

## Consumer education: Old questions, new thinking

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Consumer education is more important than ever in today's rapidly changing insurance business environment. The increased reliance on digital distribution has had a great impact on both the dissemination of financial education and the range of customers involved. Furthermore, there is a significant increase in the number of public-private, multi-stakeholder efforts supporting financial education in inclusive insurance, and some emerging trends can be identified.

**The objective of improved financial literacy has been replaced by financial capability.** Financial literacy efforts aim at generating consumer awareness, ensuring the consumer understands the concept of insurance, and knows how to use it. However, to improve financial capability, financial education efforts also need to impact consumers' attitude to insurance and result in a positive change in consumer behaviour such as an increased insurance uptake.

**There is greater awareness of the need for financial education efforts to be matched by suitable products.** Education raises clients' awareness of risks for which insurance might provide affordable solutions. However, without the availability of suitable products, potential consumers have no opportunity to put their new knowledge to use and financial consumer education will have little impact.

**Financial education and learning are recognised as consumer rights and an integral part of consumer protection.** Several countries, such as Indonesia and Colombia have made consumer education compulsory. Stakeholders from both the public and private sectors have been implementing various educational initiatives, proving their commitment to advancing financial education.

**An increased number and variety of stakeholders have become engaged in consumer education initiatives.** This includes industry (insurers, brokers and associations); national public authorities (central banks, ministries of finance, education and agriculture and insurance supervisory authorities); civil society; as well as donors and other organisations such as credit card firms. In some jurisdictions, considerable coordination between these stakeholders has been achieved through the establishment of cross-sectorial government-driven national initiatives.

**Multi-stakeholder approaches to financial education have significantly increased in popularity.** According to the OECD, 58 jurisdictions have now established such a strategic approach. This approach sees public and private stakeholders getting together under the auspices of their government

**"We do not need another disaster to know what insurance is about."**

*Dorothy Calimag, Deputy Commissioner Insurance Commission Philippines*

**"Funding has to come from both sides, public and private".**

*Martin Kgoale, Hollard Insurance South Africa*

**"The only way to educate people about insurance, is to provide them with experience in it."**

*Craig Churchill, ILO Impact Facility, Switzerland*

**"Everyone needs to be educated, not only the potential consumer."**

*Eduardo Moron, APESEG (Industry Association) Peru*

authority to develop, adopt and implement a national strategy on financial education. Implementation includes public actions such as educational campaigns. A national multi-stakeholder effort relies on financial and in-kind contributions from all stakeholders, including fiscal resources. Contributions from the industry can either be made individually or via the industry association.

**Some best practices for financial consumer education are emerging.** Combining face-to-face education with general awareness campaigns to a broader audience were found to work well. In South Africa, for example, such a combined approach is required by the legislation. It was also reported that consumer learning by using free products provided by mobile network operators or health cooperatives, was a successful approach.

**An increased variety of educational approaches are being used.** These can be split across five broad categories: media and electronic, advocates, communities, education and give-aways, many of which are being used in combination. The approach chosen will depend on the particular circumstances e.g. budget available and specific objective of the campaign.

### Current challenges in consumer education

**Increasing trust in insurance and insurers.** Consumer education needs to be combined with efforts to increase trust in insurance and insurers. Improving trust is difficult with a financial product that has a low transaction frequency.

**Understanding behavioural finance and applying the learnings to consumer education efforts.** To achieve behavioural changes, stakeholders are required to increase their knowledge about how behavioural finance approaches work. For example, peer pressure or helping clients to fill in a form has a greater impact on insurance purchases than just informing or teaching people.

**Understanding the increased consumer protection risks arising from digital financial inclusion.** The rise of digital distribution comes with new consumer protection risks such as misaligned incentives of sales staff of non-banking agents and the misuse of data. Consumer awareness of potential risks needs to be built in addition to general insurance awareness. Educating sales staff is also crucial. In an increasing number of markets, mobile network operator driven loyalty insurance reaches out to millions of first-time consumers. It is important that these new consumers are educated so they obtain value from their insurance policy.

**Effectively mobilising stakeholders and structuring multi-stakeholder efforts.** Financial sector stakeholders have been setting up dedicated foundations, trusts or coordination bodies for a coordinated approach to consumer education. These entities and national programmes have been struggling to set the right priorities, incentivise stakeholders, develop and implement feasible action plans, secure continued political commitment, and build on public-private partnerships while mobilising long-term funding.

### Emerging good practices for all stakeholders

- Balance education with a sensible product offer.
- Start early and provide continuous and progressive education. Chose the right moment in the life cycle.
- Rely on a multi-channel approach.
- Take into account location and harness existing learning environments.
- Make use of high-frequency contact points with potential consumers.
- Simplicity is required in product design, messaging and performance measurement.
- Educate catalysers as insurance advocates.
- Education needs to include general risk management behaviour not only insurance.
- Question impact and install simple monitoring and evaluation from the outset.

## Key Takeaways

### For supervisors and policymakers

- Engage in public-private effort in partnership with other public authorities to make use of synergies across policy spheres.
- When requesting contributors' individual engagement to a national effort, consider their own motivation and decision-making process.
- Integrate insurance education into a national financial sector effort.
- Link consumer protection and consumer education.
- Be a supervisor who is present where people work and live.
- Create a provider-neutral branding for standardising the provision of independent advice and awareness campaigns.
- Make consumer education sustainable, which requires public funding, as well as contributions from the private sector and ideally the establishment of a permanent body to institutionalise consumer protection efforts.

## For the industry

- Work with the industry association which can reach out to the masses and coordinate actions within the private sector and with public authorities.
- Contribute to national initiatives on consumer education.
- Be present at community level by using existing local structures.
- Invest time and money in general awareness creation but also on face-to-face education.
- Provide opportunity for clients to put the learning into practice by ensuring that suitable products are made available.
- Loyalty insurance, funded by a mobile phone operator for its faithful clients, needs to have a high claims ratio and addresses a real consumer need (e.g. hospitalisation) to achieve a significant conversion rate to a paid product.