Integrating savings and insurance [1]

About the Project

Project Name: Integrating savings and insurance
Type of Facility Project: Research grantee
Country of Operation: India
Region: Asia and the Pacific
Sub Topics: Product development, Savings-linked, Agriculture

Project Description

Read the final research paper here [2].

Index-based weather insurance has the potential to help farmers mitigate their largest risks. Experience from 3 years of randomized field evaluations in Gujarat, India, implies that unfamiliarity with insurance is a major impediment to adoption. However, the population has experience and familiarity with savings as a risk-mitigation strategy. This project undertakes a series of laboratory experiments to assess subjects' preferences for insurance and savings, with a hope to understand the optimal mix. This information sheds light on the possibility of an integrated financial product that would combine the ease and familiarity of savings with the risk-mitigation function of insurance.

Using a laboratory experiment in Gujarat, India to assess consumers' relative valuations of savings versus insurance when planning for risky rainfall, the study reveals that many participants prefer pure insurance or pure savings to any mixture of the two, and that this preference is most pronounced among those who are more risk averse. The results suggest that the introduction of such a product is unlikely to be successful and mixed savings and insurance products require further investigation.

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