



YOUTH'S PERCEPTION ON RISKS AND INSURANCE ISSUES

**Financial Education Summit
Seoul, 9/10 November 2006**

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OUTLINE

- I. OECD on going project on financial education and good practices for enhanced risk awareness and education on insurance issues
- III. Youth's perception and behaviour as regards their risk-exposure, insurance coverage and products
- V. International guidance and good practices aimed to reinforce youth knowledge and capability concerning risk and insurance issues

I. OECD project on Financial Education

Started in 2003 to

*Raise awareness on the importance of financial education in OECD countries and emerging economies;
Survey, Assess and Encourage current initiatives and
Develop policy recommendations and best practices to enhance financial literacy and capability worldwide*

Activities

- **Surveyed existing financial education programmes**, analysed their effectiveness and developed good practices
- Created a **research database** and inventory of more than 350 studies and articles
- Established a **website** : www.oecd.org/daf/financialeducation
- Promoted international policy dialogue through the organization of the :
 - **International Conference on Financial Education -New Delhi, 21-22 September 2006**
 - **Forthcoming G8 conference on Improving Financial Education -Moscow, 29-30 November 2006**

I. Main achievements of the first phase of the OECD Project

- Development of a **Recommendation on Principles and Good practices for Financial Education and Awareness** approved by the OECD Council in June 2005
- Published the first major international study of financial education, *Improving Financial Literacy: Analysis of Issues and Policies*, in November 2005.

I . Ongoing and Future steps: A far-reaching programme of work

1. Establish the OECD as clearinghouse for financial education information by expanding the database and website
2. Encourage further communication and cooperation among countries on financial education by establishing a newsletter and organizing targeted national/regional/international events (conference planned in Turkey in 2007)
3. Finalize major analysis, survey and good practices on financial education in the area of pensions, risk and insurance
4. Develop far-reaching studies and benchmark of good practices on:
 - Financial education in schools
 - Role of financial institutions and intermediaries
 - Financial education in emerging economies (Asia, LA and the BRICS)
 - Dedicated methodology and criteria to launch and assess financial education programmes

I. OECD Good Practices for enhanced risk awareness and education on insurance issues

1) Rationale:

- ✓ Mandate of the OECD Council in 2005
- ✓ “Emergence of a Risk Society”: Increasing diversity of risks (e.g. large-scale, financial, demographic, health, income) with greater impact on populations, and greater transfer of risks on individuals resulting from declining public, corporate and family solidarities
- ✓ Complexity and diversity of insurance products/markets
- ✓ Uneven insurance regulatory and supervisory framework
- ✓ Low awareness of risk-exposure and of needs for coverage
- ✓ Poor insurance culture, knowledge and capability
- ✓ Lack of awareness of this lack of awareness

I. OECD Good Practices for enhanced risk awareness and education on insurance issues

1) Project:

- ✓ Analysis of the challenges of financial education in the insurance sector; survey and assessment of OECD public and/or private projects and programmes to improve risk/insurance awareness and literacy
- ✓ Development of good practices for enhanced risk awareness and education on insurance issues :

Aim and scope

Supplement OECD principles and good practices on Financial education

Structure

Main stakeholders' role: public authorities, insurance undertakings, intermediaries and distributors and other social and business partners

Methodology: assessment and tools

II. Youth's perception and behaviour as regards their risk-exposure and insurance issues

Youth's situation and behaviour :

- Little explored field: low awareness of the importance of the issue
- Analysis that have been conducted show a lower level of insurance capability and knowledge at young ages (e.g. US surveys, FSA UK poll, Korea) : particularly worrying since new generations will be more responsible for their welfare pension, health, etc) than previous generations
- Low coverage of young people for important risks (e.g. Private health insurance)
- Little awareness and knowledge of the importance of even simple and current insurance products (e.g. car insurance) not to mention more complex and “remote” ones (e.g. life insurance)

II. Youth's perception and behaviour as regards their risk-exposure and insurance issues

A Challenging issue:

- Bad perception of the insurance sector and of insurance providers
- Risk myopia is reinforced in young age (long-term and large-scale risks seem remote)
- Lack of “insurance culture” and of incentive to get insurance
- Feeling that insurance products are complex and useless
- Those that could best inform and educate young generations are most often ill-equipped to do so

III- what can be done?

Guidance and international good practices

OECD good practices for enhanced risk awareness and education on insurance issues :

- Training teachers and people disseminating information on the basics of insurance (i.e. teachers, main media)
- Starting to raise awareness and prevention of major risks at school as early as possible
- Seeking to introduce classes dealing with basic insurance mechanisms and market in secondary schools and/or introducing risk/insurance issues in the mathematics or economics curriculum
- Promoting and communicating on institutes and universities which educate and train future insurance professionals
- Using a vast array of alternative supports adapted to a young audience to make risk/insurance more appealing : TV, computer games, internet, cell phone, events such as contests.
- Other stakeholders (e.g. supervisory authorities, insurance undertakings and intermediaries, insurer associations, consumer associations, dedicated NGOs) should also be involved in improving education of young people on insurance issues

III- What can be done?

International good practices

At school:

3) *Developing risk awareness at young ages*

Japan- General Insurance Association of Japan launched the programme: “Exploration for disaster prevention” in elementary schools

Mexico-CNSF/FONDEN: seeks to enhance catastrophic risk-exposure awareness through the “safety week” organised by an association of insurance agents in primary schools

8) *Enhancing knowledge and capabilities on insurance issues through school curricula and training teachers*

UK -FSA- developed a pack “make the most of it” addressed to teachers for children aged 14 to 19 composed of 5 modules also dealing with notions of risks and insurance

III- What can be done? International good practices

Using alternative supports/involving various stakeholders:

3) *Raising the insurance profile : organizing public events*

Poland-Polish insurance chamber – seeks to assess and strengthen **media's awareness** and to sensitise them to insurance issues/ to make insurance more attractive and visible through the organisation of **contests** on insurance issues for **young adults**

5) *Making insurance products more accessible and appealing*

US- NAIC's web site targets young adults and proposes **quiz to assess their specific needs and raise the awareness on important insurance products for young singles and families**
- **New Jersey Coalition For Financial Education**- offers **games and training on how to buy car insurance**

Preliminary conclusions: Ongoing work

- ⇒ Lack of awareness of the lack of awareness on risk and insurance issues and of its likely consequences on the future wellbeing of young generations

How does the OECD intend to help further?

- The OECD Good practices for enhanced risk awareness and education on insurance issues and on saving for pensions should be approved shortly and be made public accordingly
- Future OECD projects will notably involve in-depth survey and assessment of Financial Education at school in both OECD and emerging economies



THANK YOU FOR YOUR ATTENTION!



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