> <p><u>Coverage:</u> 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 300 and 10 000 GEL.</p> <p><u>Benefit:</u> 70% of current market value of insured asset(s).</p> <p><u>Claim processing:</u> within one month all the benefits are transferred in cash to the client</p> <p><u>Provider:</u> The service is provided by one of the biggest Georgian private insurance companies.</p> <p><u>Proximity:</u> The service is available in the nearest town.</p> <p><u>Price:</u> 5.5% of the current value of the insured assets, i.e. if you insure an asset worth 1000 GEL, you will have to pay 55 GEL for the year (4,6 GEL monthly); in case of a loss you will obtain 700 GEL.</p> <p><u>Frequency of premium payment:</u> payment can be done in regular monthly installments or up-front</p>	
<p style="text-align: center;">READ CODES AND [] SHOW A CARD #</p> <p>F1. What are up to 2 things you like the most about this product? MAX. 2 ANSWER POSSIBLE.</p>	<p>1. coverage 2. benefit (amount obtained) 3. claim processing 4. provider 5. proximity 6. price (premium) 7. frequency of premium payment OTHER:</p> <p><i>98 – none (do not read)</i> <i>99 – hard to say (do not read)</i></p>
<p style="text-align: center;">READ CODES AND [] SHOW A CARD #</p> <p>F2. What are up to 2 things you dislike the most about this product? MAX. 2 ANSWER POSSIBLE.</p>	<p>1. coverage 2. benefit (amount obtained) 3. benefit (not receiving anything if nothing happens) 4. claim processing 5. provider 6. proximity 7. price (premium) 8. frequency of premium payment OTHER:</p> <p><i>98 – none (do not read)</i> <i>99 – hard to say (do not read)</i></p>
<p style="text-align: center;">READ CODES AND [] SHOW A CARD #</p> <p>F3. How willing would you be to buy this product? When answering use the scale presented on this card (INT. READ POSSIBLE ANSWERS).</p>	<p>1 – definitely not willing – GO TO F5 2 – rather not willing – GO TO F5 3 – rather willing - GO TO NEXT QUESTION 4 – definitely willing - GO TO NEXT QUESTION</p> <p><i>99 – hard to say (do not read)</i></p>
<p>F4. What is the value of the assets you would like to insure? WHEN DONE GO TO F8</p>	<p>[] GEL</p> <p><i>99 – hard to say (do not read)</i></p>

<p>ASK ONLY THOSE NOT WILLING TO BUY</p> <p>F5. Why not? INT.: THIS IS SPONTANEUOS QUESTION. DO NOT READ ANSWERS.</p>	<ol style="list-style-type: none"> 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 <p>OTHER:</p> <p>99. <i>hard to say (do not read)</i></p>
<p>ASK ONLY THOSE NOT WILLING TO BUY</p> <p>F6. And if the premium is lowered to 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 40 GEL to insure an asset of 1000 GEL for one year; paying 3,3 GEL per month).</p>	<p>0 – it will not change my decision – GO TO F7</p> <p>1 – maybe I will reconsider my decision – GO TO F8</p> <p>2 – I would be willing to buy it – GO TO F8</p> <p>99 – <i>hard to say (do not read)</i></p>
<p>ASK ONLY THOSE NOT WILLING TO BUY</p> <p>F7. 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 1000 GEL value)</p>	<p>0 – No, I am not interested at all</p> <p>Yes, the price is [_____] GEL per month</p>
<p>READ CODES AND SHOW A CARD #</p> <p>F8. Would you recommend this product to your relatives and friends?</p>	<ol style="list-style-type: none"> 1 – definitely no 2 – rather no 3 – rather yes 4 – definitely yes <p>99 – <i>hard to say (do not read)</i></p>

X. Insurance - cont.

X1. Would your spouse have any influence on your willingness to buy the above mentioned insurance products?

- 0 - No
- 1 – Maybe Yes, maybe No
- 2 – Yes

98 - *not applicable (single headed household)*
 99 – *hard to say (do not read)*

X2. Could you list names of existing insurers in Georgia?

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

1- Aldagi	9- Anglo-Georgian insurance company
2- BCi	10- Ankora
3-Imedi L	11. PCI
4-GPIH	12. Geopolicy
5-Europase	13. Olimp
6 – Irao	14. West
7 – Salbi	15. General Charter insurance
8- Kartu	16. Georgian State Insurance

X3. To what extent do you trust the insurance companies you mentioned?

READ CODES AND SHOW A CARD #

- 1- I trust them completely
- 2- I trust them

- 3- I have no reason to trust them or not
- 4- I do not trust them
- 5- I do not trust them at all
- 99 – *hard to say (do not read)*

G. Saving and borrowing

G1. Do you or any of your family members put from time to time some money aside?

1 – Yes **GO TO NEXT QUESTION**

0 – No **GO TO QUESTION G4**

99 – *refuse to answer (do not read)* **GO TO QUESTION G4**

G2. What is the usual frequency at which you save? **READ CODES AND SHOW A CARD #**

- 1 – once in a year
- 2 - every 6 months
- 3 – every 3 months
- 4 – every month
- 5 – every week
- 6 – every day

G3. What is the usual amount of money you manage to put aside at given frequency? **READ FOR FREQUENCY GIVEN IN QUESTION G2**

_____ GEL

99 – *refuse to answer (do not read)*

G4. Do any of you family members have any bank account now?

0 – no

1 – yes

99 – *hard to say (do not read)*

G5. Have you or any of your family members had any bank account during the last 5 years?

0 – no

1 – yes

99 – *hard to say (do not read)*

G6. Have you or any of your family members voluntarily saved money at bank during the last 5 years?

0 – no

1 – yes

99 – *hard to say (do not read)*

G7. To what extent do you trust banks? **READ CODES AND SHOW A CARD #**

- 1 - definitely not
- 2 – rather not
- 3 – neither yes nor not
- 4 – rather yes
- 5 – definitely yes

99 – *hard to say (do not read)*

				ASK ONLY WHEN 'YES' IN G8
		1 – yes	0 -no	G9. How many times during the last 3 years?
G8. Have any of your household members taken a credit from any of the following sources in the last 3 years?				
A	Micro finance institution (Constanta, FINCA, etc.)	1	0	
B	Bank	1	0	
C	Private money lender	1	0	
D	Relatives, friends, neighbors	1	0	
G10. Are you or any of your household members repaying any credit now?		G11. How many outstanding debts do you have?		G12. What is the total value of all the outstanding debts?

1 – yes – GO TO G11 0 – no – GO TO G13 99 – hard to say (do not read) - GO TO G13	I _____ I debts 99 – hard to say (do not read) - GO TO G13	I _____ I GEL 99 – hard to say (do not read)
G13. From how many people your family can borrow 10 GEL for one month without interest? I _____ I people	G14. From how many people your family can borrow 100 GEL for one month without interest? I _____ I people	G15. From how many people your family can borrow 1000 GEL for one month without interest? I _____ I people

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.

		1 - yes	0 - no
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?			
Wage employment			
A	Permanent job	1	0
B	Temporal small jobs (usually of seasonal character)	1	0
Self-employment (registered and 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	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 Georgia		
L	OTHER: _____ <i>Use only when you cannot classify in the categories above</i>	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.

IF THERE IS NO INCOME (ONLY ANSWERS 'NO' TO ALL QUESTIONS H1) GO TO THE NEXT SECTION I.

IF IN A OR B RESPONDENT ANSWERED YES GO TO QUESTION H2, AND

IF IN C OR D OR E RESPONDENT ANSWERED YES GO TO QUESTION H5, AND

IF IN F OR G RESPONDENT ANSWERED YES GO TO QUESTION H8, AND

IF IN H OR I OR J OR K OR L RESPONDENT ANSWERED YES GO TO QUESTION H11, AND

	H2. Please list all the members (by names) who have wage employment (permanent or temporal)	H3. Number of months during the last year the income is generated	H4. Net income per average month (ENTER AMOUNT IN GEL)
	PERMANENT		
A			[_____] GEL 99 – refuse to answer (do not read)
B			[_____] GEL 99 – refuse to answer (do not read)

C			[] GEL 99 – refuse to answer (do not read)
D			[] GEL 99 – refuse to answer (do not read)
E			[] GEL 99 – refuse to answer (do not read)
TEMPORAL			
F			[] GEL 99 – refuse to answer (do not read)
G			[] GEL 99 – refuse to answer (do not read)
H			[] GEL 99 – refuse to answer (do not read)
I			[] GEL 99 – refuse to answer (do not read)
J			[] GEL 99 – refuse to answer (do not read)

	H5. Please list all the self-employment activities providing income (by activity)? PUT ALL DISTINCTIVE SELF-EMPLOYMENT ACTIVITIES IDENTIFIED IN H1 BY ADDING A SHORT DESCRIPTION BELOW	H6. Number of months during the last year the income is generated	H7. Net income per average month (ENTER AMOUNT in GEL)
A	Trade1 _____		[] GEL 99 – refuse to answer (do not read)
B	Trade2 _____		[] GEL 99 – refuse to answer (do not read)
C	Trade 3 _____		[] GEL 99 – refuse to answer (do not read)
D	Services1 _____		[] GEL 99 – refuse to answer (do not read)
E	Services2 _____		[] GEL 99 – refuse to answer (do not read)
F	Services3 _____		[] GEL 99 – refuse to answer (do not read)
G	Production1 _____		[] GEL 99 – refuse to answer (do not read)
H	Production2 _____		[] GEL 99 – refuse to answer (do not read)
I	Production3 _____		[] GEL 99 – refuse to answer (do not read)
J			[] GEL 99 – refuse to answer (do not read)
K			[] GEL 99 – refuse to answer (do not read)

	H8. Please list all the agriculture activities providing income (by members or by type of activity)? PUT ALL DISTINCTIVE AGRICULTURE ACTIVITIES IDENTIFIED IN H1 BY ADDING A SHORT DESCRIPTION BELOW	H9. Number of months during the last year the income is generated	H10. Net income per average month (ENTER AMOUNT in GEL)
A	Agriculture production1 _____		[] GEL 99 – refuse to answer (do not read)
B	Agriculture production2 _____		[] GEL 99 – refuse to answer (do not read)
C	Agriculture production3 _____		[] GEL 99 – refuse to answer (do not read)

D	Agriculture production4 _____		[_____] GEL 99 – refuse to answer (do not read)
E	Agriculture production5 _____		[_____] GEL 99 – refuse to answer (do not read)
F	Agriculture production6 _____		[_____] GEL 99 – refuse to answer (do not read)
G	Livestock breeding1 _____		[_____] GEL 99 – refuse to answer (do not read)
H	Livestock breeding2 _____		[_____] GEL 99 – refuse to answer (do not read)
I	Livestock breeding3 _____		[_____] GEL 99 – refuse to answer (do not read)
J	Livestock breeding4 _____		[_____] GEL 99 – refuse to answer (do not read)
K			[_____] GEL 99 – refuse to answer (do not read)

	H11. Please list all the members (by names) who obtain income from other sources ?	H12. Number of months during the last year the income is generated	H13. Net income per average month (ENTER AMOUNT in GEL)
	PENSION		
A			[_____] GEL 99 – refuse to answer (do not read)
B			[_____] GEL 99 – refuse to answer (do not read)
C			[_____] GEL 99 – refuse to answer (do not read)
	SOCIAL BENEFITS		
D			[_____] GEL 99 – refuse to answer (do not read)
E			[_____] GEL 99 – refuse to answer (do not read)
F			[_____] GEL 99 – refuse to answer (do not read)
G			[_____] GEL 99 – refuse to answer (do not read)
H			[_____] GEL 99 – refuse to answer (do not read)
	Money received on a regular basis from somebody living and working abroad		
I			[_____] GEL 99 – refuse to answer (do not read)
J			[_____] GEL 99 – refuse to answer (do not read)
K			[_____] GEL 99 – refuse to answer (do not read)
	Money received on a regular basis from somebody living and working in Georgia		
L			[_____] GEL 99 – refuse to answer (do not read)
M			[_____] GEL 99 – refuse to answer (do not read)
N			[_____] GEL 99 – refuse to answer (do not read)
	OTHER		
O			[_____] GEL 99 – refuse to answer (do not read)
P			[_____] GEL 99 – refuse to answer (do not read)

I. Additional household related questions

I1. How would you compare your household economic standard of living in winter compared with summer? **READ CODES**

AND SHOW A CARD #

- 1 – it is much more difficult in winter
- 2 – it is more difficult in winter
- 3 – there is no difference (or it is easier in winter)

I2. Have any of your household members lost a job in the last 3 years?

- 0 - No
- 1 - Yes

I3. Have any of your self-employment activities gone bankrupt in the last 3 years?

- 0 - No
- 1 - Yes

I4. 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)

DO NOT ASK THIS QUESTION IN BIG CITIES; ONLY SMALL TOWNS AND RURAL AREAS.

- Main road _____
- Telephone that you can use⁵² _____
- Basic health care center _____
- Hospital _____

I5. Have any of your adult family members learnt in the last 3 years anything that improved his/her work abilities?

- 0 – No
- 1 - Yes

I6. How much agriculture land do you owe? I ____ I ha

(INT: IF NONE PUT '0'; AGRICULTURE LAND = REFERS ONLY TO RURAL AREAS AND SMALL TOWNS; NOT TO SMALL PLOTS FOR GROWING VEGETABLES; ONLY LAND OWNED, DO NO INCLUDE LEASED LAND)

I7. Do you have the following assets in your household?				I8. How old is the item? <i>(is several assets of the same category ask about the newest one)</i>	
		1 – yes	0 -no	1	2
A	Color TV	1	0	1	2
B	Stereo CD Player	1	0	1	2
C	Refrigerator	1	0	1	2
D	Motorcycle	1	0	1	2
E	Car or truck	1	0	1	2
F	Tractor	1	0	1	2

I9. Do you own your living place (flat/house)?

- 1 - Yes
- 0 – No (rented, state owned, etc.)

I10. What is the condition of your living place (flat/house)?

READ CODES AND SHOW A CARD #

- 1 – it is dilapidated, not possible to repair (major devastation)
- 2 – it is partly devastated
- 3 - it is not very appropriate for living (requires major repairs)
- 4 – it is under construction
- 5 – it is appropriate for living (requires minor repairs)
- 6 – it is in good condition

99 – *hard to say (do not read)*

⁵² Put '0' if there is telephone in the household.

I11. Have any of household members died in the last 3 years?

0 – No **TERMINATE INTERVIEW**

1 – Yes **GO TO QUESTION I12**

I12. Was it the main income earner?

0 – No

1 - Yes

THANK YOU☺