
Market for Microinsurance in Ukraine

Low-Income Households Needs and Market Development Projections

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Executive summary

This study explores low-income households' needs for microinsurance as well as opportunities and challenges to microinsurance provision in order to project microinsurance market development in Ukraine. Both exploratory qualitative research and representative household surveys were undertaken to answer the research objectives in a comprehensive manner.

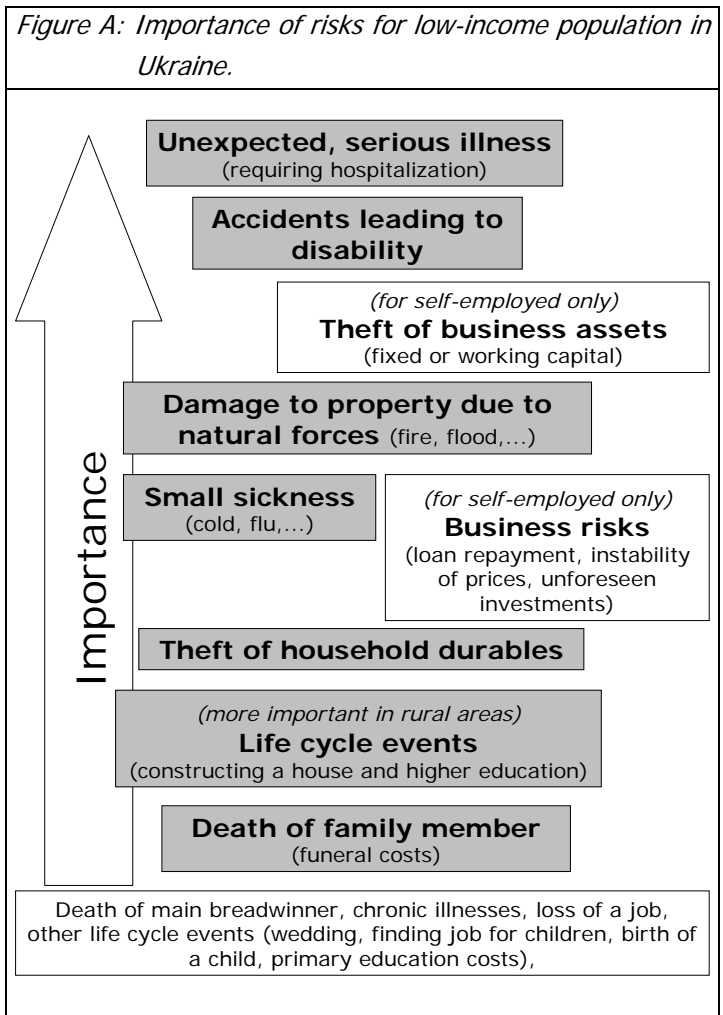
Low-income households' needs for microinsurance

Poverty is high in Ukraine but compared to other transition countries low-income households in Ukraine are relatively less vulnerable. A majority of the low-income people in Ukraine are salaried workers. Regular wages provide some stability, even if it is at very low economic levels. Self-employed people are less poor and probably more vulnerable as they do not have access to social protection provided by bigger employers. Two other important differences between Ukraine and its neighbors is that rural households bear lower poverty risk compared with urban dwellers, and that elderly people are more vulnerable due to inefficiencies of the pension system. Therefore, elderly people and those living in secondary towns have the poorest risk-management capacities.

Despite limited vulnerability, the low-income population is in need of additional risk-management options. Risks like bigger health crises, accidents leading to disability and property losses put a very significant pressure on the households and are perceived as the most burdensome (Figure A). Even if large numbers of low-income households have access to low-stress coping mechanisms they are not effective enough to cover fully needs for lump sums to respond to the risks. The menu of coping mechanisms is narrow and the social protection system is inefficient. It can significantly increase vulnerability of low-income households in the longer term.

Health, disability and life with long-term savings microinsurance services promise to fill this risk-management gap, which is an issue for almost half of the population of Ukraine. Especially, health and disability insurance covering hospitalization costs and providing some funds to survive in the periods with lower work ability will

contribute significantly to improve risk-management capacities of low-income households. Property microinsurance is rather more important for medium and high-income households given their interest to protect their valuable assets. Needs for better mechanisms to cope with life risks are not very high, however, life insurance with long-term savings is in line with a very positive attitude to saving among Ukrainians. Therefore, it can also play an important development role in building assets and complementing inefficient pension system.



Insurance in the eyes of low-income people

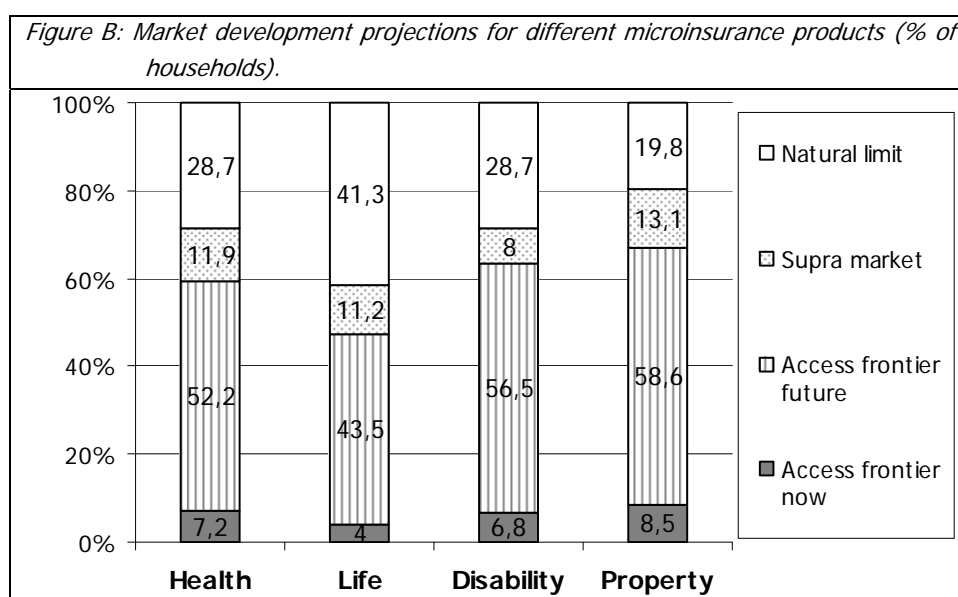
Overall, there are many positive signs that should ease launching new microinsurance products. Ukrainians are proactive financial planners, have positive attitudes towards savings and more than 60% of population declare that they save. A general awareness of insurance is almost universal. Even though usage is still at low levels (34% of households owned a voluntary insurance policy in the last 15 years) the knowledge of insurance should not be a major issue (only 17% of the total population do not understand the insurance concept). Moreover, 30% of Ukrainians are enthusiastic about insurance, strongly believing that insurance is socially beneficial.

The biggest challenge is that those positive signs can be mostly observed among medium and high income households, who are not necessarily the core target group for microinsurance. Among 70% of households who are skeptical about insurance, low-income households are overrepresented. In this group there is a profound distrust in insurance sector and insurance companies (almost 80% of the population) mostly due to poor performance of current property insurance offerings, which accounts of more than 60% of the total volume of insurance policies on the market. Additionally, skeptical households think that insurance is expensive, do not see benefits of insurance (think that they do not need it), know little about it or live far from insurance agents.

Market development projections

Analysis of market development scenarios reflects the opportunities and the threats to microinsurance provision. The access frontier approach identifies three zones on the market (Figure B):

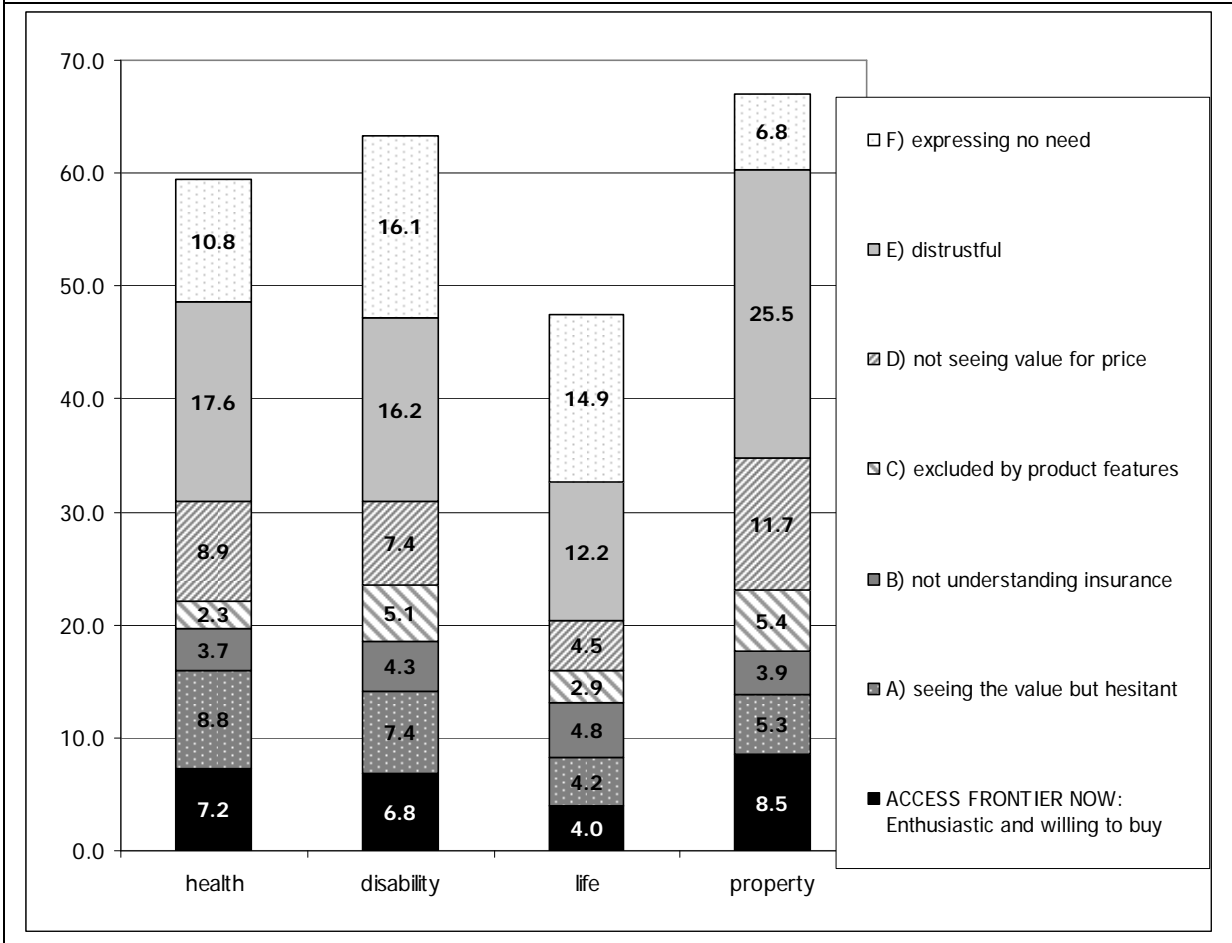
- *Market enablement zone* – market share that is within reach now (access frontier now), meaning that new insurance products can be marketed without special efforts. The volume of the market enablement zone under current circumstances is approximately 2.9 million policies for health insurance product, 2.46 million policies for disability insurance, 1.39 million policies for life insurance, and 1.5 million property insurance policies (of the value 40 615.74 million UAH).
- *Market development zone* – market share (within access frontier) to be tapped if the new products are well-adapted, effective marketing strategies are in place and there is enabling environment. In Ukraine, this group is the biggest proving immaturity of insurance market. It varies from 43.5% households for life insurance to 58.6% for property insurance.
- *Market redistribution zone* – market share that is a task for the government to extend an adequate safety net and provide affordable risk-management tools for this group. This group is not very big in Ukraine and varies from 8% households for disability product to 13.1% for property insurance.



Given current circumstances total market that can be reached now and in the future accounts for approximately 60% of all households in Ukraine (approximately 20 million policies) for each of the generic microinsurance products tested.

Market enablement zone is composed mostly from medium and high-income households. More detailed segmentation sheds more light on market development zone (Figure C). Low-income households are mostly located in market development zone among those who reject insurance concepts because of distrust (segment E), belief that they do not need insurance (segment F) or simply because they do not understand details of the insurance concept (segment B).

Figure C: Segmentation of market development zone (% of households).



Recommended strategies to tap the low-income market

Besides an obvious need for microinsurance product innovation, two strategies seem to be important from the market perspective to develop market for microinsurance in Ukraine and reach out low-income households. These are: 1) a reform of the supply system that should aim at building insurance system reliability and professionalism, and 2) insurance education provision in the goals of building necessary knowledge and skills allowing low-income households to see the benefits of insurance and be able to make the right choice.

Last but not least, there is not a big need for redistribution policies to facilitate access to microinsurance for those who cannot afford it at the moment. Thus, private insurance companies can have a significant contribution to improving social risk-management in Ukraine within the market enablement and development zones. Depending on the product 8-13% of households cannot afford to pay for microinsurance. These are the households that live on the lowest incomes. Most of these households are located in rural areas. They are rather cash-poor and live from subsistence farming, which in Ukrainian context is not a synonym of high vulnerability.

1. Introduction

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

The Microfinance Centre (MFC) for Central and Eastern Europe and the New Independent States together with Microinsurance Centre prepared research design. MFC conducted qualitative research from 29 August – 6 September 2005 in cooperation with Ukrainian Microfinance Institution (MFI) HOPE-Ukraine. The quantitative data was collected and processed by Ukrainian research firm – GfK-USM during November-December 2005.

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

2. Research objectives and methodology

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

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

Qualitative and quantitative research techniques were combined to respond to research objectives.

Qualitative research consisted of ten focus groups composed of 4-8 participants. It was supported by analysis of secondary literature. FGD were driven by participatory rapid appraisal tools and discussion guides. Research was conducted in the east and in the west of Ukraine as well as in urban and rural areas to control for important cultural differences. FGD participants represented mostly low and average-income households. Approximately three-fourths of them were HOPE-Ukraine micro-credit clients; selected among the poorest clients. Others were salaried workers.¹

For the quantitative study a survey of representative sample of 1000 households heads has been carried out using face-to-face method. The survey has been administered by GfK-USM. The sample was stratified by 6 regions (Kyiv City, Northern, Western, Central, Southern, and Eastern), where interviews were proportionally distributed according to the size of settlement. Settlements were randomly selected from every group of settlements.²



¹ More on qualitative research methodology and tools can be found in Annex 1.

² More on quantitative research methodology and the survey questionnaire can be found in Annex 2.

3. Background information on households

Household demographics

Most of the population of Ukraine lives in towns and cities. 33% of population lives in rural areas. Male is a household head for 59% of the families. Most of the population has at least secondary education, and almost one third graduated from university. (Figure 3-1)

Income sources and level

71% of households have a permanent salaried income source. 46% of households have a member or members, who receive pension, and another 10% a member or members with social benefits. Only 7% reports earning from self-employment activities. 11% of respondents report income from agricultural activities. (Figure 3-2)

Income sources	%
permanent job	70.6
temporary small jobs	14.2
self-employment	6.8
<i>trade</i>	4.6
<i>services</i>	1.9
<i>production</i>	0.3
Agriculture	10.6
<i>land</i>	6.6
<i>livestock</i>	4.0
Pension	45.9
social benefits	10.0
Remittances	6.8
<i>external</i>	2.4
<i>internal</i>	4.4
Most common combinations:	
<i>salaried only</i>	32.7
<i>pension only</i>	16.1
<i>permanent job and pension only</i>	14.2
<i>permanent job and temporary job or social benefits</i>	7.9
<i>other combinations</i>	29.1

Demographics	Categories	%
Settlement type	Village	32.5
	Small towns	21.4
	Middle towns	7.5
	Large towns	17.6
	Cities	21.0
Gender	male household heads	58.8
Marital status (household head)	Single	13.6
	Married	60.2
	Separated / divorced	11.7
	Widow(er)	14.3
Education grade completed (household head)	none	0.1
	primary	4.1
	secondary	29.2
	vocational (technical)	31.3
	incomplete higher	6.3
	higher (university, PhD)	29.0
Age (household head)	less than 40	38.2
	41 to 60	37.0
	more than 60	24.8
Disability	% of households with disabled family members	17.9
Household size	1	16.8
	2	32.3
	3	27.3
	4	16.0
	5	5.1
	more than 5	2.5

An analysis of most common combinations of different income sources reveal that approximately 50% of households have only salaried members or only pensioners.

Average yearly household income per capita³ is 6 469 UAH⁴ and 53% of households³ have the yearly income per capita lower than official subsistence level 5 076 UAH (423 UAH per month)⁵. The highest incomes are among those living in urban areas in Kyiv and east region and the lowest in west and centre regions. (Figures 3-3 and 3-4).

³ Equivalence scales were used to calculate income per capita: 1 = adult, 0.7 = child.

⁴ USD 1 = UAH 5.

⁵ 53% of households living under subsistence level were divided in equal parts into the low and lowest group income, the rest was divided equally into medium income and high income.

Figure 3-3: Income level by regions.

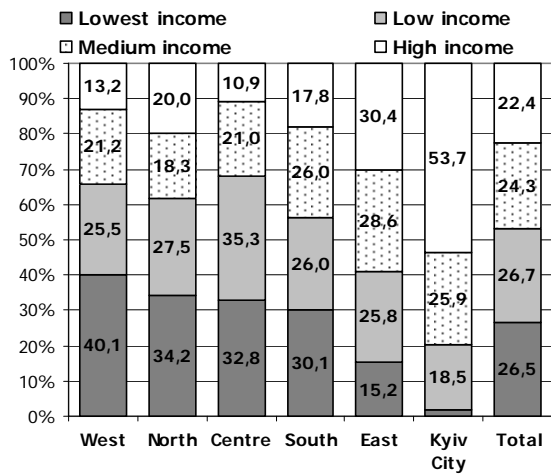
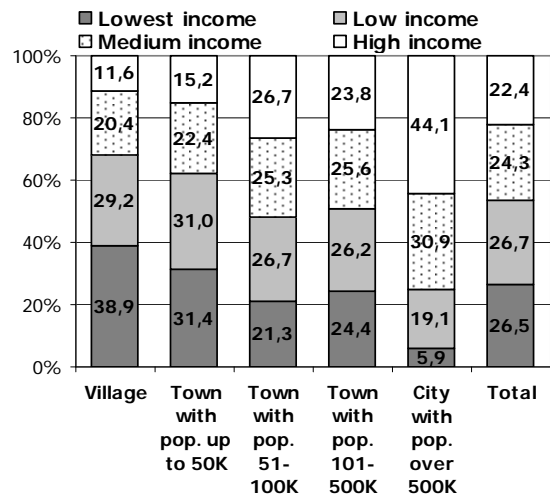


Figure 3-4: Income levels by settlement type.



Higher incomes are at the disposal of households living in big cities (figure 2-5) and when household head is male (66%), has higher education (46%), or is younger (less than 40 years old – 45%).

4. Context

There are several contextual issues that are important for understanding vulnerability to poverty of almost 50 million people living in Ukraine:

- **Unlike some other transition countries Ukraine has taken a slower transformation path.** The first economic blow cannot be compared to Poland (shock therapy) or Georgia (conflict). Economy started growing in 2000 - much later than in neighboring countries.⁶ Up to this moment the soviet status quo was frozen and not so many reforms were initiated. It resulted in low unemployment but also in very irregular payments of state workers salaries and pensions. Regular payments came back just before the "Orange" Revolution in 2004. In summary, the transition period was a constant economic stress for Ukrainians but has not been such a big shock as for Poles or Georgians.
- **Poverty rates skyrocketed after the collapse of the communism** and are still at the same high levels now. Poverty incidence using expenditure data is close to 30% as reported by most of the sources (World Bank 1996, Milanovic 1998, ILO 2001).⁷ Poverty is not deep and many people live just below and just above the poverty line. Inequality is still at very low soviet levels (Gini index at 0.28). Poverty is estimated to be slightly higher in the east and lower in the south. Unlike other transition countries of Eastern Europe poverty is higher among elderly people and in urban areas.⁸
- **Most of the poor can be categorized as working poor.** Ukraine is very specific among transition countries as unemployment has not been the main driving force of the poverty increase. According to ILO (2001) it has risen from insignificant figures in the early and mid 90s to 12% now. World Bank (1995) argues that the main poverty factor was the decline in real wages. ILO (2001) estimates that 15% of employed receive less than minimum wage. DFID (2001) shows that 40% of the poor live in households, in which the head is employed.⁹
- **Around 10-15% of households generate income from self-employment activities** (Chernyshev 2001). **A significant number of people look for additional jobs in informal sector.** DFID (2001) estimates that the informal sector provides at least one-third of household income. In many regions labor emigration and subsequent remittances from abroad play an important role in supporting families.
- **Household financial savings were wiped out by hyperinflation** (10 000% in 1993).
- **Public free health services are widely accessible but informal payments are a common practice.** Consequently, physical access to health services is universal as in other transition countries but costs of healthcare are becoming unaffordable for low-income people. In this study we found out that 35% of respondents were satisfied with health services in the place when they live.¹⁰
- **Social protection system collapsed and those few social benefits still being provided declined in real terms.**¹¹ According to ILO (2001) local experts estimate that 80% of those entitled to social assistance [means-tested minimum income scheme] actually receive it. ILO argues that this figure should be interpreted with considerable reservation.

⁶ See Annex 3 for more details on Ukrainian economy.

⁷ Poverty rate set at USD 24 per person per month in June 1995.

⁸ As eastern region is more urbanized than western region this explains higher poverty rates in the east. World Bank (1996) further explains that urban/rural differences account rather for different nature of poverty. The urban poor run the risk of going hungry because they are less likely to have access to land. The rural poor are much less likely to go hungry, but they will be much shorter on money and the things that only money can buy (i.e. insurance).

⁹ Average salary is UAH 400-600. USD 1 = UAH 5.

¹⁰ It is more likely to find people satisfied with health services in large towns and cities in the south, in the east and in Kiev.

¹¹ More on current social protection system can be found in Annex 4.

In summary, considering development of microinsurance the most important is the fact that the majority of low-income people can be classified as working poor. Even if they live on low incomes they will at least have some economic security in the form of stable flow of (low) income. This determines their financial behaviors and can be an important factor reducing vulnerability to poverty in Ukraine. On the other hand, self-employed might report slightly higher incomes but are probably more vulnerable than working poor given irregularity of their incomes and no protection from the employers. Additionally, Ukraine is very specific in a way that poverty and vulnerability are lower in rural areas.

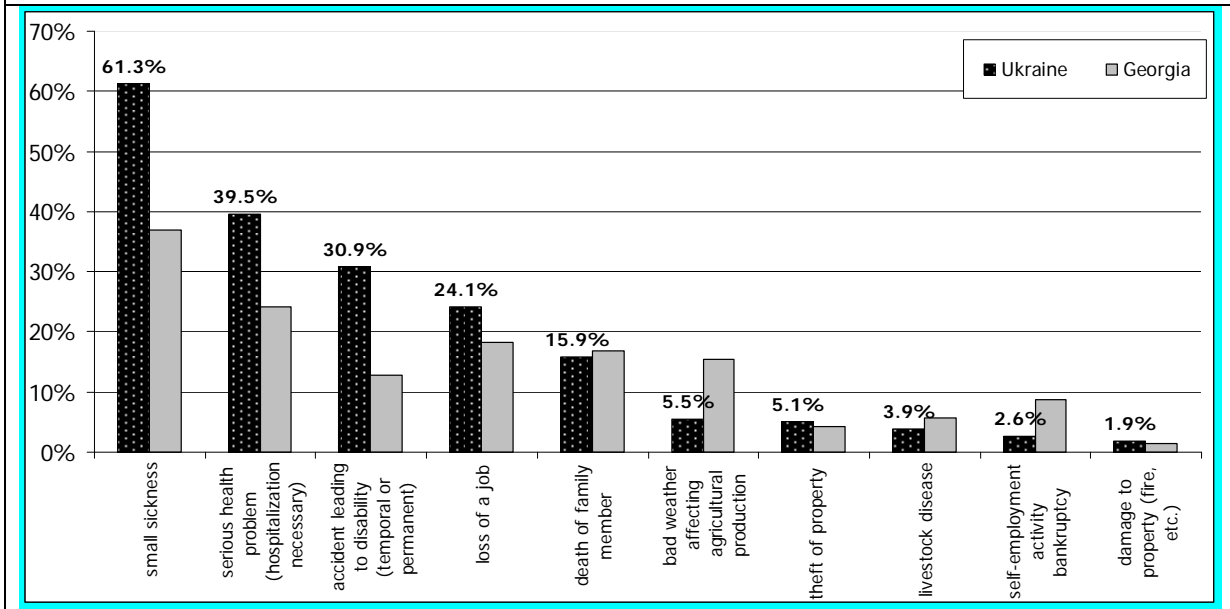
5. Needs for Microinsurance

Microinsurance aims at reducing vulnerability of low-income households and individuals. Vulnerable households are those who are unable to manage unexpected risks. Considering both development and business imperatives it makes sense to develop microinsurance services only for the most important risks faced by low-income households. The risks are important if household exposure is high, risk is severe, and if several high-stress coping mechanisms are used to generate lump sum of money. The new microinsurance products need to be more effective than formal and informal mechanisms used to date by the target group. Only if the new products fill the gaps in risk-management they would be responsive and profitable. Holistic approach to study the needs for microinsurance is necessary as very often the needs in low-income households are latent, meaning that people cannot articulate and manifest them easily.

5.1. Risk exposure

Exposure to health and disability risks is much higher in Ukraine compared to Georgia (Figure 5-1).¹² Almost 40% of households were affected by health risks that required hospitalization.

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



Those who are more likely to be exposed to risks share the following characteristics: live in western and southern regions, have lowest and low income, are older and live in female-headed households.

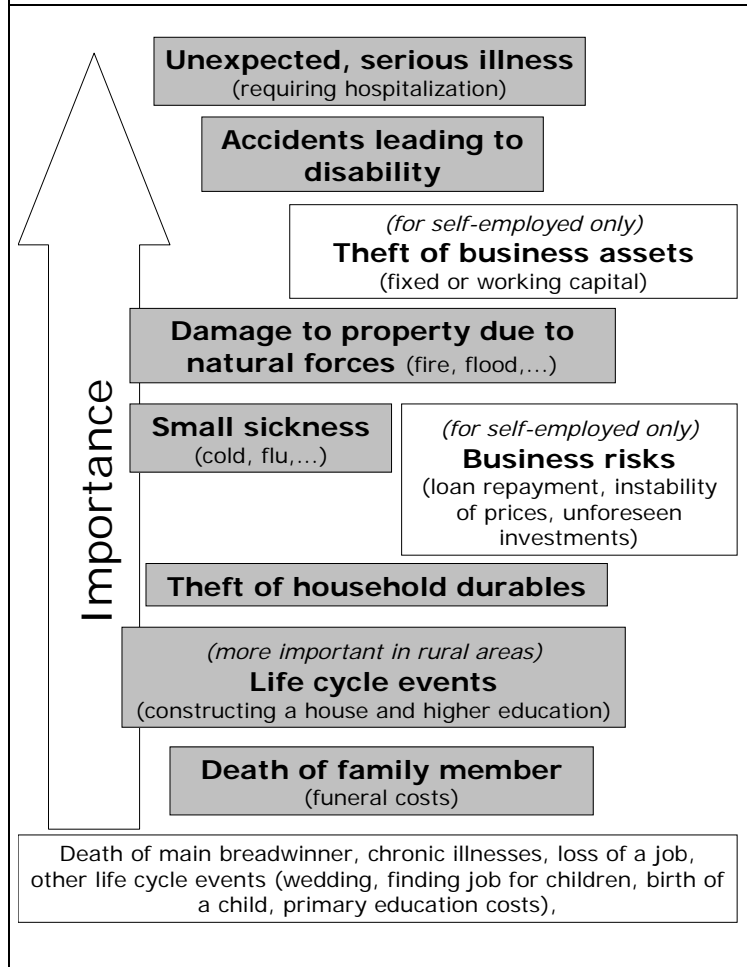
¹² This is not due to different age structure of Ukrainian and Georgian populations. Ukrainian households in the sample are younger than Georgian counterparts.

5.2. Importance of risks

Insurable risks create a significant financial pressure on low-income households (Figure 5-2). Respondents repeated in several focus groups that “unexpected risks take all your money”. This relates mostly to more serious health emergencies (always ranked the highest), theft of business assets for self-employed and property risks due to natural forces.¹⁴

Unexpected health crises are the most important risks for several reasons. Treatment costs used to be covered by the state during soviet times, now one has to contribute to some hospitalization costs, pay unofficially the medical personnel, and cover the costs of medicines (total costs range from UAH 500-5000). People do not prepare for this kind of risks as they did not have to in soviet times. Additionally, it is hard to estimate how much will be needed so that it is hard to prepare.¹⁵

Figure 5-2: Importance of risks for low-income population in Ukraine.¹³



5.3. Personal financial intermediation

Information on saving and borrowing behaviors provides an interesting insight into understanding of a menu of risk-management strategies.¹⁶

Ukraine seems to be an exception compared to neighboring countries as half of the country population has a proactive approach to plan household finances, positive attitude to savings and displayed saving behaviours (Figure 5-3).¹⁷

¹³ In this exercise risk is defined broadly as an event for which a household requires a lump sum of money and which causes financial stresses and shocks. The importance of risks is a function of severity and frequency of risk occurrence as well as a level of difficulty to raise the necessary lump sum (access and effectiveness of coping mechanisms). During ranking exercise we focused more on understanding the importance of insurable risks. However, we have tried to discuss them within a bigger picture, including some structural and life cycle risks. This exercise helps to understand what is people's perception of the importance of insurable risks compared to other financial shocks and stresses they face in their lives. It helps to understand people's needs as well as market opportunities.

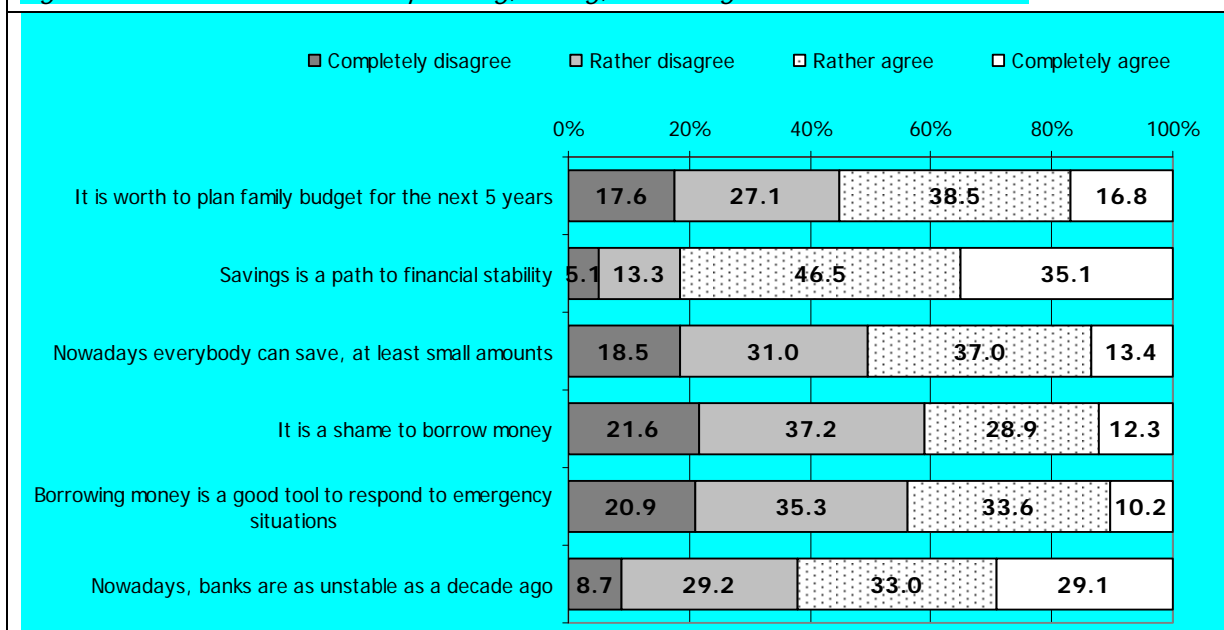
¹⁴ Calculations of impact of the risks based on quantitative study confirmed results of the qualitative study and are included in Annex 5.

¹⁵ Details on all the risks presented in the ranking can be found in Annex 6.

¹⁶ It also helps to understand potential for microinsurance. On one hand, savings, debt and insurance are competitive strategies for average losses. On the other hand, positive attitude to savings and financial planning should ease marketing of microinsurance products as people will sooner understand and accept the value of microinsurance.

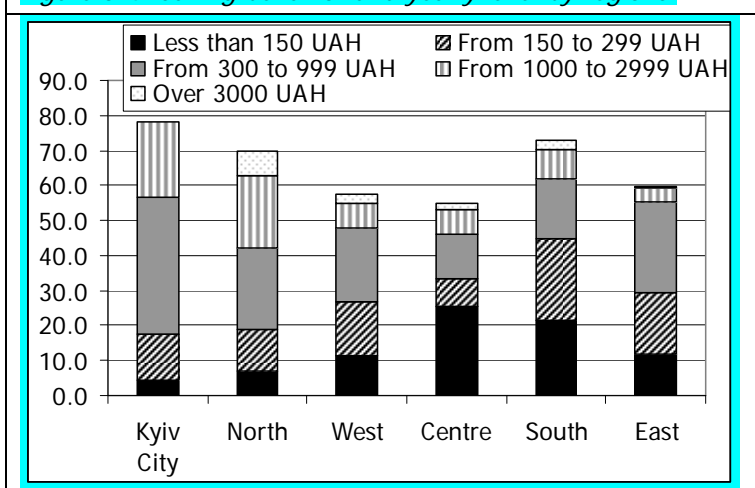
¹⁷ Most of the people in transition settings have a negative attitude to financial planning and saving. It is mostly due to the fact that they have lost the bulk of their savings accumulated under the former system almost overnight in the wake of the market reforms. For example, in Georgia only 12.8% households declare saving (4.7% in lowest income group), in Poland 81% of households do not save at all.

Figure 5-3: Attitudes to financial planning, saving, borrowing and financial institutions



66% of households try to save at least small amounts (50% of respondents save less than 150 UAH per household per year, only 4% save more than 3000 UAH). 60% declare saving for emergencies. Saving behavior and rate is positively correlated with income level. However, even among the lowest income group there are 55% of households who put aside some money. There are cross-regional differences, with the highest saving rates in the north and Kiev City and lowest in the centre (Figure 5-4). People try to diversify saving mechanisms they use. They not only keep some money at home and the rest in banks or credit unions they usually also keep some reserve in US dollars or euro.

Figure 5-4: Saving behavior and yearly level by regions.



On the other hand, majority of the population is still unbanked. In only 24.4% of households there is a person who has a bank account. Having a bank account is positively correlated with settlement size and income level. In Kyiv the incidence of households having a bank account is the highest – 42%. In other regions it ranges from 19% in the east to 31% in the south.

Strong saving culture reduces borrowing. Only 36% of households have taken a loan from any source in the last 3 years and 14% is currently repaying loans. Most of loans come from banks (45.1%) or relatives/friends (42.5%). The location and income level are important variables determining types of loan sources used. Informal sources are used in rural areas and small towns in the east, mostly by low-income households. Banks are the most popular credit sources in Kiev, credit unions loans are more popular in the south. Interestingly, banks loans are used alike in all types of settlements. Last but not least, debt of only 2% of households can be classified as beyond capacities.¹⁸ It is low compared to 17% of households being over indebted in Georgia.

¹⁸ Ratio debt to yearly income more than 25%.

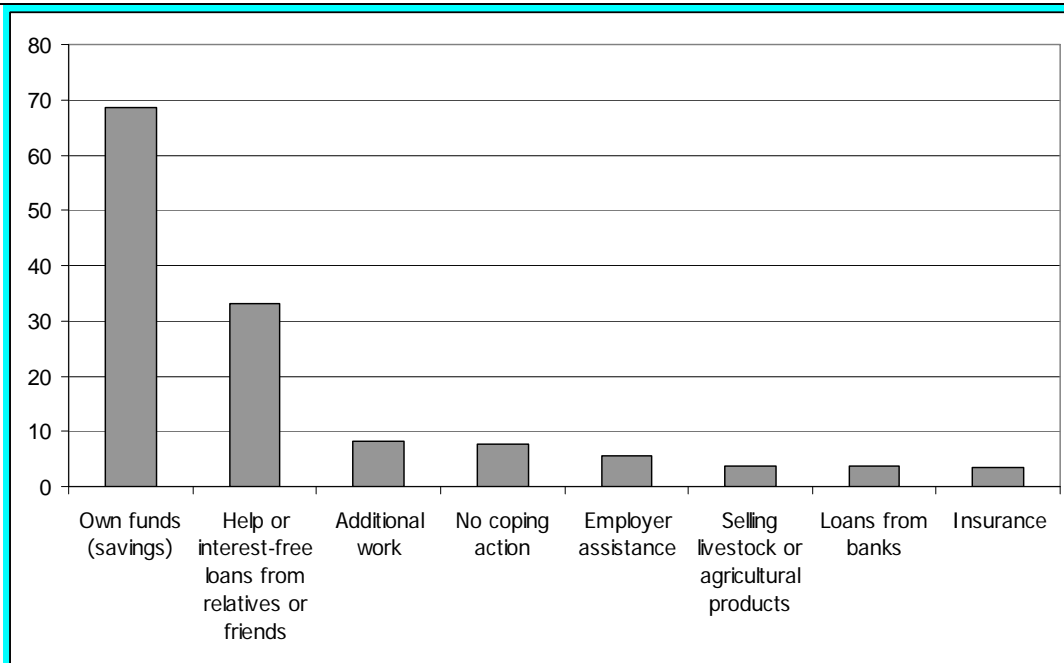
Summing it up, Ukrainians strive to be proactive in ensuring their financial security. They save, struggle to take a longer time horizon in financial planning, try to prepare for risks and avoid extensive borrowing. Higher financial literacy is more likely to be found among individuals living in high-income households, in Kiev, where household head is male, younger than 40 years old and has a higher education.

5.4. Gaps in risk-management strategies

A range of risk-management strategies used by Ukrainian households in response to risks mirrors their financial behaviors presented in the previous section. Using savings is the most important coping mechanism, while interest borrowing is negligible.

The range of coping mechanisms in use is narrow. Using of own funds and getting help or interest-free loans from relatives or friends are the most common risk-management strategies used by Ukrainian households (Figure 5-5). Drawing on savings is usually used as the most important strategy, the first resort (for 80% of those using it). Other coping mechanisms rarely cover a big portion of the sum needed and are very often used to complement chunks of money generated from other sources.¹⁹ There are not so many informal coping mechanisms and formal emergency loan services are limited. Narrow range of coping mechanisms is understandable in Ukraine, where social protection system collapsed gradually, leaving people with illusions that they can still rely on it and discouraging them from developing their own coping mechanisms.²⁰ More on different coping mechanisms can be found in Annex 7.

Figure 5-5: Risk management strategies used by households for the most important risk (percentage of households).



Each of other mechanisms listed were used by less than 2% of the population: selling household assets, work abroad, loans from credit unions, loans from relatives or friends, pledging household assets in pawnshops, high-interest loans from moneylenders.

Interestingly, there are no significant differences in the use of coping mechanisms by income level. Lowest-, low-, average- and high-income groups have more or less the same level of access. The only

¹⁹ One more exception is insurance, which has been used only by 1.6% of households in the last 3 years, but for as many as 71% of those households it was a primary coping mechanisms.

²⁰ The risk-management matrix confirms limited effectiveness of social protection system in response to the most important risks people face. People only mentioned funeral grants from a long list of benefits included in Annex 5.

difference is that low-income households use slightly less their savings and a little bit more the help from friends or relatives. Consequently, low-income people do not resort to very high-stress coping mechanisms too often as they have access to less stressful coping mechanisms (like own savings, borrowing from friends and relatives and assistance from the employer). Extensive borrowing in response to risks and over indebtedness, so much pronounced in Georgia, seem not to be a major problem in Ukraine. On the other hand, half of low-income households need to combine at least two strategies to respond successfully to risks, because the sums generated from one coping mechanism are not sufficient to cover the losses. This is perceived as a major inconvenience and is a vulnerability factor in the longer perspective. This is also an opportunity for microinsurance.

Households who have lower risk-management capacities and are more vulnerable have the following profile:

- living in the west (much lower vulnerability in the east)
- living in secondary towns (much lower vulnerability in big cities and lower in rural areas)
- age of household head is higher than 60
- have low and lowest income
- self-employed, unemployed, pensioners
- female-headed
- with members who are unable to work (disabilities and serious prolonged illnesses)

6. Insurance in the Eyes of Low-Income Households

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

6.1. Usage

34% of households owned any voluntary insurance policy in the last 15 years (figure 6-1).²¹ High income households have used it the most (42%), whereas among three other income groups usage of insurance is the same (30%).

Property insurance is the most common (18% of households used any type of property insurance).²² It is available from mid 90's and does not have a very good reputation. During qualitative research we have heard lots of stories, in none of them policy holder got a benefit. Negative stories have a wide coverage in the media.

Health is the second most commonly used type of insurance. As there is no private health insurance we can assume that people referred to social packages at the working place that very often provide limited but reliable coverage of healthcare costs.

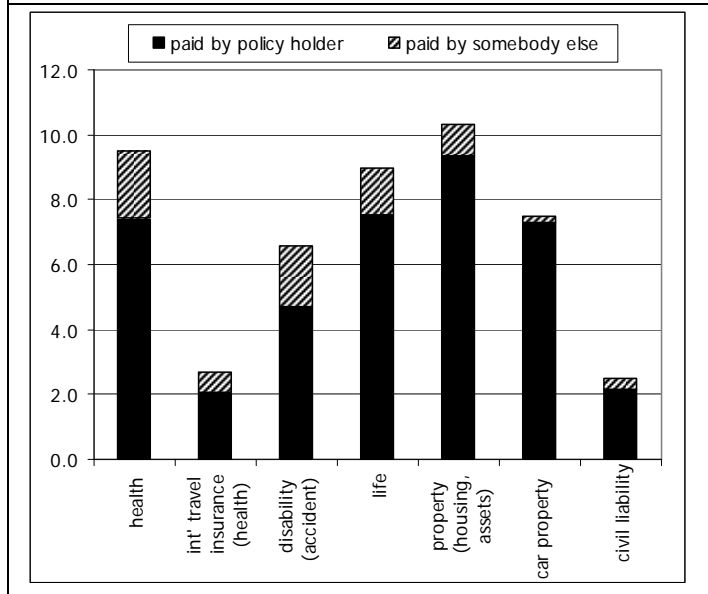
9% of households have had life insurance policy during the last 15 years. These are mostly obligatory policies for those taking housing credit.

Apart from the limited usage of insurance, knowledge on insurance of majority of households is based on experiences with two soviet era schemes:

- *pension system with life insurance features*, used primarily as another saving option, which collapsed in early 90s and people lost their funds.
- *accident insurance for workers and schoolchildren*, which is remembered as endless, tough and fruitless claiming process.²³

In summary, the up-to-date experience with insurance is rather negative given low quality of property insurance and bad memories from the past quasi-insurance soviet schemes.

Figure 6-1: Use of insurance in the last 15 years (% of households).



²¹ It was only 7% in Georgia.

²² This is in line with market offerings as property insurance amounts to 61.6% of the total volume of insurance services in Ukraine; life insurance is only 0.7% and shows a steady decrease since 1995. Only travel (abroad) health insurance is provided. Most of the products on the market are voluntary. Obligatory insurance accounts for a small share in the total volume of insurance services – 14.6%.

²³ Besides this some people mentioned false insurance agents cheating less educated people, especially in rural areas. In 4 focus groups we heard some stories that people were approached by insurance agents selling yearly full-coverage health insurance policies for UAH 20 or persuading people that insuring livestock is obligatory. People have never heard from them again.

6.2. Knowledge

Awareness of insurance and its main types is universal. 95% of respondents are able to mention spontaneously at least one type of insurance service (figure 6-2).²⁴ 89% are able to mention more than two types. The most recognised insurance product is property insurance (67%). 56% of respondents mentioned health and life insurance products.

Despite high awareness inefficiencies of known insurance

schemes biased people's understanding of risk pooling. On one hand, people do not have problems of understanding the risk pooling concept for property insurance. They understand that they pay premiums that are not reimbursable if nothing happens to the insured property. However, given that they never get a benefit in case of damage or loss, they somehow lose the logic of insurance, and do not really think about what they pay for. Decisions to buy property insurance are quite irrational. For most of the people it is a habit. Some were persuaded by insurance agents that it is obligatory. On the other hand, people have difficulties in applying the risk pooling concept to health or life insurance. It is mostly because there was no need for private health insurance in soviet era of free public health system. Additionally, current health/life insurance schemes have hidden costs for the customer and are of social protection nature (social packages at the work place). That is why, in nearly half of the focus groups participants had problems with the fact that they pay health insurance premiums and do not get money back if nothing happens. It was confirmed by quantitative product concept test where 14-17% of respondents rejected tested products for this reason (see section 6.4). In general, people see the solution for health insurance somewhere between government-guaranteed social protection and private risk pooling scheme.

The level of knowledge of insurers is lower compared to knowledge of types of insurance (Figure 6-3). 68.3% were able to mention at least one name of insurance company operating in Ukraine.

Rich and average insurance knowledge and use are typical for 58% of household heads. It ranges from 64% in Kyiv to 45% in the north (figure 6-4) and from 67% for cities to 44% in villages (figure 6-5). It is more typical for middle aged respondents and for those living in households with higher income (figure 6-6).²⁵

Figure 6-2: Knowledge of types of insurance.

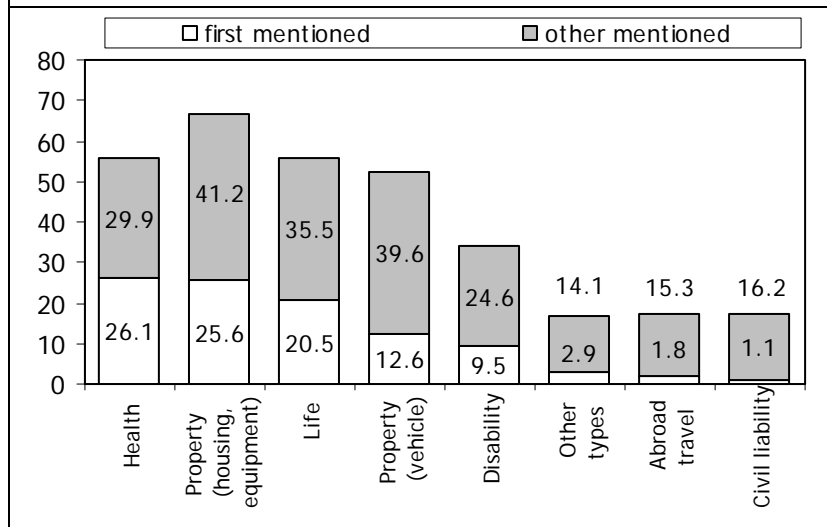
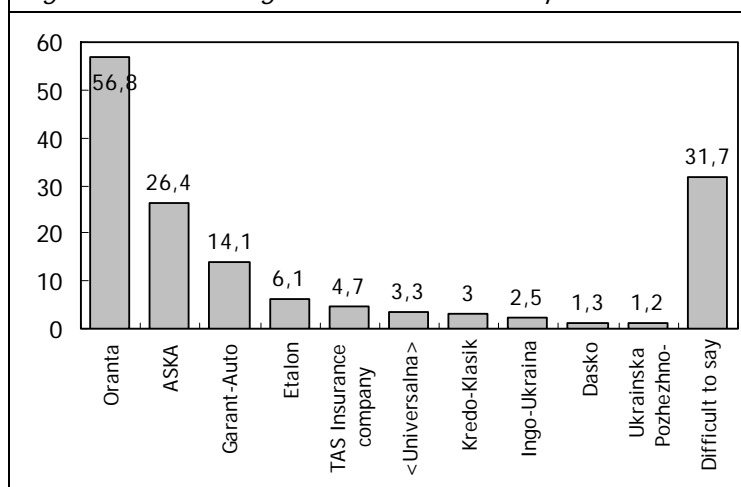


Figure 6-3: Knowledge of the insurance companies.



²⁴ In Georgia, it was 75% of the population.

²⁵ As knowledge of types of insurance, knowledge of insurers and to-date usage of insurance are very closely correlated, index was created and the total population was divided into 3 groups by insurance knowledge and use (poor, average, rich).

Figure 6-4: Insurance knowledge and use by region (based on the index).

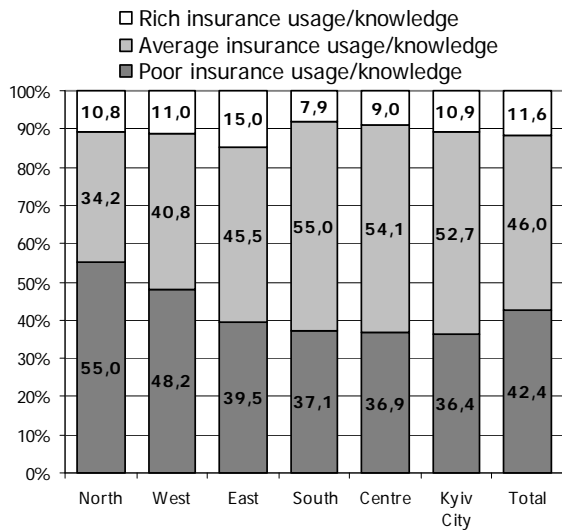


Figure 6-5: Insurance knowledge and use by settlement type (based on the index).

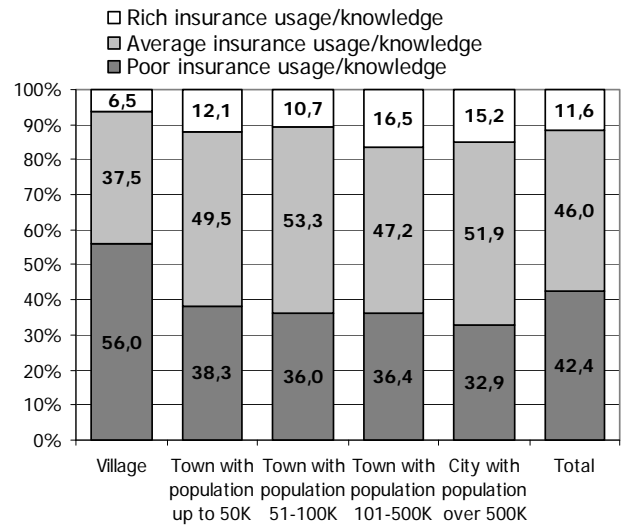
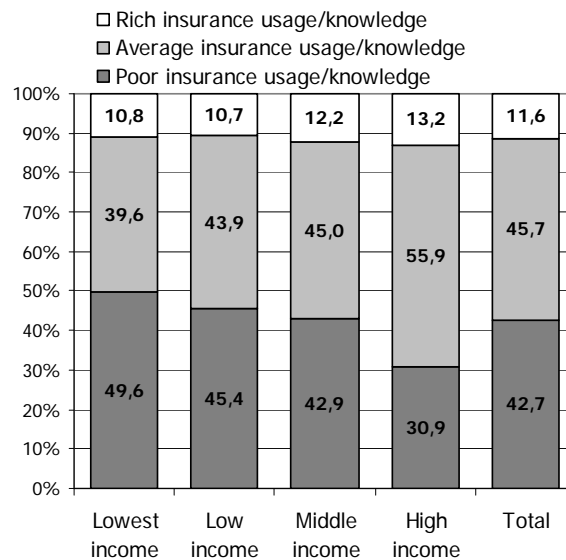


Figure 6-6: Insurance knowledge and use by income level (based on the index).



6.3. Attitude towards insurance

An analysis of the reasons why people have not used insurance in the last 15 years provides useful insights to market attitudes towards insurance. 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 6-7).

Figure 6-7: Main reasons of not using insurance in the past.	%*
Distrust insurance companies - I heard that insurance companies do not pay against the insurance policy (manipulate with circumstances, etc.)	41.3
Distrust insurance companies - they can either go bankrupt or steal my money	30.0
I heard that it takes a lengthy/bureaucratic procedure to satisfy the claim after the occurrence of the insurance case	20.2
Insurance is too expensive for me	19.2
My family does not need insurance, because we can solve our problems independently	18.3

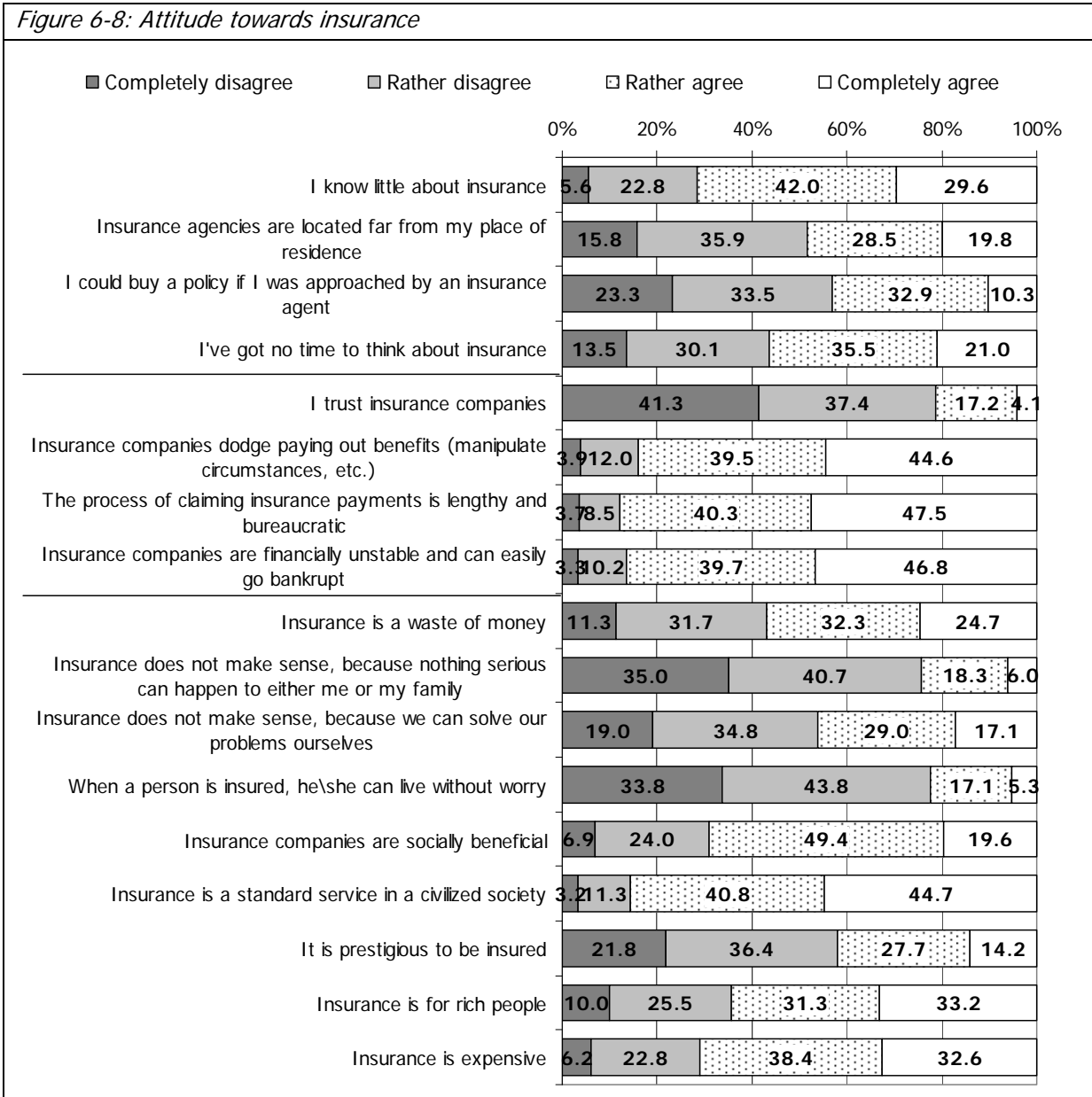
I am not sure the insurance will work because the third party (e. g., hospital) may refuse to accept it	13.7
Never heard about insurance\ do not have sufficient information about insurance\ don't know how it works	13.3
I do not know where to insure myself	7.0
My family does not need insurance, believe nothing serious can happen to my family	5.8
I've got no time to think about the insurance\ if an insurance agent told me about it, I would get insured	4.8
Insurance agencies are located far from my place of residence	2.8
<i>* Percentage of households who mentioned given reason. Responses do not sum to 100% as multiple response was possible.</i>	

In broad terms, Ukrainian households can be divided in two groups in terms of their attitude towards insurance: skeptical and enthusiastic (based on segmentation using the statements included in Figure 6-8). Majority of the population (70%) is skeptical. They do not trust insurers, perceive them as volatile, do not believe that claims can be processed in a timely and honest manner, and think that insurance is expensive. In this group, there are also many people who do not see benefits of insurance (think that they do not need it), know little about it or live far from insurance agents. Those enthusiastic (30% of households) trust insurers, think insurance is socially beneficial service and perceive the fact of being insured as something prestigious.²⁶ Profile of enthusiastic households is as follows:

- Living in north and west
- Male
- Less than 40 years old
- Salaried, self-employed (pensioners are skeptical)
- High income (low and lowest income groups are more often skeptical).
- Higher education
- Married
- Without disabled members and serious illnesses
- Had insurance policy in the last 15 years (life, health, disability, travel)
- Save money very often, bigger amounts, save for emergencies
- Have a bank account
- Borrow from bank; repays debt currently, some have debt beyond capacities
- Better evaluates health services in the area
- Higher risk exposure and high risk-management capacity
- Better knowledge on insurance
- Higher financial literacy

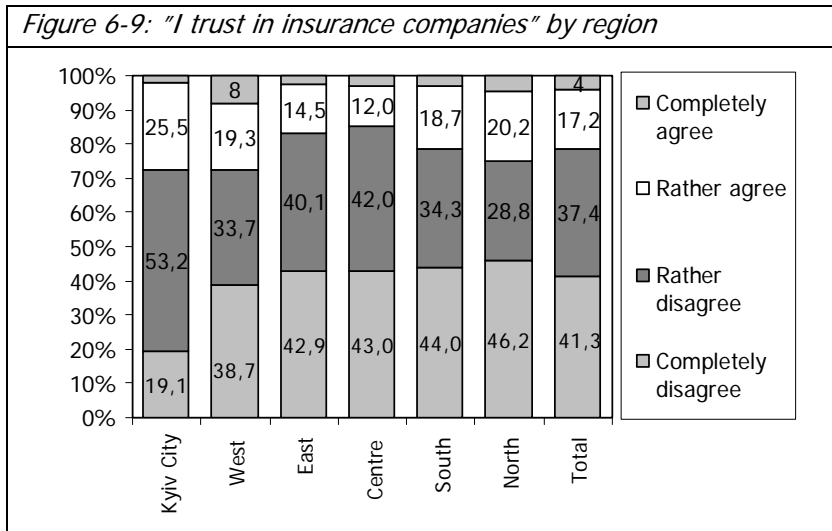
²⁶ Among insurance enthusiast most of people see the value of insurance (especially when discussion was focused on health insurance) and list many benefits of insurance that can be summarized by the following quotations: *"if insurance is available to people there will be harmony"* or *"people should be insured since birth"*. Our general impression was that people well understand the gaps in their current risk-management strategies and strongly feel that insurance (that works) is a good solution to their troubles. Last but not least, very often (in half of the focus groups) respondents were referring to developed countries experience with insurance (mainly health insurance, though part of the enthusiasm could be ascribed to the high quality of health services). Anyway, the belief that insurance is a necessary component of developed market economy and important feature of civilized nation is strongly rooted in their minds.

Figure 6-8: Attitude towards insurance



Trust in insurance is severely undermined. 79% of respondents do not trust insurance companies. The highest trust is in Kiev City and in western and northern regions (Figure 6-9), among high-income households, among those with higher education, with better knowledge on insurance and in general higher financial literacy. Bigger distrust is in bigger cities, among pensioners and older people.

Figure 6-9: "I trust in insurance companies" by region



6.4. Willingness to buy

For the purpose of this analysis we have presented to respondents four 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. On purpose, the products concepts were kept general to evaluate attitude towards insurance in general rather than satisfaction from detailed product attributes.²⁷

Box 1: Microinsurance product concepts tested.

Similar attributes for all the concepts tested:

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

Proximity: The service is available in Kyiv, oblast capitals and rayon centres.

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

Health microinsurance:

Coverage: This is the risk-management product that covers health care costs of the policyholder, including all expenses related to emergency service (incl. transportation) and all expenses related to emergency hospitalization (including therapeutic and surgical cases).

Benefit: Amount of money to cover costs of health care provider, medications, and other expenses one might have as a result of hospitalization. The costs are covered up to a limit of 15 000 UAH per person per year. The minimum amount covered must be higher than 1000 UAH. Money is given in cash to the policyholder (or other family member) by an insurance agent at the hospital. If nothing happens during the insurance term, the policyholder receives nothing.

Claim processing: within 5 days of notification of hospitalization all the benefits are transferred to the client (in cash).

Price: 20 UAH per person per month

Disability microinsurance:

Coverage: This is the risk-management product that covers accidents leading to permanent disability during the fixed term (1, 3 or 5 years).

Benefit: The maximum fixed benefit of 7 500 UAH is paid in case of accident leading to permanent disability (loss of an eye, loss of a leg, loss of an arm, etc.). If nothing happens during the insurance term, the policyholder receives nothing.

Claim processing: Within 2 weeks of notification of accident all the benefits are transferred in cash.

Price: 10 UAH per month

Life microinsurance:

Coverage: This is the risk-management product that covers death of the policyholder during the fixed term (1, 3 or 5 years).

Benefit: In case of death of the policyholder during the selected period his/her family receives a fixed benefit of 10 000 UAH. If the policy holder does not die the family receives nothing.

Claim processing: Within 2 weeks of notification of death all the benefits are transferred in cash to the family.

Price: 10 UAH per person per month.

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

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

Benefit: In case of death of the policyholder during the fixed term (10 years) his/her family receives the amount saved and a fixed benefit of 10 000 UAH. If the policyholder has not died he/she receives all his/her savings and interest earned on them (which is 12 000 UAH for 10 years).

²⁷ Simple satisfaction analysis provided in Annex 8 proves that respondents liked main attributes of the products so that their comments related to general concept of insurance rather than to specific attributes.

Price: the premium payment would be the same as in the previous product presented = 10 UAH per person per month and the savings would be a fixed monthly amount of at least 40 UAH. It gives a total payment of at least 50 UAH 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 1 000-40 000 UAH.

Benefit: 100% of current market value of insured asset(s).

Claim processing: Within one month of notification of asset loss/damage all the benefits are transferred in cash to the client

Price: 2% of the current value of the insured assets, i.e. if you insure an asset worth 10 000 UAH, you will have to pay 200 UAH for the year (17 UAH monthly); in case of a loss you will obtain 10 000 UAH. If nothing happens during the insurance term, the policyholder receives nothing.

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

44% of households are willing to buy at least one of the insurance concepts presented. 30% of households declared willingness to buy suggested health insurance product, whereas 20% showed interest in life, property and disability product concepts (figure 6-10). However, less than 5% were definitely sure that they would buy each of the products. On the other hand, there is almost half of population who definitely rejects the products.²⁸ 57% of those willing to buy life insurance product is interested in life insurance with investment plan (figure 6-11). Interestingly, 22% of those who were not interested in term life insurance are interested in life insurance with investment plan. This once again proves positive attitude to saving.

Figure 6-10: Willingness to buy insurance products.

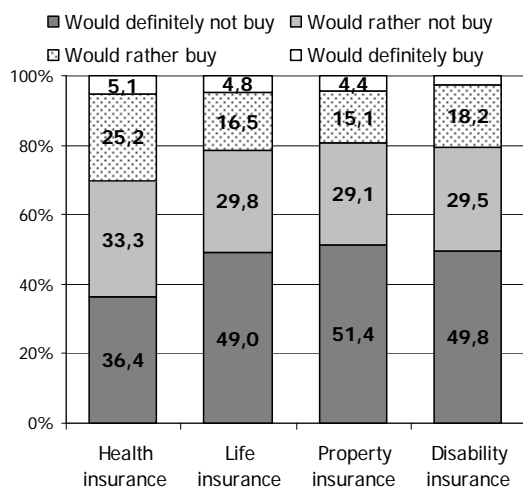
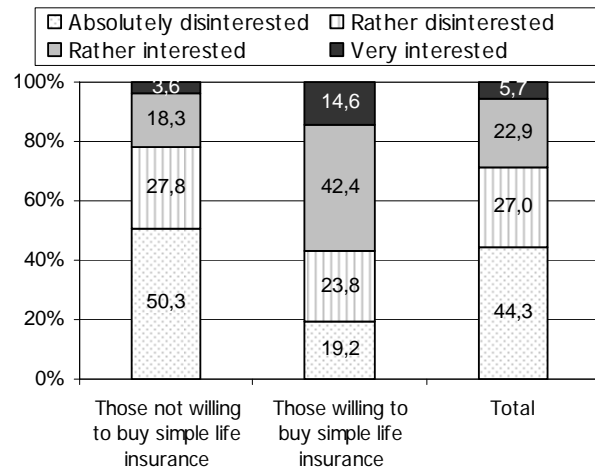


Figure 6-11: Interest in life insurance with investment plan



²⁸ 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 any product or products about 14% declare that discussion with a spouse or partner can change the decision; other 22% 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 (9% said "yes"; 20% said "maybe yes"). Assuming that for both willing and no willing the decisions can be change to the extent shown by this basic analysis the willingness to buy can be slightly lowered.

53% of those willing to buy expressed their interest in more than one product. We have made analysis if they can afford to buy more than one product by adjusting their willingness to their capacities (Figure 6-12). Decrease in willingness to buy is the lowest for health insurance (decline by 32%) and the highest for disability insurance (93%).²⁹

Those who are willing to buy insurance usually think about insuring more than one person (Figure 6-13).

Figure 6-12: Willingness to buy versus capacity to buy

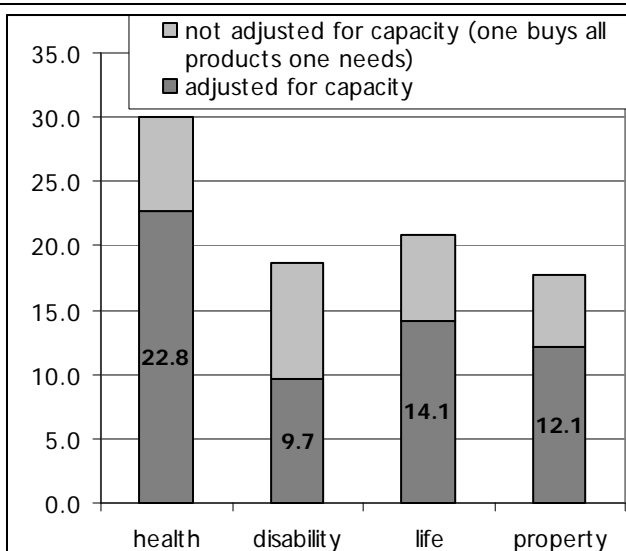


Figure 6-13: Policies per household.

	Health (persons)	Disability (persons)	Life (persons)	Property (value of assets)
<i>mean</i>	2.15	1.95	1.93	27,544 UAH
1 person	31.6%	39.0%	41.3%	median = 12,000 UAH
2	33.2%	35.7%	32.5%	
3	25.1%	18.8%	18.8%	
4	7.7%	3.9%	6.9%	
5	1.7%	2.6%	0.6%	

The most significant reason of lack of willingness to buy insurance (figure 6-14) is mistrust in insurance companies. "I don't need this insurance" is the second most important reason, especially for life insurance scheme, but it is significantly less the case of health insurance.³⁰ The knowledge gap illustrated by the response "I do not like that I am not paid back the premiums when nothing happens" is not so significant like in Georgia, where 35% of respondent rejected product concepts for this reason. The same concerns the reason "price is too high", that was mentioned by 40-50% of Georgians.

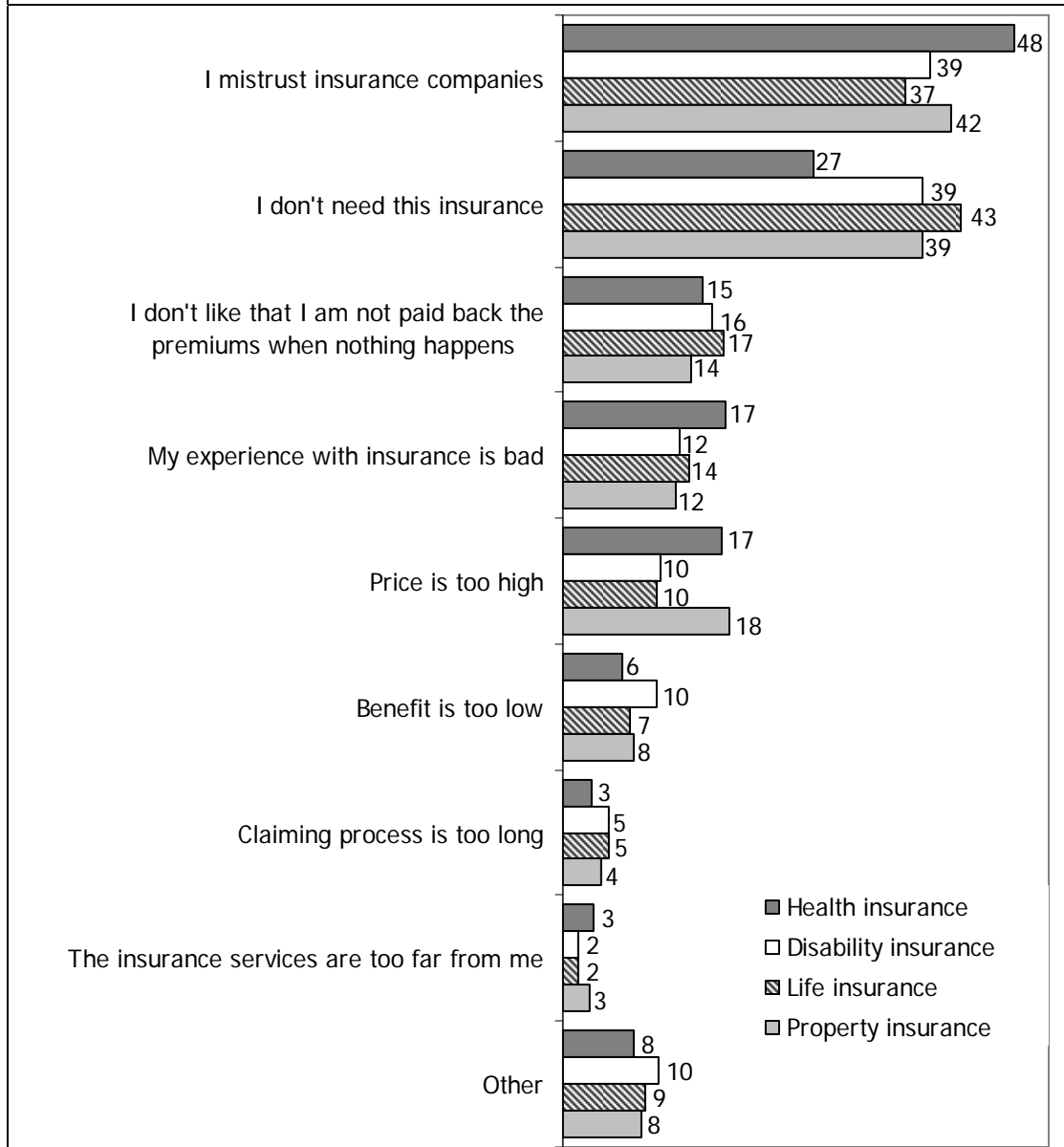
An analysis of profiles of households willing to buy leads to following conclusions (figure 6-15):

- Willingness to buy varies for different products across the regions and by settlement type.
- Health insurance is equally interesting for people with different income and education, but is preferred by salaried workers.
- Younger households with children and higher income are more willing to buy property insurance than other.
- Disability and life insurance are preferred by households more affected by risks.

²⁹ This analysis is very important as in product concept test respondents were asked to analyze each product concept and their willingness to pay for it independently from other concepts. This means that there are people who declared their interest in 3 concepts but after the capacity analysis they have figured out that they can buy only one. That way, we asked the respondents to prioritize.

³⁰ Attitude towards insuring one's life is totally opposite compared to health insurance. In general, in all of the focus groups people have not seen any value in life insurance. Spouses of main breadwinners do not want to even think about it. And breadwinners do not understand why they need to have money when they are dead. Explanations that their family will get money to keep the standard of living immediately after death, do not change anything. It seems like in Ukrainian culture death is something that one has to live with. This attitude could also be an effect of former stronger soviet social protection system. The concept of life insurance with investment was a little bit more interesting to people as they liked the savings function (confirmed by quantitative research). It was in line with their positive attitude to savings.

Figure 6-14: Reasons of lack of willingness to buy.*



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

Figure 6-15: Profiles of households willing to buy insurance.

More willing to buy health insurance	More willing to buy disability insurance	More willing to buy life insurance	More willing to buy property insurance
<ul style="list-style-type: none"> ▪ East, South ▪ Small and middle towns ▪ Salaried ▪ Richer knowledge and experience in insurance ▪ Borrowing more, Indebted beyond capacity 	<ul style="list-style-type: none"> ▪ East ▪ Large towns and cities ▪ Technical education ▪ Lowest income ▪ Affected by risks ▪ Low financial literacy ▪ Borrowing more, Indebted beyond capacity 	<ul style="list-style-type: none"> ▪ West ▪ Female ▪ Middle income ▪ More members in the household ▪ Pensioned ▪ Affected by risks ▪ Poor knowledge and experience in insurance 	<ul style="list-style-type: none"> ▪ West, North ▪ Villages ▪ Secondary education ▪ Higher income ▪ With children ▪ Younger ▪ Richer knowledge and experience in insurance ▪ High financial literacy

Market for microinsurance in Ukraine is price sensitive (figure 6-16).³¹ 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 willing to buy microinsurance for each product.³²

Figure 6-16: Price sensitivity.

	health		disability		life		property	
	in total population	among not willing	in total population	among not willing	in total population	among not willing	in total population	among not willing
sensitive (to 30% decrease in price)	9.1	15.1	10.8	15.8	9.4	14.2	10.6	15.6
very sensitive (give their own price lower than 70% of suggested price)	5.4		1.6		2.0		2.1	
<i>Total of all sensitive</i>	<i>14.5</i>	<i>-</i>	<i>12.4</i>	<i>-</i>	<i>11.4</i>	<i>-</i>	<i>12.7</i>	<i>-</i>

There is no clear profile of price sensitive households. It differs across the products (Figure 6-17).

Figure 6-17: Price sensitivity profiles.

<i>More likely to be price sensitive - health insurance</i>	<i>More likely to be price sensitive – disability 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"> ▪ West ▪ Towns ▪ Younger ▪ Secondary education 	<ul style="list-style-type: none"> ▪ East ▪ Big towns and cities ▪ Older ▪ High education ▪ Low income 	<ul style="list-style-type: none"> ▪ Rural ▪ Middle aged ▪ Vocational education ▪ Middle income ▪ Save regularly 	<ul style="list-style-type: none"> ▪ Kyiv, South ▪ Towns and Cities ▪ Male ▪ High income ▪ Do not save ▪ Borrow more

³¹ Two-step price sensitivity test was done. Firstly, those who were not willing to buy were asked if they changed their decisions when the premium would be decreased by 30%. Secondly, those who were still not interested were asked if they could pay any price for the product. Those who started hesitating at the first level was categorized as sensitive, and those who gave their own price (lower than 70% of original premium) were categorized as very sensitive.

³² Qualitative research findings also supports sensitivity to price among target population. In 7 out of 10 groups people were ready to buy health insurance but for lower price. The monthly premium of UAH 20 for a full coverage seemed to be too high for them. Especially, when they were discovering that insuring the entire family of 4 would cost UAH 80, bearing in mind that it is almost one fifth of the average wage. The realistic price was set at UAH 10 per month per person.

7. Market Development Projections and Strategies

As hardly anyone uses insurance (and nobody has been using microinsurance) it is hard to project future microinsurance market development based on historical trends. The access frontier approach proposed by David Porteous (2005) is useful in projecting the market development for microinsurance.³³ The total market is divided in four segments as explained in Figure 7-1. Given that access frontier methodology is difficult to apply to products that are not yet on the market, the projections are done using both general usage & attitude variables and willingness to buy based on the product concept test. This combination allows much more accurate projections for each of generic microinsurance products.

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

<i>Segment</i>	<i>Description of the segment</i>	<i>How defined in our study</i>
<i>Natural limit</i>	A group of households who is either not eligible for insurance schemes or they objectively do not need insurance. ³⁴	(health/disability): age below 60 (life): age below 45 (health/disability/life): household head is not disabled and does not suffer from serious illness (variables a5, a6) (life): more than 1 member in a household (having close family) (property): possessing at least one new asset (variables i3, i4). ³⁵
<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.	1) Below household monthly income per capita at the level of UAH 230 (median income of the lowest income group). 2) Willing to buy but cannot pay for all selected insurance concepts.
<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. They are also reluctant to buy now due to limited knowledge, distrust, skepticism, dissatisfaction from some product features, etc.	The rest of the market. (see section 7.2 for more details)
<i>Within access frontier now</i>	The percentage of households who can and wish access the suggested microinsurance product concepts on current terms and conditions.	Those who are willing to buy suggested microinsurance products and are enthusiastic about insurance in general ³⁶ .

³³ As explained by David Porteous (2005): "The access frontier approach enables greater understanding of market development over time from the perspective of who is, and who will be, served by the market over time. The access frontier defines the maximum proportion of the eligible population who use the product under existing conditions. This frontier is likely to shift over time. Considering where it will move in the short to medium term (to the future access frontier) is an important part of assessing the capacity of market solutions to extend access. There is still a group of people who, largely because of poverty, the market will be unable to touch in the foreseeable future ('the supra-market group'). For this group, the state may decide to supply the service directly or regulate existing institutions to provide it (i.e. forced cross subsidy). The access frontier approach distinguishes three zones in a market based on where usage and the current and future access frontiers are: a market enablement zone, a market development zone and a market redistribution zone. The test of policies in the redistribution zone is whether they encourage or limit the outward movement of the access frontier so that more can be served through markets over time, so that state subsidy can be directed at those most needy."

³⁴ On more mature markets this group also includes those who declare that they do not need insurance and will not buy it in a short-term. In the case of microinsurance in Ukraine it is hard to make a distinction if people declarations come from their low financial education and knowledge on insurance benefits or from their informed choice of not to buy insurance.

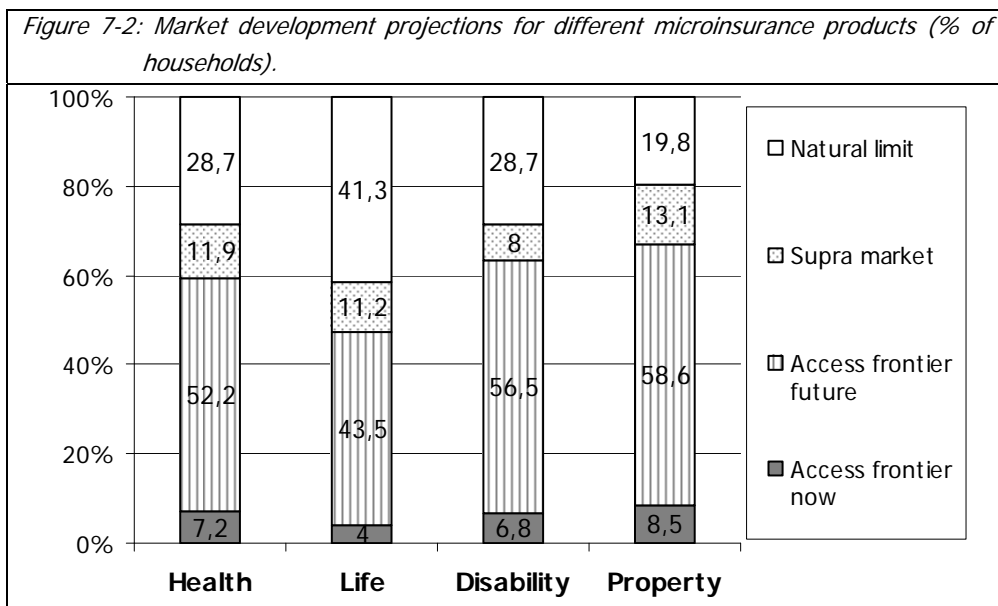
³⁵ Excluded (natural limit) are only those who does not have a new asset and reject the property insurance because of no need. Those who do not have assets but are willing to buy property insurance are not located in the natural limit group.

³⁶ Based on segmentation presented in section 4.3.

7.1. Market development projections

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

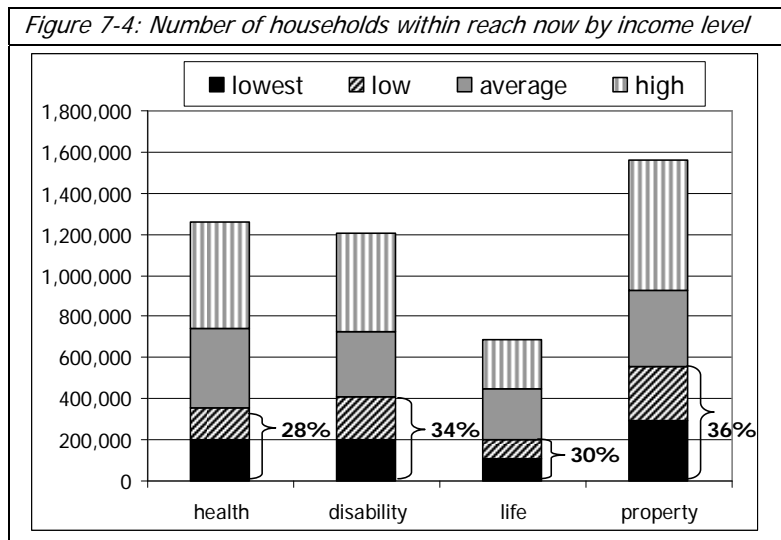
- *Market enablement zone* – this is a group that can be reached now (within access frontier now) because it is easy to be covered with new microinsurance products that are demanded by enthusiastic consumers. In Ukraine it varies from 4% for life insurance to 8.5% for property insurance.
- *Market development zone* – this is a group within access frontier that might be covered if the new products are well-adapted, effective marketing strategies are in place and there is enabling environment. In Ukraine, this group is the biggest proving immaturity of insurance market. It varies from 43.5% for life insurance to 58.6% for property insurance.
- *Market redistribution zone* – this is a task for the government to extend an adequate safety net and provide affordable risk-management tools for this group. This group is not very big in Ukraine and varies from 8% for disability product to 13.1% for property insurance.



7.2. Market enablement zone

Volume of market enablement zone under current circumstances is approximately 2.9 million policies for health insurance product, 2.46 million policies for disability insurance, 1.39 million policies for life insurance, and 1.5 million property insurance policies (of the value 40 615.74 million UAH). See Annex 9 for detailed calculations by region, settlement type and income level.

Profile of households in the market enablement zone suggests that standard insurance service will not reach large numbers of the low-income people. Within market reach now are middle and high income households with better jobs and better education (Figure 7-3). Figure 7-4 provides estimates of number of households within reach now by income level. Low-income households share is significantly lower than in total population (in total population the



share is close to 50%, while within access frontier now it varies from 28-36%).

Figure 7-3: Profiles of households in access frontier now

<i>More willing to buy health insurance</i>	<i>More willing to buy disability insurance</i>	<i>More willing to buy life insurance</i>	<i>More willing to buy property insurance</i>
<ul style="list-style-type: none"> ▪ North ▪ Medium and large towns ▪ Middle and high income ▪ Salaried ▪ Male ▪ Vocational or higher education ▪ Younger ▪ Richer use and knowledge on insurance; higher financial literacy 	<ul style="list-style-type: none"> ▪ North/Centre ▪ Medium and large towns ▪ high income ▪ Salaried ▪ Male ▪ higher education ▪ middle aged ▪ Richer use and knowledge on insurance; higher financial literacy 	<ul style="list-style-type: none"> ▪ North ▪ Middle and high income ▪ Salaried ▪ Male ▪ higher education ▪ middle aged ▪ Richer use and knowledge on insurance; higher financial literacy 	<ul style="list-style-type: none"> ▪ West, North, Kiev ▪ Medium and large towns, rural areas ▪ Middle and high income ▪ Salaried ▪ Male ▪ higher education ▪ Younger ▪ Richer use and knowledge on insurance; higher financial literacy

7.3. Segmenting the market development zone

Market development zone is substantial and to be successful in tapping it, there is a need for more detailed segmentation. Moreover, most of low-income market is located in market development zone so in order to be able to get microinsurance to its target group it is necessary to see in which segments of this zone the low-income households are.

The segmentation is done in using the same approach as with general access frontier segmentation (Figure 7-1). It uses attitude towards insurance, willingness to buy and reasons for rejection of product concept tested.³⁷ Figure 7-5 presents segments description.

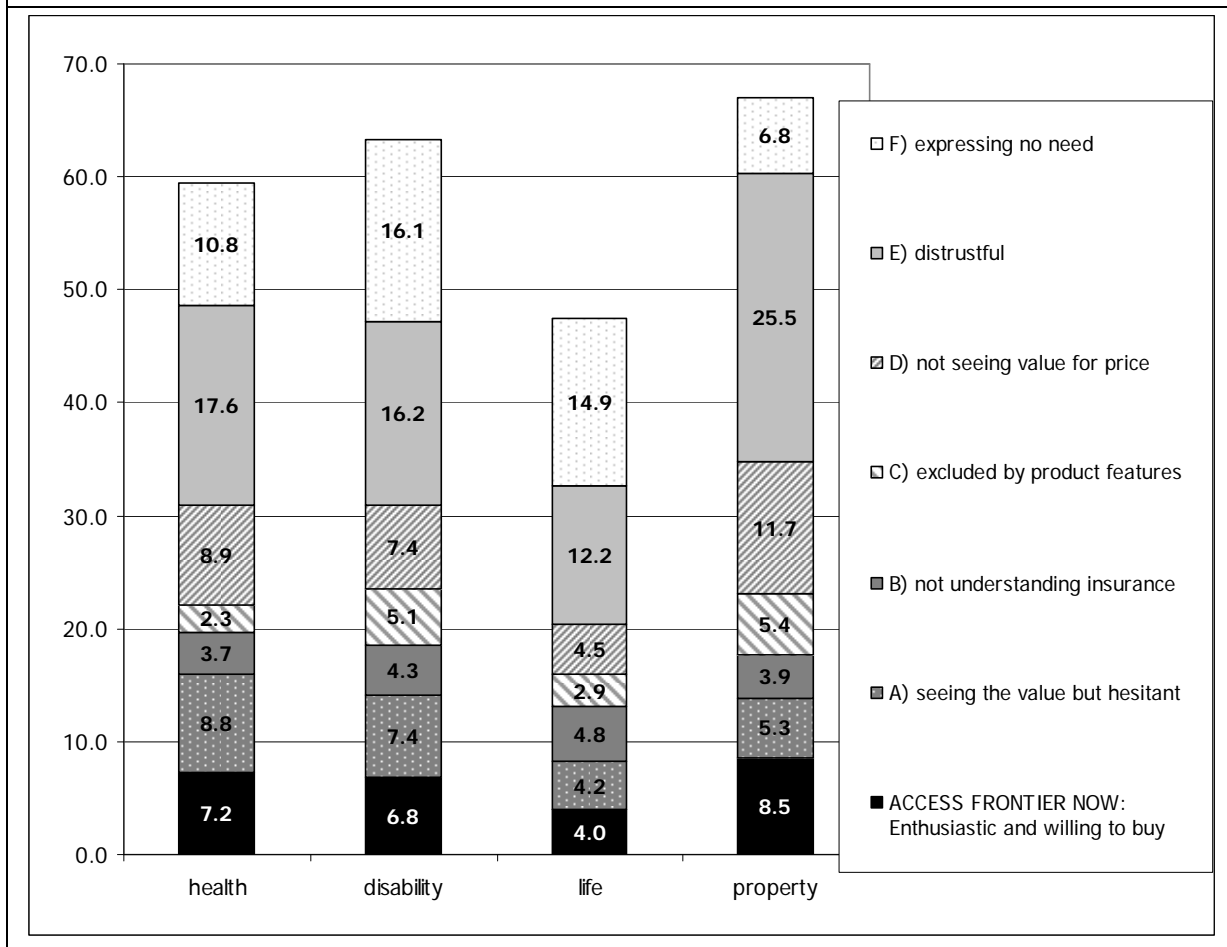
Figure 7-5: Description of segments in the market development zone

#	<i>Segment</i>	<i>Description of the segment</i>	<i>How defined in our study</i>
A	<i>Seeing the value but hesitant</i>	This group is interested in insurance but because of distrust is hesitant.	Willing to buy suggested product concept but skeptical about insurance in general.
B	<i>Not understanding insurance</i>	This group does not understand basic insurance engineering.	Low financial education and rejecting the suggested product concept because they do not get anything back when nothing happens.
C	<i>Excluded by product features</i>	The product features are not adapted to this group.	Rejecting product concepts because of product parameters (including proximity).
D	<i>Not seeing value for price</i>	Interested in insurance but for lower price.	1) Price sensitive (section 6.4) 2) Can afford but reject & low financial literacy index.
E	<i>Distrustful</i>	Do not trust insurers and are skeptical if insurance can work in Ukraine.	Distrustful and rejecting products because of trust.
F	<i>Expressing no need</i>	This group believes that they do not need insurance.	Skeptical about insurance in general and rejecting products because of no need.

³⁷ One more psychographic segmentation is included in Annex 10. It is build around current use of financial services and can be useful in a process of developing delivery models for microinsurance provision.

Segments E and F have the biggest share (Figure 7-6). These are probably the segments that would be the most difficult to reach. Low-income households are located mostly in segments B, E, and F.

Figure 7-6: Segmentation of market development zone.



7.4. Strategies to tap the low-income market

Given the segments in market development zone three following strategies promise to counter latent demand issues:

- *Supply system reform* – that builds insurance system reliability and professionalism as well as creates enabling environment.
- *Insurance education provision* – that builds necessary knowledge and skills allowing low-income households to see the benefits of insurance and be able to make the right choice.
- *Product delivery innovation* – that further adapts products to market needs, expectations and capacities.³⁸

Figure 7-7 shows rationale for the strategies by matching them specific concerns of the market development zone segments.

³⁸ Note: Microinsurance needs product delivery innovation and to deliver the product concepts used in this study one would need to innovate anyway. Here product innovation is considered as additional innovation improving further the tested product concepts.

<i>Figure 7-7: Strategies for market development zone segments.</i>	
Strategies	Segments sensitive to strategies
Supply System Reform	A – seeing the value but hesitant E - distrustful
Insurance Education Provision	B – not understanding insurance F – expressing no need
Product Delivery Innovation	C – excluded by product features D – not seeing value for price

Low-income households are located mostly in B, E and F segments. Therefore, besides the product innovation reforming supply system and providing insurance education should have a lasting impact. This will be also a breakthrough in general development of insurance market in Ukraine as supply system strategy should ease reaching out to significant shares on the market ranging from 16% for life to 31% for property insurance. As shown in Figure 7-8 insurance education strategy should be even more effective in bringing to low-income households the products that they need the most: health, disability and life insurance.

<i>Figure 7-8: Shares of the market development zone for generic insurance products to be tapped in using selected strategies.</i>				
<i>Strategies:</i>	<i>health</i>	<i>disability</i>	<i>life</i>	<i>property</i>
Supply system reform	26.4%	23.6%	16.4%	30.8%
Insurance education provision	14.5%	20.4%	19.7%	10.6%
Product delivery innovation	11.3%	12.5%	7.4%	17.1%

8. Conclusions

Poverty is high in Ukraine but compared to other transition countries low-income households in Ukraine are relatively less vulnerable. A majority of the low-income people in Ukraine are salaried workers. Regular wages provide some stability, even if it is at very low economic levels. Self-employed people are less poor but probably more vulnerable as they do not have access to social protection provided by bigger employers. Two other important differences between Ukraine and its neighbors is that rural households bear lower poverty risk compared with urban dwellers, and that elderly people are more vulnerable due to inefficiencies of the pension system. Therefore, elderly people and those living in secondary towns have the poorest risk-management capacities.

Despite not very high vulnerability, low-income population is in need for additional risk-management options. Risks like bigger health crises, accidents leading to disability and property losses put a very significant pressure on the households and are perceived as the most burdensome. Even if large numbers of low-income households have access to low-stress coping mechanisms they are not effective enough to cover fully needs for lump sums to respond to the risks. Menu of coping mechanisms is narrow and social protection system is inefficient. It can significantly increase vulnerability of low-income households in the longer term.

Health, disability and life with long-term savings microinsurance services promise to fill this risk-management gap, which is an issue for almost half of the population of Ukraine. Especially, health and disability insurance covering hospitalization costs and providing some funds to survive in the periods with lower work ability will contribute significantly to improve risk-management capacities of low-income households. Property microinsurance is rather more important for middle and high income households given their interest to protect their valuable assets. Needs for better mechanisms to cope with life risks are not very high, however, life insurance with long-term savings is in line with a very positive attitude to savings among Ukrainians. Therefore, it can also play an important development role in building assets and complementing inefficient pension system.

Overall, there are many positive signs that should ease launching new microinsurance products. Ukrainians are proactive financial planners, have positive attitude to savings and more than 60% of population declare that they save. A general awareness of insurance is almost universal. Even that usage is at still low levels the knowledge of insurance should not be a major issue. Moreover, 30% of Ukrainians are enthusiastic about insurance, strongly believing that insurance is socially beneficial.

But the biggest challenge is that those positive signs can be mostly observed among middle and high income households, who are not necessarily the core target group for microinsurance. Among 70% of households who are skeptical about insurance, low-income households are overrepresented. In this group there is a profound distrust in insurance sector and insurance companies (almost 80% of the population) mostly due to poor performance of current property insurance offerings, which accounts of more than 60% of the total volume of insurance policies on the market.

Analysis of market development scenarios reflects the opportunities and the threats to microinsurance provision. The market that is within reach now, meaning that new insurance products can be marketed without special efforts, is substantial (from 4 to 8.5% of all households, i.e. 2.8 million health insurance policies). But it is composed mostly from high income households. Low-income households are mostly located in market development zone among those who reject insurance concepts because of distrust, belief that they do not need insurance or simply because they do not understand details of the insurance

concept. Given current circumstances total market that can be reached now and in the future accounts for 60% of all households in Ukraine (approx 20 million policies) for each of the generic microinsurance products tested.

Besides a need for microinsurance product innovation, two strategies seem to be important from the market perspective to develop market for microinsurance in Ukraine and reach out low-income households. These are: 1) a reform of the supply system that should aim at building insurance system reliability and professionalism, and 2) insurance education provision in the goals of building necessary knowledge and skills allowing low-income households to see the benefits of insurance and be able to make the right choice.

Last but not least, there is not a big need for redistribution policies to facilitate access to microinsurance for those who cannot afford it at the moment. Thus, private insurance companies can have a significant contribution to improving social risk-management in Ukraine within the market enablement and development zones. Depending on the product 8-13% of households cannot afford to pay for microinsurance. These are the households that live on the lowest incomes. Most of these households are located in rural areas. They are rather cash-poor and live from subsistence farming, which in Ukrainian context is not a synonym of high vulnerability.

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Annex 1 – Qualitative research methodology and tools

Sampling:

FGD #	Location			Group composition			Tool used
	location	region	urban/rural	income level	occupation	gender	
1	Drohobytch	West	Bigger town	Low to average	Self-employed (s-e)	m>w	A
2	Drohobytch	West				m<w	B
3	Striy	West	Secondary town	average	s-e; salaried	m>w	A
4	Striy	West				w	B
5	Pidhyrcy	West	Rural	average	s-e; salaried	m>w	A
6	Dobriany	West				m<w	B
7	Zaporizhia	East	City (district centre)	Low to average	s-e	m<w	A
8	Zaporizhia	East				m=w	B
9	Vasilyevka	East	Secondary town	Low to average	s-e	w	A
10	Vasilyevka	East				m<w	B

Research tools:

Tool A – Shock/risk importance RANKING and insurance/savings discussion guide

#	Core question	Probing questions
1	What are the most important unexpected shocks/risks that affect families similar to yours in your community?	<ul style="list-style-type: none"> ▪ What are the crises or life cycle events that require immediately and unexpectedly a big amount of money? ▪ ... at the business level / ... at the family level / ... at the community level <ul style="list-style-type: none"> ○ What is the impact of the shock at the family level (<i>ask for each shock when putting on the card</i>)? ○ (<i>If possible to estimate</i>) what is the average amount of money to deal with the shock? ○ How frequently does the shock happen (<i>ask for each shock when putting on the card</i>)? <p><i>(for health, property, life risks – disaggregate into more details)</i></p> <ul style="list-style-type: none"> ▪ How do families respond or <u>manage the shock</u> when it happens? / What do they do to acquire the necessary lump sum of money?
2	Which of these shocks/risks are the most important in your community?	<ul style="list-style-type: none"> ▪ RANKING: Please rank the shocks you mentioned regarding their impact on family life (severity & frequency). ▪ Why, why, why?
3	What do you think about insurance?	<ul style="list-style-type: none"> ▪ What are the benefits of insurance? ▪ What are its disadvantages and limitations? ▪ Should people insure?
4	Have somebody in your community ever used insurance?	<ul style="list-style-type: none"> ▪ If not, have you ever heard any stories about it?
5	<i>(If insurance mentioned)</i> What is your opinion about the insurance scheme(s) you mentioned?	<ul style="list-style-type: none"> ▪ What was the reason to take insurance? ▪ Did the risk happen? ▪ Have you realized the claim? ▪ What do you like about it? ▪ What should be improved? ▪ Will you be interested to pay for the insurance product adjusted to your needs and preferences?
5	<i>(If insurance not mentioned)</i> Why do the families do not use insurance products?	<ul style="list-style-type: none"> ▪ What are the biggest barriers? ▪ What do you know about insurance? ▪ Will you be interested to pay for the insurance product adjusted to your needs and preferences?
6	Would you be willing to get insured?	<ul style="list-style-type: none"> ▪ From the risks discussed previously, which risks would you like to insure the most?
7	What do you think about saving?	<ul style="list-style-type: none"> ▪ What are the benefits of saving? ▪ What are its disadvantages and limitations? ▪ Who saves in your community?
8	How people save?	<ul style="list-style-type: none"> ▪ In-kind and in cash ▪ Places when they store money ▪ What you value the most about the most popular places? ▪ To what extent do you trust banks? ▪ What is the longest distance you will be ready to make (each month, several times) to use good savings account in a bank?

9	What do people do when they have extra cash?	<ul style="list-style-type: none"> ▪ How much is that usually? ▪ In which months? ▪ What are the spending priorities (for small - big amounts) ▪ Have you thought about spending this money on insurance?
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Tool B – Coping Mechanisms Matrix –for the most important risks (i.e. health) and concept test

#	Core question	Probing questions
1	Introduce the risk we will talk about and let people talk about it.	<ul style="list-style-type: none"> ▪ What is the impact of the shock at the family level ? ▪ <i>(If possible to estimate)</i> what is the average amount of money to deal with the shock? ▪ How frequently does the shock happen ?
2	How do you cope to face unexpected health expenses?	<p>1) How have families responded or managed the shock when it happens? / What have they done to acquire the necessary lump sum of money? <i>(put all strategies on the separate cards)</i></p> <ul style="list-style-type: none"> ○ How accessible is the strategy? To whom is it accessible? ○ To what extent the coping mechanism covers the loss / mitigates the impact of the shock? ○ What are the costs of this coping strategy? ○ What are other limitations of this coping mechanism? ○ How has it changed over the last X years? <p>2) What do they do to protect themselves from the shocks?</p> <ul style="list-style-type: none"> ○ How accessible ...
3	Rank the use of identified coping mechanisms by different groups.	<p><i>Usage by different income groups – matrix.</i> <i>Let them explain the groups: very poor, poor, non poor.</i> <i>Place counters using the scale 0-5 for each cell in the matrix.</i> Probe on the matrix.</p>
1	Read the product concept	(concepts as in the box 1 in the report)
2	What do you think about?	▪ <i>Observe and note carefully first, second, third reactions.</i>
3	What do you like about it?	▪ <i>Why?</i>
4	What do you dislike?	▪ <i>Why?</i>
5	Who would be willing to buy this product in your community?	▪ <i>Why?</i>
6	Who would not be willing to buy this product in your community?	▪ <i>Why?</i>
7	Are you willing to buy it?	▪ <i>Why?</i>

Annex 2 – Quantitative research methodology and survey questionnaire

Sampling

Sample design has included the following stages:

1. The sample is stratified by regions (6 regions in Ukraine—Kyiv City, Northern, Western, Central, Southern, and Eastern). In each region, interviews are proportionally distributed according to the size of settlement.
2. Settlements are randomly selected from every group of settlements. We use following grouping of settlements: rural area; towns and town-type settlements with population less than 50,000; towns with population of 50,000-100,000; towns with population of 100,000-500,000; cities with population of more than 500,000.
3. For large cities, sample is stratified by administrative districts.
4. In each settlement/administrative district, we determine the number of electoral districts (secondary sampling units). In each administrative district, number of electoral districts is selected proportionally to population of the district. In each electoral district, 5-6 interviews will be conducted.
5. Then, flats/houses are randomly selected from the list of all flats/houses belonging to selected electoral district.
6. On the last stage of the sample, interview is conducted with the person who brings the highest income to the household. If eligible person is not available in that moment, interviewer visits the flat 2 times more.

The criteria of the sample quality is accordance of distributions of the households obtained in the survey with statistical data from the Census of the Population of 2001 (conducted by the State Statistics Committee of Ukraine).

Total sample by regions and settlement types:

		Villages	Towns (>50K)	Towns (50-100K)	Towns (100-500K)	City (500K+)	
1	Kyiv		0	0	0	55	
2	North	51	31	16	22	0	
3	West	113	48	12	30	15	
4	Centre	57	28	7	30	0	
5	South	51	32	10	26	32	
6	East	53	75	30	68	108	
		325	214	75	176	210	1000

Survey questionnaire, market for microinsurance in Ukraine

Done by MFC in collaboration with GfK-USM 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.
- 2.
- 3.
- ...

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

Introduction

INT.: READ: „Good morning / good evening. My name is ... and I work as an interviewer for GfK-USM. 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 A7 to A8 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 1 – household head 2 – spouse / partner 3 – child 4 – parent 5 – grandchild 6 – other person	A3. Gender 1 – male 2 – female	A4. Age ENTER AGE OF THE PERSON	A5. Disability (cannot work) 1 – Yes 0 – No	A6. Suffering from a chronic (e.g. asthma) or any other serious illness (e.g. cancer, diabetes, heart attack, stroke, hepatitis, AIDS/HIV). 1 – Yes 0 – No	A7. Marital status 1 – single 2 – married 3 – separated / divorced 4 – widow(er)	A8. Education grade completed 1 – none 2 – primary 3 – secondary 4 – vocational (technical) 5 – incomplete higher 6 – higher (university, PhD)
1		1 2 3 4 5 6	1 2		0 1	0 1	1 2 3 4	1 2 3 4 5 6
2		1 2 3 4 5 6	1 2		0 1	0 1	1 2 3 4	1 2 3 4 5 6
3		1 2 3 4 5 6	1 2		0 1	0 1	1 2 3 4	1 2 3 4 5 6
4		1 2 3 4 5 6	1 2		0 1	0 1	1 2 3 4	1 2 3 4 5 6
5		1 2 3 4 5 6	1 2		0 1	0 1	1 2 3 4	1 2 3 4 5 6
6		1 2 3 4 5 6	1 2		0 1	0 1	1 2 3 4	1 2 3 4 5 6
7		1 2 3 4 5 6	1 2		0 1	0 1	1 2 3 4	1 2 3 4 5 6
8		1 2 3 4 5 6	1 2		0 1	0 1	1 2 3 4	1 2 3 4 5 6
9		1 2 3 4 5 6	1 2		0 1	0 1	1 2 3 4	1 2 3 4 5 6
10		1 2 3 4 5 6	1 2		0 1	0 1	1 2 3 4	1 2 3 4 5 6
11		1 2 3 4 5 6	1 2		0 1	0 1	1 2 3 4	1 2 3 4 5 6

B) Risks and risk management strategies

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

		B1. Have any of the following risks happened to you or other household members in the last 3 years (since 2002 till today)?		B2. How many times has it happened in your household during the last 3 years (since 2002 till today)?	B3. How would you evaluate the general impact of the risk itself and using coping mechanisms on your household <u>economic</u> standard of living?
		1 – yes	0 -no		
		<i>MARK A CODE IN EACH ROW</i>		<i>ENTER THE NUMBER OF TIMES</i> 99 – hard to say <i>(do not read)</i>	READ CODES AND SHOW A CARD # 1- no influence 2- decreased slightly 3- decreased significantly 4 – decreased dramatically 99 – hard to say <i>(do not read)</i>
	Disability				
A	Accident of family member leading to permanent disability	1	0		1 2 3 4 99
B	Accident of family member leading to temporal disability	1	0		
	Health				
C	Illness of family member (hospitalization necessary, surgical treatment needed)	1	0		1 2 3 4 99
D	Illness of family member (hospitalization or emergency service necessary, only therapeutic treatment)	1	0		1 2 3 4 99
E	Illness of family member (without hospitalization, but needed visit to a doctor)	1	0		1 2 3 4 99
	Property				
F	Damage to property (due to forces that are out of the control of respondent, e.g. flood, fire.)	1	0		1 2 3 4 99
G	Theft of property (household or business assets) valued more than UAH 1000.	1	0		1 2 3 4 99
	Other				
H	Bad weather conditions affecting agricultural production	1	0		1 2 3 4 99
I	Livestock disease	1	0		1 2 3 4 99

B4. How do you usually manage to find necessary amount of money to cope with risks?

- Take the risk from the previous list that generated the highest financial pressure on your household.
- How have you managed to find money to cope with the risk last time it happened? From the cards on the table pick all the mechanisms you used
- Consider both those mechanisms one may use immediately after the risk happened and those mechanisms which one may use later (e.g. to repay a loan).
- Rank the usefulness of mechanisms. Each mechanism has to have a specific ranking (number). Use relative ranking: from 1 – helped the most; 2 – less than 1; 3 – less than 2, etc.

READ COPING MECHANISMS AND SHOW A CARD #

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

<i>Coping mechanisms (CARDS)</i>	<i>ranking</i>
0. No coping action (i.e. neglecting the illness, not re-building the stolen assets, etc.)	
1. Insurance	
2. Using own funds, depleting savings, etc.	
3. Selling animals, fruits and other stored agricultural products (including barter arrangements)	
4. Getting additional job (or working more)	
5. Going abroad for work	
6. Getting free of charge help from relatives/friends (not to be repaid), government, local associations, private persons	
7. Getting assistance from the employer (packages and informal help)	
8. Borrowing without interest from relatives and friends	
9. Borrowing with interest from relatives/friends	
10. Borrowing from credit unions	
11. Borrowing from banks	
12. Borrowing with higher interest (more than 3% per month) from moneylenders.	
13. Pledging household assets in pawnshops (including jewellery, household consumer durables, etc.)	
14. Selling household assets (including jewellery, household consumer durables, land, transport vehicles, etc.)	
15. other _____	

C) Insurance – knowledge and use

C1. What insurance services do you know (heard about)?

INT. PLEASE CIRCLE THE MENTIONED RESPONSES OR THE '0' BELOW. WHEN YOU GET THE FIRST ANSWER PROBE FOR THE NEXT SERVICE THEY HEARD ABOUT UNTIL THE RESPONDENT CANNOT RECALL ANY OTHER.

0 – do not know any insurance services

Insurance services (DO NOT READ)

A	Health
B	International travel insurance (health)
C	Disability (accident)
D	Life
E	Property (housing, durables, business assets)
F	Car property
G	Civil liability (car)
H	Other policies, including former state insurance

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

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

0 – no **GO TO QUESTION C3**

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

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

C3. Why not?

THIS IS A MULTIPLE ANSWER QUESTION.

DO NOT READ CODES – THIS IS A SPONTANEOUS ANSWER (IF THERE IS GENERAL RESPONSE “NO TRUST” PLEASE ASK WHY AND CODE RELEVANT ANSWER BELOW).

AFTER THIS QUESTION GO TO QUESTION C6.

1 - never heard of insurance / do not have enough information / do not know how it works

2 - I do not know where to find insurance

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

11 – I do not have time to think about insurance / if I were approached by an insurance agent I would have bought a good insurance policy.

OTHER: _____

99 – *hard to say* (*do not read*)

GO WITH RESPONDENT THROUGH THE LIST.		C4. What was the type of policy you or any of your family members had in the last 15 years or you have now? 0 - no 1 - yes	C5. Who have paid for it? 0 – somebody else (e.g. employer) 1 – policyholder (I or any of family members)
A	Health	0 1	0 1
B	International travel insurance (health)	0 1	0 1
C	Disability (accident)	0 1	0 1
D	Life	0 1	0 1
E	Property (housing, durables, business assets)	0 1	0 1

F	Car property	0	1	0	1
G	Civil liability (car)	0	1	0	1
H	Other, including former state insurance	0	1	0	1

C6. Could you list names of existing insurers in Ukraine?

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

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

D) Product Concept Tests

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

Int. ROTATE CONCEPTS

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

	D. Mark the order in which the concepts were introduced, by putting 1, 2, 3, 4.
DA – health	
DB – disability	
DC – life	
DD - property	

DA. Health insurance concept test

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

HAND OUT THE CONCEPT AND READ IT LOUDLY WITH RESPONDENT.

DA1. How would you evaluate?

READ CODES AND SHOW A CARD #

	Not satisfactory at all	Not satisfactory	Satisfactory	Fully satisfactory	Hard to say <i>(do not read)</i>
A. Coverage (what risks it covers)	1	2	3	4	99
B. Benefit (level and payment conditions)	1	2	3	4	99
C. Claim processing time	1	2	3	4	99
D. Price (premium level)	1	2	3	4	99

READ CODES AND SHOW A CARD #

DA2. How willing would you be to buy this product?

When answering use the scale presented on this card (INT. READ POSSIBLE ANSWERS).

- 1 – definitely not willing – **GO TO DA4**
- 2 – rather not willing – **GO TO DA4**
- 3 – rather willing - **GO TO NEXT QUESTION**
- 4 – definitely willing - **GO TO NEXT QUESTION**
- 99 – hard to say *(do not read)*

DA3. How many people in your household would you like to insure? (including respondent)

WHEN DONE GO TO NEXT CONCEPT

[____]
99 – hard to say *(do not read)*

ASK ONLY THOSE NOT WILLING TO BUY

DA4. Why not willing to buy?

INT.: THIS IS A SPONTANEOUS QUESTION. DO NOT READ ANSWERS.

- 1. I do not need this insurance
- 2. I had bad experience with insurance
- 3. I do not trust insurers
- 4. coverage
- 5. benefit (amount)
- 6. benefit (losing money)
- 7. claim processing
- 8. provider
- 9. proximity
- 10. price (premium)
- 11. frequency of premium payment
- OTHER:
- 99. hard to say *(do not read)*

ASK ONLY THOSE NOT WILLING TO BUY

DA5. And if the premium is lowered to 14 UAH per month how willing would you be to buy the product?

- 0 – it will not change my decision – **GO TO DA6**
- 1 – I might reconsider my decision – **GO TO NEXT CONCEPT**
- 2 – I would be willing to buy it - **GO TO NEXT CONCEPT**
- 99 – hard to say *(do not read)*

ASK ONLY THOSE NOT WILLING TO BUY

DA6. Is there any price at which you will change your decision and decide to buy?

0 – No, I am not interested at all
Yes, the price is [_____] UAH per month

DB. Disability insurance concept test

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

HAND OUT THE CONCEPT AND READ IT LOUDLY WITH RESPONDENT.

DB1. How would you evaluate?

READ CODES AND SHOW A CARD #

	Not satisfactory at all	Not satisfactory	Satisfactory	Fully satisfactory	Hard to say <i>(do not read)</i>
A. Coverage (what risks it covers)	1	2	3	4	99
B. Benefit (level and payment conditions)	1	2	3	4	99
C. Claim processing time	1	2	3	4	99
D. Price (premium level)	1	2	3	4	99

READ CODES AND SHOW A CARD #

DB2. How willing would you be to buy this product?

When answering use the scale presented on this card
(INT. READ POSSIBLE ANSWERS).

- 1 – definitely not willing – **GO TO DB4**
- 2 – rather not willing – **GO TO DB4**
- 3 – rather willing - **GO TO NEXT QUESTION**
- 4 – definitely willing - **GO TO NEXT QUESTION**
- 99 – hard to say *(do not read)*

DB3. How many people in your household would you like to insure? (including respondent)

WHEN DONE GO TO NEXT CONCEPT

[]
99 – hard to say *(do not read)*

ASK ONLY THOSE NOT WILLING TO BUY

DB4. Why not willing to buy?

INT.: THIS IS A SPONTANEOUS QUESTION. DO NOT READ ANSWERS.

- 1. I do not need this insurance
- 2. I had bad experience with insurance
- 3. I do not trust insurers
- 4. coverage
- 5. benefit (amount)
- 6. benefit (losing money)
- 7. claim processing
- 8. provider
- 9. proximity
- 10. price (premium)
- 11. frequency of premium payment
- OTHER:
- 99. hard to say *(do not read)*

ASK ONLY THOSE NOT WILLING TO BUY

DB5. And if the premium is lowered to 7 UAH per month how willing would you be to buy the product?

- 0 – it will not change my decision – **GO TO DB6**
- 1 – I might reconsider my decision – **GO TO NEXT CONCEPT**
- 2 – I would be willing to buy it - **GO TO NEXT CONCEPT**
- 99 – hard to say *(do not read)*

ASK ONLY THOSE NOT WILLING TO BUY

DB6. Is there any price at which you will change your decision and decide to buy?

0 – No, I am not interested at all
Yes, the price is [] UAH per month

DC. Life insurance concept test

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

HAND OUT THE CONCEPT AND READ IT LOUDLY WITH RESPONDENT.

DC1. How would you evaluate?

READ CODES AND SHOW A CARD #

	Not satisfactory at all	Not satisfactory	Satisfactory	Fully satisfactory	Hard to say <i>(do not read)</i>
A. Coverage (what risks it covers)	1	2	3	4	99
B. Benefit (level and payment conditions)	1	2	3	4	99
C. Claim processing time	1	2	3	4	99
D. Price (premium level)	1	2	3	4	99

READ CODES AND SHOW A CARD #

DC2. How willing would you be to buy this product?

When answering use the scale presented on this card (INT. READ POSSIBLE ANSWERS).

- 1 – definitely not willing – **GO TO DC4**
- 2 – rather not willing – **GO TO DC4**
- 3 – rather willing – **GO TO NEXT QUESTION**
- 4 – definitely willing – **GO TO NEXT QUESTION**
- 99 – hard to say *(do not read)*

DC3. How many people in your household would you like to insure? (including respondent)

WHEN DONE GO TO NEXT DC7

[_____] *99 – hard to say (do not read)*

ASK ONLY THOSE NOT WILLING TO BUY

DC4. Why not willing to buy?

INT.: THIS IS A SPONTANEOUS QUESTION. DO NOT READ ANSWERS.

- 1. I do not need this insurance
- 2. I had bad experience with insurance
- 3. I do not trust insurers
- 4. coverage
- 5. benefit (amount)
- 6. benefit (losing money)
- 7. claim processing
- 8. provider
- 9. proximity
- 10. price (premium)
- 11. frequency of premium payment
- OTHER:
- 99. hard to say *(do not read)*

ASK ONLY THOSE NOT WILLING TO BUY

DC5. And if the premium is lowered to 7 UAH per month how willing would you be to buy the product?

- 0 – it will not change my decision – **GO TO DC6**
- 1 – I might reconsider my decision – **GO TO DC7**
- 2 – I would be willing to buy it - **GO TO DC7**
- 99 – hard to say *(do not read)*

ASK ONLY THOSE NOT WILLING TO BUY

DC6. Is there any price at which you will change your decision and decide to buy?

0 – No, I am not interested at all
Yes, the price is [_____] UAH per month

INT. READ: The life insurance can be also linked to an investment plan. The policyholder saves regularly (with interest remuneration) for a fixed period of 10 years. Savings has to be at least 40 UAH per month.

HAND OUT THE CONCEPT AND READ IT LOUDLY WITH RESPONDENT.

READ CODES AND <input type="checkbox"/> SHOW A CARD	
#	
DC7. How interested would you be in the saving (investment) plan function? When answering use the scale presented on this card.	1 – definitely not interested - GO TO NEXT CONCEPT 2 – rather not interested - GO TO NEXT CONCEPT 3 – rather interested - GO TO DC8 4 – definitely interested - GO TO DC8 99 – <i>hard to say (do not read)</i>
DC8. How much would you be willing to save monthly?	[____] 99 – <i>hard to say (do not read)</i>

DD. Property insurance.

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

HAND OUT THE CONCEPT AND READ IT LOUDLY WITH RESPONDENT.

DD1. How would you evaluate?

READ CODES AND SHOW A CARD #

	Not satisfactory at all	Not satisfactory	Satisfactory	Fully satisfactory	Hard to say <i>(do not read)</i>
A. Coverage (what risks it covers)	1	2	3	4	99
B. Benefit (level and payment conditions)	1	2	3	4	99
C. Claim processing time	1	2	3	4	99
D. Price (premium level)	1	2	3	4	99

READ CODES AND <input type="checkbox"/> SHOW A CARD #	
DD2. How willing would you be to buy this product? When answering use the scale presented on this card (INT. READ POSSIBLE ANSWERS).	1 – definitely not willing – GO TO DD4 2 – rather not willing – GO TO DD4 3 – rather willing - GO TO NEXT QUESTION 4 – definitely willing - GO TO NEXT QUESTION 99 – <i>hard to say (do not read)</i>

DD3. What is the value of the assets you would like to insure? WHEN DONE GO TO NEXT CONCEPT	[____] 99 – <i>hard to say (do not read)</i>
--	---

ASK ONLY THOSE NOT WILLING TO BUY	
DD4. Why not willing to buy? INT.: THIS IS A SPONTANEOUS QUESTION. DO NOT READ ANSWERS.	1. I do not need this insurance 2. I had bad experience with insurance 3. I do not trust insurers 4. coverage 5. benefit (amount) 6. benefit (losing money) 7. claim processing 8. provider 9. proximity 10. price (premium) 11. frequency of premium payment OTHER: 99. <i>hard to say (do not read)</i>

<p>ASK ONLY THOSE NOT WILLING TO BUY</p> <p>DD5. And if the premium is lowered to 1.4% of covered amount per year how willing would you be to buy the product?</p> <p>(for the above example, it means that you will have to pay 140 UAH to insure an asset of 10 000 UAH for one year; paying 12 UAH per month).</p>	<p>0 – it will not change my decision – GO TO DD6</p> <p>1 – I might reconsider my decision – GO TO NEXT CONCEPT</p> <p>2 – I would be willing to buy it – GO TO NEXT CONCEPT</p> <p>99 – hard to say (do not read)</p>
<p>ASK ONLY THOSE NOT WILLING TO BUY</p> <p>DD6. Is there any price at which you will change your decision and decide to buy?</p> <p>(use the example above; monthly payment for an asset of 10 000 UAH value)</p>	<p>0 – No, I am not interested at all</p> <p>Yes, the price is [_____] UAH per month</p>

E) Concept test summary

E1. 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)

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

ASK ONLY THOSE WILLING TO BUY AT LEAST TWO PRODUCTS

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

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

F. Attitude towards insurance

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

G Financial practices

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

G7. Do you or any of your family members put from time to time some money aside?

2 – Yes, often **GO TO NEXT QUESTION**

1 – Yes, but rarely **GO TO NEXT QUESTION**

0 – No **GO TO QUESTION G9**

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

G8. What is the usual amount of money you manage to put aside yearly?

READ CODES AND SHOW A CARD #

- 1 – less than UAH 150
- 2 – UAH 150-299
- 3 – UAH 300 – 999
- 4 – UAH 1000 - 2999
- 5 – UAH more than 3000

99 – refuse to answer (do not read)

G9. Do you put aside some money for emergencies?

- 0 – no
- 1 – yes

99 – hard to say (do not read)

G10. Do any of you family members have any bank account now (e.g. current account, term deposit)?

- 0 – no
- 1 – yes

99 – hard to say (do not read)

G11. Have any of your household members taken a credit from any of the following sources in the last 3 years?				ASK ONLY WHEN 'YES' IN G11 G12. How many times during the last 3 years?
		1 – yes	0 -no	
A	Credit unions	1	0	
B	Bank	1	0	
C	Private money lender / pawnshop	1	0	
D	Relatives, friends, neighbors	1	0	
G13. Are you or any of your household members repaying any credit now? 1 – yes – GO TO G14 0 – no – GO TO SECTION H 99 – hard to say (do not read) – GO TO H		G14. How many outstanding debts do you have? I _____ I debts 99 – hard to say (do not read)		G15. What is the total value of all the outstanding debts? (estimate the face value of all the current debts) I _____ I UAH 99 – hard to say (do not read)

H. Household economic activities and income sources

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

H1. I will read you different sources of income. Please tell me from which sources did your household receive income in the last 12 months?		1 - yes	0 - no
		Wage employment	
A	Permanent job	1	0
B	Temporal small jobs (usually of seasonal character)	1	0
Self-employment (registered or unregistered)			
C	Trade activities (other than selling self-produced agriculture goods, those are under F)	1	0
D	Service provision (this includes renting car, equipment, apartment, etc.)	1	0
E	Production activities (not including processing of agriculture goods, these are in F and G)	1	0
Agriculture (only income generating)			
F	Agriculture production (crops, vegetables, fruits, other and its processing)	1	0
G	Livestock breeding (including selling meat, milk, and other processing)	1	0
Other sources			
H	Pension	1	0
I	Social benefits	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 Ukraine	1	0
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 UAH)
	PERMANENT		
A			[] UAH 99 – refuse to answer (do not read)
B			[] UAH 99 – refuse to answer (do not read)
C			[] UAH 99 – refuse to answer (do not read)
D			[] UAH 99 – refuse to answer (do not read)

E			[] UAH 99 – refuse to answer (do not read)
	TEMPORAL		
F			[] UAH 99 – refuse to answer (do not read)
G			[] UAH 99 – refuse to answer (do not read)
H			[] UAH 99 – refuse to answer (do not read)
I			[] UAH 99 – refuse to answer (do not read)
J			[] UAH 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 UAH)
A	Trade1 _____		[] UAH 99 – refuse to answer (do not read)
B	Trade2 _____		[] UAH 99 – refuse to answer (do not read)
C	Trade 3 _____		[] UAH 99 – refuse to answer (do not read)
D	Services1 _____		[] UAH 99 – refuse to answer (do not read)
E	Services2 _____		[] UAH 99 – refuse to answer (do not read)
F	Services3 _____		[] UAH 99 – refuse to answer (do not read)
G	Production1_____		[] UAH 99 – refuse to answer (do not read)
H	Production2_____		[] UAH 99 – refuse to answer (do not read)
I	Production3_____		[] UAH 99 – refuse to answer (do not read)
J			[] UAH 99 – refuse to answer (do not read)
K			[] UAH 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 UAH)
A	Agriculture production1 _____		[] UAH 99 – refuse to answer (do not read)
B	Agriculture production2 _____		[] UAH 99 – refuse to answer (do not read)
C	Agriculture production3 _____		[] UAH 99 – refuse to answer (do not read)
D	Agriculture production4 _____		[] UAH 99 – refuse to answer (do not read)

E	Agriculture production ⁵ _____		[_____] UAH 99 – refuse to answer (do not read)
F	Agriculture production ⁶ _____		[_____] UAH 99 – refuse to answer (do not read)
G	Livestock breeding ¹ _____		[_____] UAH 99 – refuse to answer (do not read)
H	Livestock breeding ² _____		[_____] UAH 99 – refuse to answer (do not read)
I	Livestock breeding ³ _____		[_____] UAH 99 – refuse to answer (do not read)
J	Livestock breeding ⁴ _____		[_____] UAH 99 – refuse to answer (do not read)
K			[_____] UAH 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 UAH)
	PENSION		
A			[_____] UAH 99 – refuse to answer (do not read)
B			[_____] UAH 99 – refuse to answer (do not read)
C			[_____] UAH 99 – refuse to answer (do not read)
	SOCIAL BENEFITS		
D			[_____] UAH 99 – refuse to answer (do not read)
E			[_____] UAH 99 – refuse to answer (do not read)
F			[_____] UAH 99 – refuse to answer (do not read)
G			[_____] UAH 99 – refuse to answer (do not read)
H			[_____] UAH 99 – refuse to answer (do not read)
	Money received on a regular basis from somebody living and working abroad		
I			[_____] UAH 99 – refuse to answer (do not read)
J			[_____] UAH 99 – refuse to answer (do not read)
K			[_____] UAH 99 – refuse to answer (do not read)
	Money received on a regular basis from somebody living and working in Ukraine		
L			[_____] UAH 99 – refuse to answer (do not read)
M			[_____] UAH 99 – refuse to answer (do not read)
N			[_____] UAH 99 – refuse to answer (do not read)
	OTHER		
O			[_____] UAH 99 – refuse to answer (do not read)
P			[_____] UAH 99 – refuse to answer (do not read)

I) Additional household related questions

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

ASK THIS QUESTION ONLY IN SETTLEMENTS WITH LESS THAN 50 000 INHABITANTS.

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

- Main (national) road _____
- Telephone that you can use _____
- Basic health care center _____
- Hospital _____

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

READ CODES AND SHOW A CARD #

- 1 – not satisfactory at all
- 2 – not satisfactory
- 3 – satisfactory
- 4 – fully satisfactory

I3. Do you have the following assets in your household? (at least one)				I4. How old is the item? <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	Personal computer	1	0	1	2
D	Refrigerator	1	0	1	2
E	Washing machine	1	0	1	2
F	Car or truck	1	0	1	2
G	Tractor	1	0	1	2

I5. Do you own your living place (flat/house)?

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

I6. Have any of your household members lost a job in the last 3 years?

- 0 - No
- 1 - Yes

I7. Have any of your self-employment activities gone bankrupt in the last 3 years?

- 0 - No
- 1 - Yes

I8. Have any of household members died in the last 3 years?

- 0 – No **TERMINATE INTERVIEW**
- 1 – Yes **GO TO QUESTION I9**

I9. Was it the main income earner?

- 0 – No
- 1 - Yes

THANK YOU ☺

Annex 3 – Brief on Ukrainian Economy

Source: <http://www.nationmaster.com/country/up/Economy>.

After Russia, the Ukrainian republic was far and away the most important economic component of the former Soviet Union, producing about four times the output of the next-ranking republic. Its fertile black soil generated more than one-fourth of Soviet agricultural output, and its farms provided substantial quantities of meat, milk, grain, and vegetables to other republics. Likewise, its diversified heavy industry supplied the unique equipment (for example, large diameter pipes) and raw materials to industrial and mining sites (vertical drilling apparatus) in other regions of the former USSR. Ukraine depends on imports of energy, especially natural gas, to meet some 85% of its annual energy requirements. Shortly after independence in December 1991, the Ukrainian Government liberalized most prices and erected a legal framework for privatization, but widespread resistance to reform within the government and the legislature soon stalled reform efforts and led to some backtracking. Output by 1999 had fallen to less than 40% of the 1991 level. Loose monetary policies pushed inflation to hyperinflationary levels in late 1993. Ukraine's dependence on Russia for energy supplies and the lack of significant structural reform have made the Ukrainian economy vulnerable to external shocks. Ukrainian government officials have taken some steps to reform the country's Byzantine tax code, such as the implementation of lower tax rates aimed at bringing more economic activity out of Ukraine's large shadow economy, but more improvements are needed, including closing tax loopholes and eliminating tax privileges and exemptions. Reforms in the more politically sensitive areas of structural reform and land privatization are still lagging. Outside institutions - particularly the IMF - have encouraged Ukraine to quicken the pace and scope of reforms. GDP in 2000 showed strong export-based growth of 6% - the first growth since independence - and industrial production grew 12.9%. The economy continued to expand in 2001 as real GDP rose 9% and industrial output grew by over 14%. Growth of 4.6% in 2002 was more moderate, in part a reflection of faltering growth in the developed world. In general, growth has been undergirded by strong domestic demand, low inflation, and solid consumer and investor confidence. Growth was a sturdy 9.3% in 2003 and a remarkable 12% in 2004, despite a loss of momentum in needed economic reforms.

Annex 4 – Social security system in Ukraine

Source: *Social Security Programs Throughout the World Europe, 2004 - Ukraine*

Old Age, Disability, and Survivors

Regulatory Framework

First law: 1922.

Current law: 2003 (Compulsory State Pension Insurance), implemented in 2004.

Type of program: Social insurance system.

Note: The 2003 law is being implemented in stages. A supplementary mandatory individual account will be introduced at a later date and will include additional contributions by insured persons younger than age 50 (men) or age 45 (women) at the implementation date.

Coverage

All employees.

Special provisions for victims of the Chernobyl catastrophe.

Source of Funds

Insured person: 1% of earnings up to H149, plus 2% for earnings of H150 or more.

Employer: 32% of payroll.

Government: Subsidies as needed from central and local governments.

The maximum monthly earnings for contributions purposes are H2,660 (June 1, 2003).

Qualifying Conditions

Old-age pension: Age 60 (men) or age 55 (women) with at least 5 years of covered employment; requirements are reduced for those who worked for at least 5 years under arduous or hazardous conditions, for mothers of five or more or disabled children, for disabled veterans, and for other specified categories.

In all cases, contributions must be paid for periods of covered employment. Covered employment can include years spent in higher education, the armed services, caring for disabled persons or children under age 3, or being unemployed and seeking a job, if contributions are paid for these periods.

Partial pension: If the insured has less than 25 years (men) or 20 years (women) of covered employment.

Early pension: An early pension is payable to unemployed older workers (for men between ages 58 and 6 months and 60 or for women between ages 53 and 6 months and 55) who meet the requirements for covered employment and who were working for an enterprise that was liquidated or reorganized. The early pension ceases if the beneficiary is reemployed.

Deferred pension: A deferred pension is possible.

Carer's allowance: The monthly allowance is payable to a carer of a person older than age 80. The carer must not be employed but may receive an unemployment benefit.

Disability pension: The insured has a minimum of 2 to 5 years of covered employment, depending on age at the onset of disability.

Total disability (incapacity for any work): Group I disability, requiring constant attendance; Group II disability, not requiring constant attendance.

Partial pension for total disability: If the insured has less than 25 years (men) or 20 years (women) of covered employment.

Partial disability: Group III disability, incapacity for usual work.

Carer's allowance: The monthly allowance is payable to a carer of a Group I disabled child under age 16. The carer must not be employed but may receive an unemployment benefit.

Survivor pension: The insured had up to 5 years of covered employment. The pension is payable to surviving children whether or not they were the insured's dependents and to nonworking dependents (including the spouse; either parent, if disabled or of pensionable age; and grandparents, if no other support is available).

Partial pension: If the deceased had less than 25 years (men) or 20 years (women) of covered employment.

Funeral grant: Payable for the funeral of an employee, a student, an unemployed person, or a pensioner.

Social pension: Payable to citizens who are not working and not eligible for an old-age, disability, or survivor pension.

Old-Age Benefits

Old-age pension: 1% of the wage base for every full year of covered employment with at least 5 years of covered employment. The pension is payable monthly.

The minimum pension is H92.45 (20% of the national average wage for each employment sector).

There is no maximum pension.

The minimum wage is H140 a month.

The wage base is based on 60 months of earnings before June 1, 2000, regardless of interruptions, plus all covered periods from June 1, 2000.

Partial pension: If the insured has less than 25 years (men) or 20 years (women) of covered employment, the monthly benefit is reduced in proportion to the number of years below the required number of years of coverage.

Deferred pension: A supplement of 10% of the pension for each year worked after entitlement to the full pension. The maximum pension is 75% of average monthly earnings.

Carer's allowance: The allowance is payable monthly.

Social pension: Paid to a person who has no insurance coverage. The pension rate varies between H23.30 and H59.

Benefit adjustment: Benefits are adjusted periodically for cost-of-living changes.

Permanent Disability Benefits

Disability pension: The total disability pension (Group I) is 100% of the old-age pension; Group II, 90%.

Partial pension for total disability: If the insured has insufficient years of covered employment, the monthly benefit is reduced in proportion to the number of years below the required number of years of coverage.

Partial disability (Group III): The monthly pension is equal to 50% of the old-age pension.

Carer's allowance: The allowance is payable monthly.

Social pension: The pension is between 30% and 200% of the minimum old-age pension, depending on the assessed degree of disability.

Benefit adjustment: Benefits are adjusted periodically for cost-of-living changes.

Survivor Benefits

Survivor pension: The monthly pension is 50% of the insured's old-age pension for one dependent; 100% for two dependents.

The minimum monthly pension is 100% of the minimum old-age pension.

Partial pension: If the insured had an insufficient period of covered employment, the monthly benefit is reduced in proportion to the number of years below the required number of years of coverage.

Funeral grant: Ten times the minimum wage for the funeral of an employee, student, or unemployed person; 2 months' pension or 10 times the minimum wage, whichever is higher, for the funeral of a pensioner.

Benefit adjustment: Benefits are adjusted periodically for cost-of-living changes.

Administrative Organization

Ministry of Labor and Social Policy provides general coordination.

Regional and local social protection departments administer the program.

Sickness and Maternity

Regulatory Framework

First law: 1912.

Current law: 2001.

Type of program: Social insurance (cash benefits) and universal (medical care) system.

Coverage

Cash benefits: Employed persons, those on leave to pursue education and training, those unemployed as a result of enterprise liquidation, the registered unemployed, and military personnel.

Medical benefits: All residents. Special provisions for victims of the Chernobyl catastrophe.

Source of Funds

Insured person: For cash benefits, 0.25% to 0.5% of earnings. For medical benefits, none; except for voluntary medical insurance policies.

Self-employed person: 3% of declared income.

Employer: For cash benefits, 2.5% of payroll. For medical benefits, none.

Government: Total cost of medical benefits. The cost of universal maternity cash benefits is met by central and local government budgets.

Qualifying Conditions

Cash and medical benefits: There is no minimum qualifying period.

Sickness and Maternity Benefits

Sickness benefit: 60% of average gross earnings over the last 3 months if the insured has less than 5 years of service; 80% with 5 to 8 years of service; 100% with 8 years of service or more, or for a person injured in the Chernobyl catastrophe, a person caring for a child injured in the Chernobyl catastrophe, a veteran of the Second World War, or a surviving spouse of a war veteran or soldier killed in combat. The benefit is payable for a maximum of 6 months or until the determination of permanent disability.

The benefits are payable at 100% of earnings for a working parent caring for a sick family member for up to 14 days per case.

Maternity benefit: 100% of earnings is payable to employed women for 70 days before and 56 days (70 days in the case of a complicated birth or multiple births) after the expected date of childbirth; for women on leave from education and training, the benefit is 100% of the stipend; for women unemployed because of enterprise liquidation, the benefit is 100% of earnings received at the last place of work; for those registered as unemployed for at least 10 months, the benefit is 100% of the minimum wage.

Benefits to spouses of members of the armed forces are payable at 100% of earnings plus in-kind benefits.

Care leave: 100% of the minimum wage is paid monthly to employed women for child care leave until the child is 3 years old and to women on leave for education and training; 50% of the minimum wage to eligible unemployed women until the child is 2 years old (until the child is 3 years old if the family income satisfies the income test).

Workers' Medical Benefits

Medical services are provided directly to patients by government health providers.

Benefits include preventive care, general and specialist curative care, hospitalization, laboratory services, dental care, maternity care, and transportation.

Cost sharing: The patient ordinarily pays part of the cost of appliances. Medicines, if provided with hospitalization, are free.

Medicines are also free for disabled children under age 16, children under age 1, and pensioners receiving the minimum pension.

Care in sanatoria and rest homes, with preference being given to workers who may pay part of cost.

Dependents' Medical Benefits

Same as for the household head.

Administrative Organization

Ministry of Labor and Social Policy, Ministry of Finance, and Social Insurance Fund provide general oversight of the program for cash benefits.

Ministry of Labor and Social Policy and social protection departments of local governments administer benefits.

Ministry of Health and health departments of local governments provide general supervision and coordination for medical care.

Ministry of Health and local health departments administer the provision of medical services through clinics, hospitals, maternity homes, and other facilities.

Work Injury

Regulatory Framework

First law: 1912.

Current laws: 1990 (pensions), 1992 (lump-sum cash benefits), and 1999 (mandatory social insurance for work injury and occupational diseases).

Type of program: Social insurance (cash benefits) and universal (medical benefits) system.

Note: This information is from 2002.

Coverage

Cash benefits: All employees.

Medical benefits: All residents.

Special provisions for victims of the Chernobyl catastrophe.

Source of Funds

Insured person: For cash benefits, see source of funds under Old Age, Disability, and Survivors, above. For medical benefits, see medical benefits under Sickness and Maternity, above.

Employer: For cash benefits, see source of funds under Old Age, Disability, and Survivors, above. For medical benefits, see medical benefits under Sickness and Maternity, above.

Government: For cash benefits, see source of funds under Old Age, Disability, and Survivors, above. For medical benefits, see medical benefits under Sickness and Maternity, above.

Qualifying Conditions

Work injury benefits: There is no minimum qualifying period.

Temporary Disability Benefits

100% of earnings. The benefit is payable from the first day of incapacity until recovery or until the award of a disability pension.

Permanent Disability Benefits

Permanent disability pension: Group I total disability pension (incapacity for any work, requiring constant attendance), 70% of earnings; Group II total disability pension (incapacity for any work, not requiring constant attendance), 60% of earnings; Group III (partial disability, incapacity for usual work), 40% of earnings.

Workers' Medical Benefits

Medical services are provided directly to patients by government health providers. Benefits include preventive care, general and specialist curative care, hospitalization, laboratory services, dental care, transportation, and the full cost of appliances and medicines.

Survivor Benefits

Survivor pension: The monthly pension is 30% of the insured's wage base for each dependent.

The minimum monthly pension is 100% of the minimum old-age pension.

Funeral grant: Ten times the minimum wage for the funeral of an employee; 2 months' pension or 10 times the minimum wage, whichever is higher, for the funeral of a work injury pensioner.

Administrative Organization

Social Insurance Fund supervises temporary disability benefits.

Enterprises and employers pay benefits to their own employees.

Ministry of Labor and Social Policy and social protection departments of local governments administer benefits.

Ministry of Health and health departments of local governments provide general supervision and coordination for medical care.

Ministry of Health and local health departments administer the provision of medical services through clinics, hospitals, maternity homes, and other facilities.

Unemployment

Regulatory Framework

First law: 1921.

Current laws: 1991 and 2001.

Type of program: Social insurance system.

Coverage

Working-age citizens.

Special provisions for victims of the Chernobyl catastrophe.

Voluntary affiliation for the self-employed.

Source of Funds

Insured person: 0.5% of earnings.

Employer: 1.9% of payroll.

Government: Subsidies as needed from central and local governments.

Qualifying Conditions

Unemployment benefit: Registered at an employment office, able and willing to work, and income does not exceed the minimum wage. The benefit may be reduced, suspended, or terminated if the worker is discharged for violating work discipline, leaving employment without good cause, violating conditions for job placement or vocational training, or filing a fraudulent claim.

Unemployment Benefits

Unemployment benefit: With up to 2 years of covered employment, the benefit is based on 50% of average earnings; with 2 years to 6 years, 55% of average earnings; with 6 years to 10 years, 70% of average earnings. For the first 90 calendar days, 100% of the benefit is payable; 80% for the next 90 calendar days; 70% thereafter. The total duration of payment is 360 days in a 2-year period. For insured persons within 2 years of retirement, the total duration of payment is 720 calendar days.

The minimum benefit is 23% of the subsistence minimum.

The maximum benefit is equal to the regional average wage in the previous month.

Unemployment assistance: Payable to unemployed persons who have exhausted their entitlement to unemployment benefits if the monthly average income for each family member does not exceed the established legal minimum. The benefit is H80 for an active person, H110 for a nonactive person, or H115 for a disabled person. The duration of payment is up to 180 days.

Dependent supplement: Payable to unemployed persons after 360 days of unemployment benefits and 180 days of unemployment assistance. The supplement is H80 for an active person, H110 for a nonactive person, or H115 for a disabled person. The supplement is payable once every 6 months.

Funeral grant: Payable to dependents, family members, or the person undertaking funeral arrangements. The amount of the grant equals the subsistence minimum.

Administrative Organization

Ministry of Labor and Social Policy provides general policy coordination.

Employment Service and its local offices administer the program.

Family Allowances

Regulatory Framework

First law: 1944.

Current law: 1993.

Type of program: Social insurance and social assistance system.

Note: This information is from 2002.

Coverage

Families with children.

Special provisions for victims of the Chernobyl catastrophe.

Source of Funds

Insured person: See source of funds under Old Age, Disability, and Survivors, above.

Employer: See source of funds under Old Age, Disability, and Survivors and Sickness and Maternity, above.

Government: Central and local budget subsidies for allowances for children of unemployed families and of nonworking mothers.

Qualifying Conditions

Family allowances: Large families (three or more children), single mothers with one or more children, and families with one or more disabled children.

Family Allowance Benefits

Family allowances: For children under age 16 (age 18 if a student), the allowance is 50% of the minimum wage per child. For families with three or more children under age 16, the monthly allowance is equal to 100% of the minimum wage; families with four or more children, 200% of the minimum wage. Allowances are income tested.

For single mothers, widow(er)s not receiving a survivor pension or a social pension, and children whose father has evaded child support, the allowance is 50% of the minimum wage for each child under 16 (age 18 if a student). Allowances are income tested.

For guardians of children under age 16, the allowance is 200% of the minimum wage. The allowance is income tested.

For carers of disabled children under age 16, the allowance is 100% of the minimum wage.

Birth grant: A lump sum equal to twice the subsistence minimum for every child; H725 (May 2004).

Administrative Organization

Ministry of Labor and Social Policy and social protection departments of local governments administer the program for unemployed families and nonworking mothers.

Employers make payments to employees.

Annex 5 – Risk importance calculations

<i>Risk prevalence, frequency, financial pressure and importance. (source: survey data)</i>			
<i>Risk</i>	<i>% of total population of households affected</i>	<i>Average number of times it happened in the last 3 years*</i>	<i>Evaluation of impact on a household**</i>
DISABILITY: accident leading to...			
permanent disability	6.2%	1.41	3.49
temporal disability	24.7%	4.29	2.41
HEALTH: Illness/accident of family member...			
hospitalization necessary, surgical treatment needed	16.3%	1.46	3.34
hospitalization necessary, only therapeutic treatment	23.2%	2.71	2.95
without hospitalization, but needed visit to a doctor	61.3%	6.96	2.29
LIFE			
death of main breadwinner of the family	4.5%	na	na
PROPERTY			
damage of household assets due to natural and man-made disasters (fire, flood, etc.)	2.1%	na	na
theft of households assets	5.1%	1.21	3.12
OTHER			
bad weather conditions affecting agricultural production	5.5%	1.87	2.65
livestock disease	3.9%	2.27	2.73
* <i>only for affected households</i>			
** <i>mean of scores for households affected by the risk; scale from 1 (no influence) to 4 (household well-being decreased dramatically)</i>			

Annex 6 - Details on risk importance ranking

(source: qualitative research)

Risk	Risk important ranking details
Unexpected, serious illness	<p>This is the most important risk for several reasons:</p> <ul style="list-style-type: none"> ▪ Treatment costs used to be covered by the State during soviet times, now one has to contribute to some hospitalization costs, pay unofficially to medical personnel, and cover the costs of medicines. People do not prepare for this kind of risks as they did not have to in soviet times. Additionally, it is hard to estimate how much you would need in order to prepare yourself. ▪ Interestingly, in the East people were mentioning rarely unofficial costs and claimed that sometimes they bring some gifts but it is not obligatory. In the West it looked like unofficial costs are almost official. It means that the health care costs are slightly lower in the East. ▪ At the same time the costs are substantial: treatment in the hospital is approx. UAH 100 per day; additional unofficial costs of hernia (UAH 300) or appendicitis (UAH 400) operations; better diagnostics is UAH 1000; need to have UAH 5,000 to go to Kiev for some more complicated cases. ▪ One needs to refer to several mechanisms to raise the lump sum of money because the amounts are substantial and it is needed immediately. See section 3.3 (Annex 9) for more on coping mechanisms to deal with this type of risk. ▪ It is not possible to neglect more serious illnesses, action needs to be taken. ▪ In case of self-employed, the income source is lost for a long period and very often hard to be reestablished. ▪ On the other hand, some participants mentioned that you can get some free of charge emergency treatments in some places, especially if you are poor – this is not really standardized. (so hard to figure out coverage).
Accidents leading to disability	<ul style="list-style-type: none"> ▪ Accidents are of similar nature as unexpected, serious illnesses. Even if their impact is more severe (unable to work due to temporal or permanent disability) they are less frequent. That is why, they were usually getting lower rankings. ▪ Sample cost of 45-day rehabilitation is UAH 4,000.
Theft of business assets	<ul style="list-style-type: none"> ▪ This concerns self-employed only. ▪ People mostly referred to stolen goods during transportation and thefts of fixed assets (cars, equipment, etc.). In Vasyliwka they also gave an example that once a year somebody has their assets stolen on the market because guards are poorly paid. In some areas when crime rates are higher (Drohobytch) extortion payments to avoid theft of assets were mentioned. ▪ There are big geographical differences in occurrence of this risk. It was ranked much higher in the East and in some areas where crime is more serious (Drohobytch) in the West. ▪ Theft of business assets is less of an emergency compared to health problems. Evidently, you need to restore stock or equipment fast to be able to earn your living. However, for business risks you can count more on the help of other self-employed people. On some markets there are also some informal support groups (spontaneous help rather than any structured form).
Damage to property due to natural forces	<ul style="list-style-type: none"> ▪ It happens quite rarely (in Striy – once in 5 years was mentioned) but when it happens the impact is very severe. It does not matter if it concerns household or business assets, it is hard to recover later on. ▪ The lump sum needed is very significant and there are virtually no effective coping mechanisms. Even if property insurance is on the market and some people get their assets insured (see section 4) the claim procedure takes ages, it is hard to get a benefit, and if so it is strongly under evaluated.
Small sickness	<ul style="list-style-type: none"> ▪ This concerns illnesses such as cold, flu, etc. ▪ They are quite frequent, i.e. 3-4 times each winter in a family. As they are contagious, several family members get sick at once. People reported approximate expenditures for flu amounting to UAH 100 per person. It gives an expenditure of

	<p>UAH 200-400 at once; that is close to average monthly wage 450-600 UAH.</p> <ul style="list-style-type: none"> ▪ Even if expenses on small sicknesses weigh considerably on low-income household budgets people tend to prepare for them. In most cases people retain the risks using their own resources, quite often cash kept at home for rainy days (up to UAH 1000). ▪ This risk is more burdensome for families with smaller children as they are more exposed to the risk and one cannot neglect small sickness of a child (as it is often neglected for adults). ▪ This is more difficult for self-employed as they cannot just go on sick leave and need to find a replacement to run their business. If one cannot find the replacement one loses not only income but also customers.
Business risks	<ul style="list-style-type: none"> ▪ This concerns self-employed only. ▪ Loss of collateralized assets was mentioned quite often showing the importance of problems with loan repayment. ▪ In rural areas instability of input/output prices was a major risk related to agricultural production. Much more important than weather risks, to which people paid less attention. ▪ Other business risks mentioned by urban entrepreneurs were probably due to low business education.
Theft of household durables	<ul style="list-style-type: none"> ▪ It seemed to be less important in the West when people usually not talked about it or were just concluding that they have nothing to be stolen. ▪ However, in the East it appeared to be more troublesome as flat robberies were reported to be quite frequent. Additionally, stealing even petty things is common (people reported that they plant more potatoes that they need in their garden plots because they take the margin for theft). ▪ Theft of household durables has not been perceived as important in rural areas.
Life cycle events	<ul style="list-style-type: none"> ▪ Only in rural areas the life cycle events were discussed with enthusiasm. In urban areas people did not want to discuss them saying that other risks are much more important. ▪ Constructing a house and providing higher education to children (UAH 10-12,000) were mentioned as more important. Other life cycle risks like wedding (UAH 2,500-5,000), finding job for children (bribe) and birth of a child (UAH 500-1,000) are easier to cope with.
Death of family member	<ul style="list-style-type: none"> ▪ Risks related to death of family member were ranked very low for several reasons: old persons are preparing for their funeral and this is more or less expected and unexpected deaths of young people do not happen so often. ▪ It is relatively easy to cope with funeral costs. Old people get twice their monthly pension plus the funeral grant from the social security system and neighbours and relatives usually contribute small amounts of money to the family of the dead person. Total funeral costs amount to UAH 1,000-2,000 and for low-cost funeral the costs are covered from the two above sources. ▪ Surprisingly, death of main breadwinner was not perceived as a risk at all. Even if economic impact must be quite high, people tend not to think about it. It is hard to think for them in an abstract way <i>"all the risks relate to me but death"</i>. Additionally, they are confident that they will manage later on. Main breadwinners present during the focus groups have not really perceived it as a risk.
Chronic illnesses	<ul style="list-style-type: none"> ▪ They were mentioned quite rarely (only in 2 groups). Even if expenses for chronic illnesses are considerable it seemed that usually the special treatment is provided free of charge and some medicines are subsidized by the state.
Loss of a job	<ul style="list-style-type: none"> ▪ Surprisingly, loss of a job was mentioned only in one focus group and not rated very high. Increasing unemployment is not yet a major risk in people's perception. This perception could be a result of relative improvement in the employment opportunities.

Annex 7 – Details on risk-management strategies

(source: qualitative research)

Coping mechanisms	Features and access	Use and effectiveness
<i>Using own funds (savings)</i>	<ul style="list-style-type: none"> ▪ Needless to say, the richer you are the more savings you have. ▪ In the East people save less. Saving was not really mentioned as coping mechanisms that might be used as virtually nobody has cash savings. This is the main difference between East and West. ▪ Savings in low-income group are only possible in households with pensioners. ▪ For some more discussion on saving see section 3.4. 	<ul style="list-style-type: none"> ▪ This is the first thing to be used. People do not feel stressed about the fact that they sometimes have to abandon their savings goals and use their savings for emergencies. They say they are used to it. ▪ Depleting savings is an effective strategy to cope with health emergencies because people usually keep significant amount at home. Additionally, they can easily withdraw the rest of money from banks and/or credit unions. ▪ This is usually sufficient strategy only for highest income group. For an average cost the average income group will need to look for second half needed for emergency.
<i>Getting assistance from the employer</i>	<ul style="list-style-type: none"> ▪ It is only for salaried people. It is hard to find any general rule, but it seems that this assistance is provided only by bigger private and most of the state firms. It is more prevalent in the East, where there is more wage employment. ▪ We identified three forms of it: grant, loan against salary and insurance scheme. ▪ A grant takes a form of an ad-hoc help rather than a structured programme, thus help is more accessible to lower income people. Very often it depends on the current performance of the enterprise. ▪ A loan against salary is usually without interest and in the amount of two monthly wages. ▪ Insurance scheme is a social package provided by the employer for health care cost. There is a limit of yearly benefit (in our example UAH 1000), and usually half might be spend on medicines and the other half on the treatment. If the limit is not used money is "lost" for the worker. 	<ul style="list-style-type: none"> ▪ The assistance of the employer is a low stress mechanism. However, it is rarely sufficient to cover hospitalization expenses. Any of the three mechanisms is within a range of UAH 500-1,000 and not all the employers provide this kind of assistance.
<i>Borrowing from friends and relatives</i>	<ul style="list-style-type: none"> ▪ This strategy is available to all the groups, and especially two middle 	<ul style="list-style-type: none"> ▪ This is one of the fastest source. However, it has two major limitations:

	<p>groups.</p> <ul style="list-style-type: none"> ▪ Borrowing from friends and neighbours seem to be more accessible than borrowing from relatives as these are usually closer social networks and you do not feel obliged to explain everything to them. It concerns especially poorer people. Additionally, people are a little bit stressed to abuse help from the family. ▪ It depends what social networks you have and as a general rule the poorer you are the poorer the opportunities to borrow. 	<p>short term and low amounts. That is why people usually use it to cover first immediate expenses (advances) and repay it fast using other coping mechanisms.</p> <ul style="list-style-type: none"> ▪ As a general rule you can borrow from friends or relatives without interest for a short period. Depending on your social status it would be between UAH 50-300. ▪ Borrowing more for longer term is rarely possible. But if one has a "rich uncle" it would rather be with interest rate. In this case the amount should cover the risk expenses.
<i>Borrowing from credit unions³⁹</i>	<ul style="list-style-type: none"> ▪ Credit unions are widely spread in Ukraine and their services are available to majority of the population. It is widely used by low and average income groups. The lowest income group is excluded because of the need to save and pay membership fees. ▪ Usually you need to have at least UAH 500 in savings to access loan services. ▪ The average interest rate is 2,5%. 	<ul style="list-style-type: none"> ▪ Majority of credit unions have fast consumer loan services suiting the emergency needs of the population. ▪ Smaller loans (up to UAH 1000) can be obtained within one day for salaried people (against salary). ▪ Loans for self-employed and bigger loans (UAH 1000-5000) are collateralized and the process takes few days. ▪ It is a good solution for short-term as usually you can raise more money than from friends and relatives. However, it is too costly to borrow for long-term.
<i>Getting additional job</i>	<ul style="list-style-type: none"> ▪ It is accessible, mostly in the summer, when there are more seasonal small jobs. ▪ Participants in the East mentioned that some people get advance payment for their work. 	<ul style="list-style-type: none"> ▪ It is usually a secondary coping mechanisms when you need to repay your emergency loans or rebuild your assets (with the exception of rare cases of advance wage payments). It is quite stressful as not many low-income people have some spare time, wages are low, and you cannot generate fast enough money. That is why, it is rather used by lower income people who do not have other options.
<i>Going abroad for work</i>	<ul style="list-style-type: none"> ▪ It is available only to those who can pay travel costs. That is why, the lowest income households cannot really use it. The low-income can go to Russia or Poland, and average income usually go to Greece or Italy. 	<ul style="list-style-type: none"> ▪ It is also a secondary coping mechanism. It is stressful in a way that you leave your family for 4-6 months or longer. ▪ It is widely used, especially in the West as it pays well. For lower income groups is one of the most important mechanisms to rebuild their

³⁹ It is worth to note that banks were not mentioned at all. In Ukraine banks do not have any emergency loan services (compared with Georgia where most of the banks provide pawn loans).

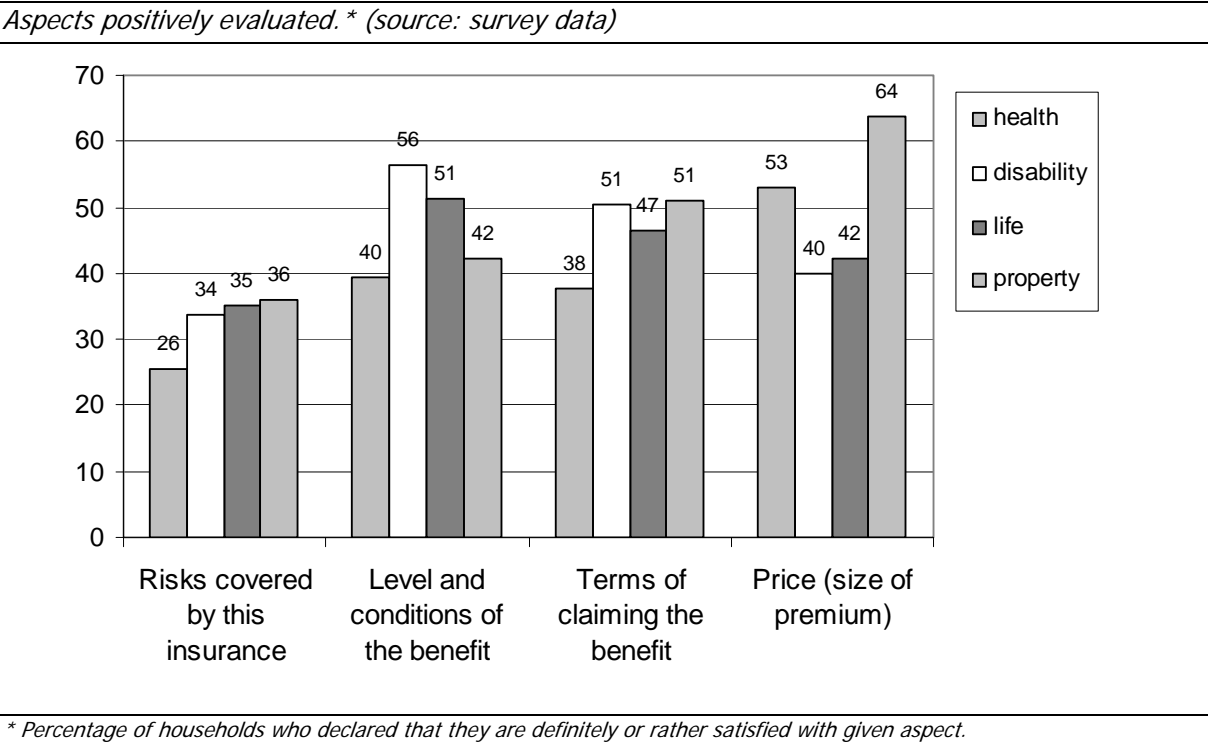
		assets.
<i>Borrowing from moneylenders</i>	<ul style="list-style-type: none"> ▪ It seems to be more available in the East. In the West either it was too sensitive for people or these services are not very widespread. ▪ It used to be more popular in the past. ▪ It used to be 10% per month, now in the East you usually pay 3-5% per month. 	<ul style="list-style-type: none"> ▪ It is a last resort, just to smooth immediate expenditures (short-term). You can borrow as much as you wish but people do not usually borrow more than UAH 1000 as the service is expensive.
<i>Pledging assets in pawnshops</i>	<ul style="list-style-type: none"> ▪ Pawnshops are widespread and accessible to all the people who have something to pledge. In reality, even the poorest people will still have small items to pledge. ▪ The services are probably as much expensive (or even more) than moneylenders as you can get only 30-40% of value of the asset. 	<ul style="list-style-type: none"> ▪ It is used mostly by desperate people who do not have good social networks or/and are very poor. ▪ It is a last resort because it is a shame to pledge assets in pawnshops and usually one values what is pledged (compared to what is just sold). ▪ This is very short-term and the amounts are not significant due to undervaluation.
<i>Selling assets</i>	<ul style="list-style-type: none"> ▪ It is accessible to all the groups but the amount you can get is a function of what you possess and how attractive it is on the market. ▪ In reality, the access is narrow as market for second-hand durables is quite limited because every household has some assets bought during the soviet times. Moreover, not so many low-income people still possess some other valuables (jewellery, etc.). 	<ul style="list-style-type: none"> ▪ This mechanism is used quite frequently by all but highest income groups. It is not effective because it is hard to sell in few hours and amounts are quite low. Only for average income people, it can work as they can sell their cars or apartment – the only goods that you can sell for good price and raise significant amount.

In addition, self-employed very often use working capital to deal with financial shocks (very often substitute for cash savings). In bigger markets, they organize themselves in informal groups and collect spontaneously small amounts of money to help their colleagues in need. However, the amount is not very big and usually does not exceed UAH 200.

Some other coping mechanisms were mentioned but their usage does not seem to be very universal and effective. These were: collections by the church, charity funds, buying medicines on credit in the pharmacy.

Annex 8 - Evaluation of concepts by respondents

Simple analysis of satisfaction yielded that out of four attributes coverage got the lowest ranks. In general, property insurance was evaluated the highest, followed by life, disability and health insurance.



Annex 9 – Market enablement zone projections

Market enablement zone by regions

The biggest markets for all insurance products are Eastern, Northern and Western regions of Ukraine.

Figure A9-1: 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
Kyiv	2,566,872	2.53	1,016,001	3.6	36,946	1.7	62,808
Northern	5,738,228	2.89	2,218,653	11.7	258,844	2.33	603,106
Western	10,975,776	3.12	3,637,835	6.9	250,309	2.36	590,728
Central	5,907,044	2.60	2,362,414	6.6	162,551	2.34	380,368
Southern	7,291,072	2.69	2,723,716	7.3	198,417	2.35	466,281
Eastern	15,740,701	2.41	6,241,948	6.6	411,145	1.85	760,618
Total	48,219,693		18,200,567		1,318,212		2,863,909

Figure A9-2: Size of the market within access frontier now for disability insurance by region.

DISABILITY	population	average household size	# of households	% willing to buy	demand - households	average number of policies	demand – policies
Kyiv	2,566,872	2.53	1,016,001	5.5	55,418	na	na
Northern	5,738,228	2.89	2,218,653	11.7	258,844	2.19	566,867
Western	10,975,776	3.12	3,637,835	6.4	233,622	2.33	544,339
Central	5,907,044	2.60	2,362,414	7.4	174,275	2.12	369,464
Southern	7,291,072	2.69	2,723,716	6.6	180,378	2.05	369,775
Eastern	15,740,701	2.41	6,241,948	5.4	336,391	1.56	524,770
Total	48,219,693		18,200,567		1,238,928		2,375,215

Figure A9-3: Size of the market within access frontier now for life insurance by region.

LIFE	population	average household size	# of households	% willing to buy	demand - households	average number of policies	demand - policies
Kyiv	2,566,872	2.53	1,016,001	0	0	0	0
Northern	5,738,228	2.89	2,218,653	7.5	166,399	2.31	384,382
Western	10,975,776	3.12	3,637,835	3.7	133,498	2.05	273,670
Central	5,907,044	2.60	2,362,414	4.1	96,821	2.00	193,642
Southern	7,291,072	2.69	2,723,716	2.0	54,115	1.83	99,030
Eastern	15,740,701	2.41	6,241,948	4.5	280,326	1.68	470,947
Total	48,219,693		18,200,567		731,159		1,421,671

Figure A9-4: 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, UAH	demand - value of policies, UAH
Kyiv	2,566,872	2.53	1,016,001	10.9	110,837	na	na
Northern	5,738,228	2.89	2,218,653	16.7	369,776	45095.45	16,675,225,922
Western	10,975,776	3.12	3,637,835	12.8	467,244	21564.52	10,075,882,391
Central	5,907,044	2.60	2,362,414	6.6	154,913	14687.50	2,275,283,742
Southern	7,291,072	2.69	2,723,716	3.3	90,190	na	Na
Eastern	15,740,701	2.41	6,241,948	5.4	336,391	24285.7	8,169,492,405
Total	48,219,693		18,200,567		1,529,351		37,195,884,460

Market enablement zone by settlement types

The rural area and large towns have the most potential for insurance products.

Figure A9-5: 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
Cities 500,000+	21.1	3,839,327	3.3	127,976	1.82	232,917
Towns 100,000-500,000	18.2	3,319,388	14.2	471,502	2.16	1,018,445
Towns 51,000-100,000	8.3	1,509,978	10.7	161,065	2.44	392,998
Towns up to 50,000	20.1	3,802,517	5.6	213,226	2.07	441,378
Rural	31.5	5,729,357	6.2	352,573	2.32	817,970
Total		18,200,567		1,326,342		2,903,708

Figure A9-6: Size of the market within access frontier now for disability insurance by settlement type.

DISABILITY	% in the population of households	# of households	% willing to buy	demand - households	average number of policies	demand - policies
Cities 500,000+	21.1	3,839,327	5.2	201,108	1.53	307,695
Towns 100,000-500,000	18.2	3,319,388	8.5	282,901	2.09	591,264
Towns 51,000-100,000	8.3	1,509,978	9.3	140,931	2.08	293,136
Towns up to 50,000	20.1	3,802,517	5.6	213,226	1.84	392,336
Rural	31.5	5,729,357	7.1	405,461	2.17	879,850
Total		18,200,567		1,243,627		2,464,281

Figure A9-7: 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	demand - households	average number of policies	demand - policies
Cities 500,000+	21.1	3,839,327	2.9	109,693	1.48	162,346
Towns 100,000-500,000	18.2	3,319,388	5.7	188,601	1.94	365,886
Towns 51,000-100,000	8.3	1,509,978	5.3	80,532	2.00	161,063
Towns up to 50,000	20.1	3,802,517	4.7	177,688	1.78	316,284
Rural	31.5	5,729,357	3.1	176,287	2.18	384,305
Total		18,200,567		732,801		1,389,884

Figure A9-8: 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, UAH	demand - value of policies, UAH
Cities 500,000+	21.1	3,839,327	6.7	255,956	na	na
Towns 100,000-500,000	18.2	3,319,388	11.9	396,063	48875.0	19,357,566,290
Towns 51,000-100,000	8.3	1,509,978	10.7	161,065	15075.0	2,428,052,212
Towns up to 50,000	20.1	3,802,517	4.7	177,688	16456.6	2,924,137,327
Rural	31.5	5,729,357	9.8	564,124	28195.9	15,905,982,452
Total		18,200,567		1,554,896		40,615,738,281

Market enablement zone by income segments

The highest income groups are more attractive segments for insurance products.

Figure A9-9: 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	26.5	4,828,722	4.2	204,294	2.58	527,077
low income	26.7	4,865,866	3.1	148,574	1.97	292,691
Average income	24.3	4,420,138	8.8	390,011	2.27	885,325
highest income	22.4	4,085,842	12.7	520,017	1.87	972,432
Total		18,200,568		1,262,896		2,677,525

Figure A9-10: Size of the market within access frontier now for disability insurance by income level.

DISABILITY	% in the population of households	# of households	% willing to buy	demand - households	average number of policies	demand - policies
lowest income	26.5	4,828,722	4.2	204,294	2.3	469,875
low income	26.7	4,865,866	4.2	204,293	1.72	351,385
average income	24.3	4,420,138	7.1	315,726	2.1	663,025
highest income	22.4	4,085,842	11.8	482,873	1.77	854,685
Total		18,200,568		1,207,186		2,338,970

Figure A9-11: Size of the market within access frontier now for life insurance by income level.

LIFE	% in the population of households	# of households	% willing to buy	demand - households	average number of policies	demand - policies
lowest income	26.5	4,828,722	2.3	111,432	2.35	261,866
low income	26.7	4,865,866	1.9	92,860	1.84	170,863
average income	24.3	4,420,138	5.5	241,437	1.98	478,045
highest income	22.4	4,085,842	5.9	241,436	1.56	376,641
Total		18,200,568		687,165		1,287,415

Figure A9-12: Size of the market within access frontier now for property insurance by income level.

PROPERTY	% in the population of households	# of households	% willing to buy	demand - households	average value of policies, UAH	demand - value of policies, UAH
lowest income	26.5	4,828,722	6.2	297,150	19292.50	5,732,764,338
low income	26.7	4,865,866	5.3	260,008	15025.00	3,906,613,434
average income	24.3	4,420,138	8.4	371,442	28970.59	10,760,890,318
highest income	22.4	4,085,842	15.5	631,446	31534.48	19,912,335,508
Total		18,200,568		1,560,046		40,312,603,598

Annex 10 – Segmentation by financial behaviors

We run cluster analysis on variables related to saving, bank account, borrowing sources, debt, knowledge of types of insurance and insurance companies, trust in insurance companies and using insurance before. In result we receive four groups presented in the figure below.

The four distinct groups identified are: informal borrowers, savers, financially non-active and active borrowers. They cover about 60% of the total population (those located in the access frontier groups).

	Informal borrowers	Savers	Financially non-active	Active borrowers
<i>Approximate share in population</i>	9%	12%	30%	8%
<i>segment description</i>	<ul style="list-style-type: none"> ▪ Borrow from informal sources ▪ Don't have a debt ▪ Don't have bank account ▪ Make no savings ▪ Don't trust insurers ▪ Are a heavy user of insurance product, especially life insurance 	<ul style="list-style-type: none"> ▪ Don't borrow regularly, seldom from the bank ▪ Don't have a debt ▪ Have a bank account ▪ Save regularly 	<ul style="list-style-type: none"> ▪ Don't borrow ▪ Don't have a debt ▪ Don't have bank account ▪ Make some savings ▪ Low knowledge of insurance companies 	<ul style="list-style-type: none"> ▪ Borrow from banks ▪ Have a debt ▪ Have a good knowledge of insurance company and service
<i>segment profile</i>	<ul style="list-style-type: none"> ▪ East ▪ Lower income 	<ul style="list-style-type: none"> ▪ Kyiv, South ▪ Highest income 	<ul style="list-style-type: none"> ▪ Lower income ▪ Rural area ▪ Older ▪ Pensioner 	<ul style="list-style-type: none"> ▪ Middle income ▪ Large towns ▪ Higher education ▪ Permanent job