

MicroSave India Focus Note # 110

Insurance Product for Contractual MSE Workers of India - Behavioural Insights

Premasis Mukherjee, Lisa Chassin, Anup Singh and Abhay Pareek
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In the earlier Note, we discussed why voluntary insurance products are an emergent need for micro and small enterprise (MSE) contractual workers of India. We also discussed why client centric products are an essential key to achieve success in this target segment. With this objective in mind, we conducted detailed research with a section of the target segment in order to better understand their choices and preferences in terms of insurance products and services. In this Note, we detail our approach towards the behavioural research leading to the development of low fidelity insurance product prototype for MSEs' contractual workers in India.

Research Approach

Behavioural research is based on a structured assessment of the actions, perceptions and contextual factors of the target market. The research systematically analyses the what, how and why of the key decisions by the target segment. Our research primarily focussed on developing insights and understanding the behavioural triggers for insurance purchase and preferences of the target clientele. Our initial assumptions were:

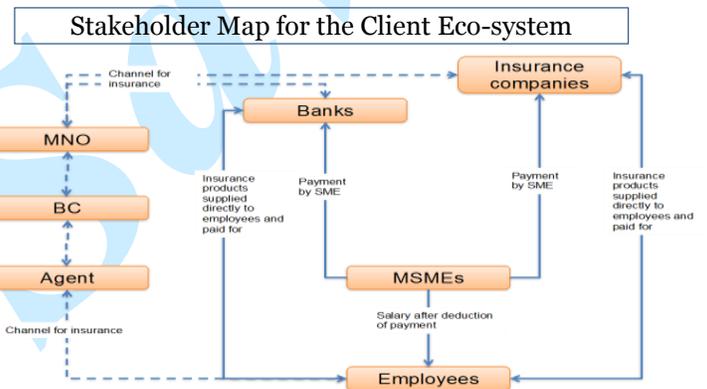
- MSE's contractual workers are not fully aware of the risks in their lives;
- MSE's contractual workers have alternative risk coping mechanisms, which they prefer over formal insurance;
- Given a suitable option, MSE's contractual workers are willing to replace the existing risk coping mechanism for formal insurance product; and
- MSE's contractual workers are willing to transact through mobile phones/alternative delivery mechanisms for their financial services.

We mapped the entire stakeholder universe for the given research issue. We focussed on the *zari-zardozi* (a form of embroidered handicraft) craftsmen in and around Lucknow. Apart from insurance companies and MSE's contractual workers, banks, MSEs, and MNOs were also mapped as potential stakeholder in the eco-system.

With the stakeholder map in place, we proceeded to conduct the research with primary stakeholders - MSE's contractual workers and their employers. In the field research, we followed a mix of interview- and situation-based tools to evoke responses from the clients.

The analysis phase began with development of persona maps

on what the respondents and the target segment thinks and feels, says and does, sees, and hears. This was followed by development of scenario maps to track the decision making process of individuals through step by step analysis of the action taken, fulfilment, experiences, barriers to experience, emotions, implications and opportunities for the product, and process or communication changes.



Based on the persona and scenario maps, we re-visited the "As Is" behavioural map. We identified the key bottlenecks that act as roadblocks to desired behaviour, i.e. choose, purchase and use of an insurance product.

Some of the key bottlenecks, which restrict the intended user (contractual *Zari-Zardozi* worker) from adopting the desired behaviour ("To Be" map) are:

- Irregular period of contracts and wages;
- Lack of awareness about formal finance/insurance;
- Low savings;
- Dependence on friends and families for *post facto* risk solutions; and
- Lack of culture of formal finance and insurance amongst the peer groups.

Next, for each of the bottlenecks, we hypothesised the behavioural biases, contextual factors and their explanation. This led to development of insights and behavioural levers to trigger the target users to adapt the desired behaviour.

Behavioural Insights

From our interviews with the MSE's contractual workers, we gathered that they are well aware of risks related to their work life. The key risk events include loss of life and more contextually, loss of sight. Credit from informal sources (employer, influential and affluent family members and friends) is the only resort they have to manage risks (and any planned expenses). Formal risk protection measures and benefits are not top of their mind. Despite their low wages,

contractual workers save small amounts at home and perceive that the small amount is not worth enough to be deposited in the bank. The other significant insights from the research include:

1. Existing insurance products are not perceived to be suitable and affordable because of their irregular and low-income pattern - *availability bias*;
2. Benefits of formal financial products are not perceived as compensating for the loss of income associated with the transactions - *hassle factor*;
3. Users are too preoccupied with their day-to-day expenditures to plan for the future - *mental accounting* and *status quo bias*;
4. To avoid future conflict, customers prefer physical transaction receipts – *anchoring, social norms*.

Design Insights

It is evident that formal insurance products can be attractive to the target segment only if such products/services are accessible, affordable, flexible (aligned to their irregular cash flows) and cover the right type of risks. Also, it is clear that insurance or any formal financial product is too distant mentally to them on account of regular payment demands or unforeseen expenditures. Thus, they do not have future financial planning as a priority. They save to sustain certain and non-negotiable needs and avoid planning for fuzzy or aspirational long-term goals (or risks) that do seem too tangible.

We deduced that the following behavioural triggers can best act as design insights for the intended insurance product.

- Make it *Salient*: The product must cover not only long term, low frequency events, but also salient short to medium term events;
- *Anchor* to their income/expenditure: The product payment terms should be flexible - similar to their income pattern - so that they can relate to the product and make it part of their regular income/expenditure;
- Reduce *Hassle*: The product should be delivered through mobile- or other technology-enabled alternate channels, so that the user is able to access the product without compromising on her/his work hours;
- Trigger *Social Proof*: Marketing and communication strategy must focus on involving the community, e.g. through regular camps etc.

Product Concept

Based on the insights, we conceptualised an insurance product that covers life and selected health ailments. The low fidelity prototype for the intended insurance products is as follows.

Name	Apna Bima
Covers	Life + Eyesight related hospitalisation To be decided based on actuarial calculations.
Premium	The maximum Willingness to Pay is around INR100-200 per month.
Premium Frequency	Monthly
Grace Period	2 months
Payment Mechanism	Through prepaid card based top-up.
Sum Assured	-Sum Assured for life : INR100,000 -Health cover: Eyesight related hospitalisation (once a year)
Additional Benefits	-Annual eye check- up (either need based or in camps) -Free spectacles, if prescribed

Access to the product is as important for the client segment as the design of the product. Enrolment of customers could be done through local microinsurance agents (MIA) of insurance companies. Retail shops, mobile agents and business correspondents near the MSE workers' workplace can be made MIAs by the insurance company for the purpose. These agents will source the customer, enrol her/him and provide an instant prepaid card with unique ID. The prepaid card would work like a mobile wallet account. The card will provide tangibility to the product.

A user can pay the premium through regular recharge of prepaid cards at the local MIAs. The agent will furnish proof of transaction in form of receipts. Each month on due date, the premium amount will be automatically deducted from customer's prepaid account through a standing order instruction.

Way Forward

The conceptualised product is the first version of a low fidelity prototype, which needs to be tested for sufficiency and preference with the clients. Moreover, a detailed prototype testing will reveal:

- Whether the product can be delivered through mobile banking channels;
- Whether all the stakeholders (insurers, card providers, banks and potential local agents) are comfortable with the product and processes; and
- Whether the claim process is smooth enough for the user and stakeholder comfort.

The behavioural research has revealed interesting insights into design of insurance product for MSEs' contractual workers. In order to realise the full potential of microinsurance, the global insurance community should employ such behavioural research approaches to design user centric products and services – see [MicroSave Briefing Note # 154 Behavioural Insights in Insurance](#).