Connecting Microfinance Products:
1. Microinsurance refers more to the target group than to the financial product.
2. Savings = Negative Credit
3. Insurance Demand is an uncertainty driven choice. It can be also thought Using precautionary savings framework.
4. In spite of substutabilities those that demand one luxury service also demand + others financial services.

What is the impact of social insurance on the demand for private insurance and savings (a sort of self-insurance)?
Example of Using Consumer Expenditure Survey to Study Demand

% Rate of Access to Insurance by Type
Total Population (15 years old and above)

- Insurance (total): 16.79%
- Plan / Health Insurance: 12.94%
- Vehicle Insurance: 2.95%
- Life Insurance: 4.31%
- Private Pension Open or Closed: 0.45%
- Other: 1.41%

Source: FGV Social based on POF/IBGE microdata
Insurance Inequality & Income elasticity

<table>
<thead>
<tr>
<th>Insurance-Related expenses</th>
<th>Total Population*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
</tr>
<tr>
<td>Per Capita Income</td>
<td>832,9</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>23,96</td>
</tr>
<tr>
<td>Health Insurance</td>
<td>16,80</td>
</tr>
<tr>
<td>Car Insurance</td>
<td>3,22</td>
</tr>
<tr>
<td>Life Insurance</td>
<td>2,17</td>
</tr>
<tr>
<td>Private Pension</td>
<td>1,03</td>
</tr>
</tbody>
</table>

Source: CPS/FGV based on POF/IBGE microdata

*share of the population over 15 who have answered to the insurance question

"the inequality in insurance expenses (Concentration Index 0,94) is close to 1, when only one person would hold all insurance in Brazil".
**STEPWISE Model for variable selection**

Has some private insurance-related expenses

<table>
<thead>
<tr>
<th>ORDER OF INTRODUCTION IN THE MODEL</th>
<th>Insurance</th>
<th>Micro-insurance#</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic class</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Has credit card</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Pays social security tax</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Position in the household</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Years of schooling</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>State UF</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Age groups</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Has car expenses</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Job position</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>Has a car</td>
<td>10</td>
<td>4</td>
</tr>
<tr>
<td>Household are</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Attends school or nursery</td>
<td>-</td>
<td>12</td>
</tr>
</tbody>
</table>

# CDE Classes

Source: FGV Social based on POF/IBGE microdata

**What are the determinates of the demand for insurance?**

- Importance of economic variables vis à vis socio-demographic and spatial variables. Classes E, D, C e AB
- Race and religion do not explain once there are other controls
- Gender variable depends on the insurance: health is more feminine and the remaining types are more masculine.
- There is a plateau in the demand over the age of 50
- Complementary relationship between private insurances
- *A person’s income does not matter, but his family’s, as in the definition of micro-insurance*
- More household income creates more demand for health insurance (causality implied from a quasi-experiment)
São Paulo is the Mecca of insurance beyond Paulistas individual characteristics

The Promise of Micro-Insurance

• “Micro-insurance holds the promise to be now, what microcredit has been in the world in the 2000s”.

• “Greater predictability creates well-being gains, without fiscal implications, which makes the stability effect of the insurance particularly attractive”.

• “During the boom we gave the emerging poor groups to the insurance market; whereas now we should give markets to the poor. We need to reach them through the creation of an appropriate institutional framework”.

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