



**Focus Group Discussion to Determine the Risks Faced in *ger*  
Areas in Mongolia and Provide Recommendations to  
Insurance Regulator and Companies**

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## 1. Introduction

### 1.1 Background

During the last decade, migration from rural areas to big cities has caused an unprecedented expansion of *ger* area particularly in Ulaanbaatar (UB). As of 2008, totally 154,644 families had been living in UB *ger* area and this number had reached to 197,094 in 2013. Totally 59.1 percent of families live in UB *ger* area as of 2013. In terms of socioeconomic status, *ger* area is considerably different from apartment area and *ger* area families tend to be larger, less educated, younger, and poorer than apartment area households. Moreover, life pattern and living environment of *ger* area bring particular risks to *ger* area residents. Risk protection is more needed to *ger* area residents because of their financial vulnerability. It is important to make *ger* area residents understand the benefits of insurance to protect them. However, a large majority of *ger* area residents have not been insured due to their lack of financial education, low level of affordability, and weak distribution channel to reach *ger* area customers.

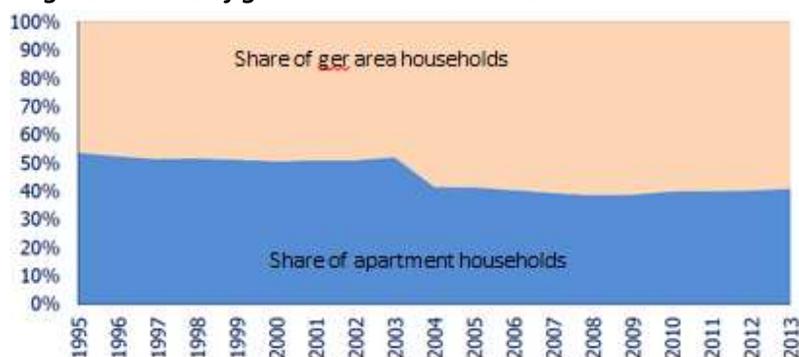
### 1.2 Focus group discussion (FGD) methodology, scope and objectives

GIZ-Regulatory framework for pro-poor insurance markets in Asia (RFPI) cooperating with Ulaanbaatar city insurance LLC (UBCI) conducted a FGD with people lived in Erdenet city *ger* area on October 21, 2016. The purpose of the study is to determine the risks faced by residents (households) in *ger* areas such as risks on properties, health and lives, and risk protection mechanisms; to identify challenges and to make recommendations to regulation and insurance companies. Totally 43 people including social workers from 10 sub-districts of Erdenet city participated to this FGD.

## 2 Demand side

### 2.1 Socioeconomic profile of *ger* area households

**Figure 1: Share of *ger* area households in UB**



Source: Capital city statistical organization

*Ger* area is parcels with *gers* or houses surrounded by fences. Increased migration from rural area to Ulaanbaatar have led to a substantial expansion of *ger* area since 2003 and the share of *ger* area household in total households reached its maximum 61.4 percent in 2008 (Capital city statistical organization).

Figure 1 shows changes in the share of *ger* area households in total households in the last two decades and it demonstrates that the size of *ger* area considerably increased in 2003 in UB. As of 2013, 88.6 thousand (44.6%) households live in *gers* out of 197.1 thousand *ger* area households. Moreover, the

number of homeless families has been decreasing and there are 286 of them as of 2013 (Capital city statistical organization).

Very few surveys on socioeconomic characteristics of *ger* area households have carried out and the following two surveys are used to provide general information in this report.

1. The World Bank, “Enhancing policies and practices for *ger* area development in Ulaanbaatar”, conference version, 2010
2. The World Bank, “Clean stove initiative” study report, 2012

**The number of family members:** Average number of family members is 4.2 in *ger* area; 3.4 in apartment area and this demonstrates that *ger* area households usually have one more family member than apartment area households (The World Bank, 2010).

**Migration reasons:** About 93 percent of *ger* area households migrated from rural areas due to marriage (40%), employment (19%), and education (14%) (The World Bank, 2010).

**Age:** Average age of *ger* area families is 27.9 while 30.8 for apartment area families (The World Bank, 2010).

**Income level:** Unemployment rate is higher in *ger* area; 51 percent of working-age *ger* residents had worked in the previous 12 months compared to 56 percent in apartment areas (Household socioeconomic study, 2008). Average income of *ger* residents is 43 percent lower than that of apartment residents and for the highest quartile of income group, average income in *ger* area is 17 percent lower than that of apartment areas (The World Bank, 2010). *Ger* residents tend to be engaged in economic sectors involve physical work such as construction, manufacturing, trade, and car repair service. For *ger* area residents, 30 percent of employed residents are engaged in construction and manufacturing compared to 14% of apartment residents are engaged in these sectors (The World Bank, 2010).

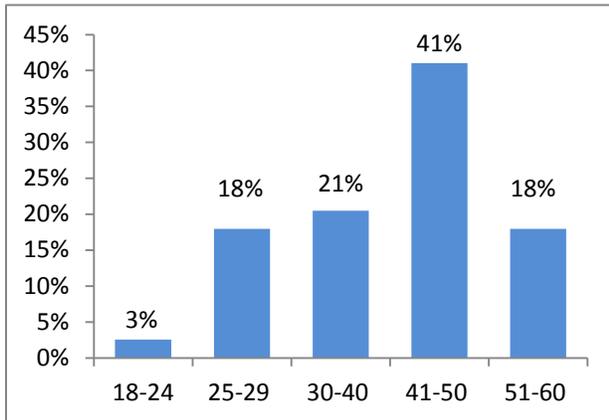
## 2.2. Profiles of survey participants

As of 2015, total population of Erdenet city is 98.7 thousand and total number of households is 28.1 thousand. Totally 43 people including social workers from 10 sub-districts of Erdenet city participated to this FGD and the following table and figures provide profiles of the participants.

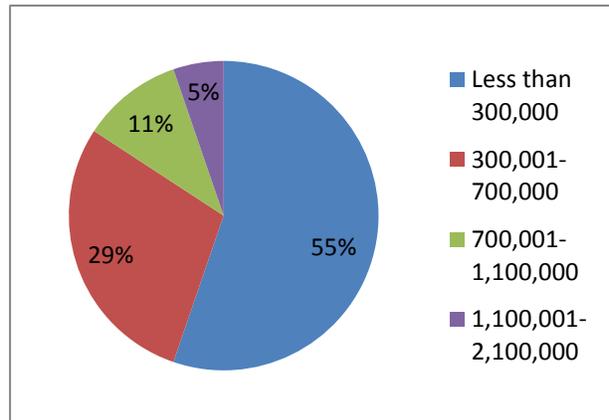
**Table 1: Profiles of participants**

Dwelling type		Gender		The number of family members	
<i>Ger</i>	44.4%	Female	95%	1-3 members	36%
House	55.6%	Male	5%	4-6 members	59%
				7-10 members	5%

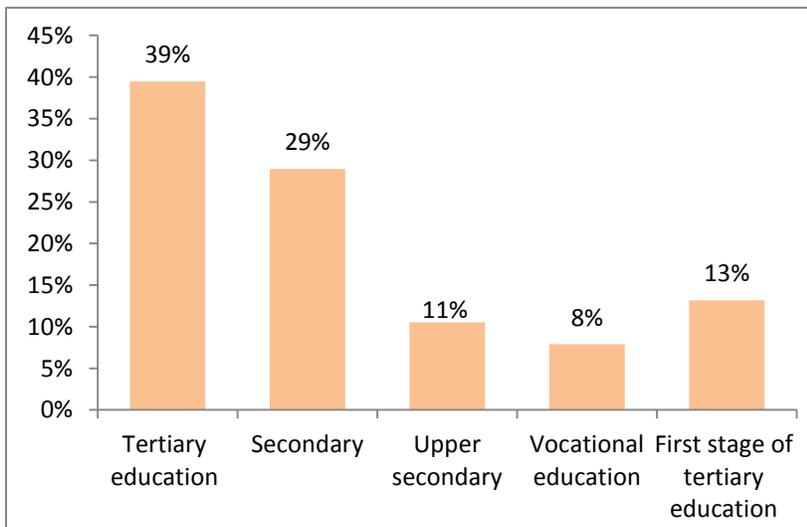
**Figure 2: Participants' age**



**Figure 3: Participant households' monthly income in MNT**



**Figure 4: Participants' education**



Totally 44.4 percent of the participants live in *ger* and majority of them (55%) have monthly household income less than MNT 300,000. This demonstrates that the FGD targets on low and middle income people of *ger* area. In terms of family size, most of the participants (59%) have 4-6 family members. 62 percent of the participants are at their

working-age of 30-50, and 68 percent of them have tertiary and secondary education.

### 2.3. Risks faced by *ger* area households

Before defining risks faced by *ger* area residents, it is better to provide general information on *ger* area environment, and *ger* residents' life pattern.

**Water supply and sewerage:** *Ger* area households fetch drinking water from around 550 public water kiosks and the nearest water kiosk to every household is located within around 100 – 500 meter distance. Average daily water consumption of *ger* area residents is about 10 liter and the price of drinking water is reasonably cheap. *Ger* area residents use public showers due to a lack of indoor plumbing in *ger* area. Moreover, there is no sewage system in *ger* area; thus households usually build toilets within their fence outside their houses (The World Bank 2010, 2012).

**Electricity:** Voltage drops are common in *ger* area due to electricity capacity shortages and sometimes households could not be connected to electricity grid because of insufficient capacity of transformers

and substations. *Ger* area households' average electricity usage is about 100 – 110 kilowatt and majority of them are connected to national electricity grid. *Ger* area households pay 4-5 percent of their monthly income to electricity and electricity cost level meets international standards (The World Bank 2010, 2012).

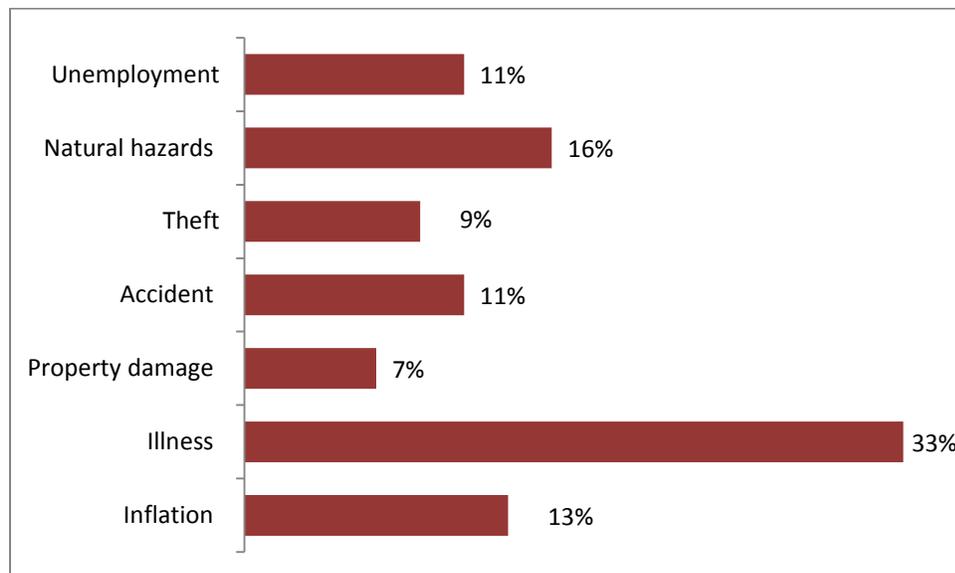
**Municipal roads and public transport:** Unstructured dirt roads in *ger* area have drainage problems, pose traffic hazards, and are the main source of substantial amount of dust. Some parts of these roads are impassable for vehicles and bumpy. Moreover, a lack of street lights especially in fringe area leads to occurrence of crime and accidents such as slipping and falling after dark. *Ger* area residents use public transport such as buses and minibuses. Taxis usually refuse to operate in narrow dirt roads in *ger* area and this makes *ger* area residents walk from bus stops to their homes even in late night.

**Solid waste management:** Solid waste is collected solely by vehicles, the service is unreliable, and collections are infrequent: once each month or even once every three months. Moreover, solid waste collection service is not reached to fringe areas and mountain areas; thus those households dump their solid waste outside and this brings soil erosion and contamination.

**Heating:** Families lived in *gers* usually use household stoves for heating and burn raw coal in winter. For houses, people use household stoves, stove walls<sup>1</sup>, and boiler houses. Majority (65%) of houses has stove walls and all of them burn coal in winter. Coal burning in *ger* area is a main cause of air pollution. Average air pollution level in *ger* area is 2.3 -2.8 times heavier than city center in Mongolia (The World Bank, Fresh air project report, 2010).

One purpose of the FGD is to determine risks faced by *ger* area residents and rank them in terms of their importance. Risks and ranks provided by the participants are illustrated in Figure 4.

**Figure 4: Most worrying risks faced by ger residents**



<sup>1</sup> It is used for heating of small houses and a wall is built to connect a chimney and stove.

The most worrying risk for the participants is illness and treatment & medicine purchases impose financial burden on people particularly the unemployed. Although employed people pay health insurance, they do not usually benefit from health insurance and pay themselves for medicine and treatment when they are sick.

Next worrying risk is natural hazards such as fire, flood, and wind and the participants shared their experience about natural hazards' harm to properties and human lives. Main reason of fire occurrence in *ger* area is electricity such as voltage drop or rise. Fire also occurs when electricity cables are wet in the rain or people clean their fences by burning the grass. According to the participants, dumping warm ash (after burning coal) outside their houses is no longer major cause of fire because households started to use containers to keep the ash. For flood risk, the participants shared some statistics such as two children were died due to floods in this year in Orkhon province (Erdenet city). Houses or *gers* those located in geographically dangerous areas are usually heavily affected by floods and for other households, flood risk is relatively low. Heavy rainfalls cause damages to both houses and *gers* while moderate rainfalls do not cause considerable damages to *gers* because rain water can flow through *gers* once the lower part of *gers* are open. *Gers* also can be protected from being blown away by strong wind as it can be tied down with ropes. On the other hand, house rooves are often damaged by wind. According to some participants' opinion, *gers* are relatively easy to be protected from strong wind and floods.

Due to a recent economic downturn in Mongolia, the participants pointed out social risks as the most worrying risks such as inflation (13%) and unemployment (11%). Major risks are followed by accident (11%), theft (9%), and property damages (7%). Accidents usually refer to car accidents and domestic accidents; thefts from isolated households are more common than the others. Improved street light provision has reduced the incidences of robbery during night in *ger* area. The participants named mobile phone damage, houseware damages, car damages, *ger* and house damages as popular property damages.

**Risks more worrying to *ger* area residents than apartment area residents:**

Our FGD tried to define risks those faced by *ger* area residents and would like to provide some identified distinction between *ger* and apartment area. Table 2 shows the difference between *ger* and apartment area in terms of living environment and life pattern.

**Table 2: Difference between *ger* and apartment area**

	<b>Outdoor environment</b>	<b>Life pattern</b>	<b>Indoor environment</b>
<b>Ger area</b>	Pedestrians and roads are not paved. No street light in some parts, especially in fringe areas.	House chores including fetching water, preparing firewood requires physical strengths.	Poor hygiene. Solid waste and dirt water are dumped outside. Toilets are outside within fences. Intense air pollution is a problem due to coal burning in winter.
<b>Apartment area</b>	Roads and pedestrians are paved. Street lights are provided.	No such kinds of chores.	Hygiene is relatively good.

Above mentioned differences often bring the following risks more to *ger* area than to apartment area.

- **Accident:** Particularly child accident is common in *ger* area. Popular injuries are caused by being bitten by dogs, falling down to holes, slipping and falling in winter, car accidents, and domestic accidents related to house chores. Moreover, emergency service takes great amount of time to arrive in *ger* area and this decreases the chance of saving lives.
- **Fire:** Fire is usually caused by electricity misuse or shortages.
- **Theft:** Theft occurrence is higher in *ger* area and theft of belongings from *gers*, houses, and fences from isolated households are common.
- **Flood:** Flood causes damages to households located in geographically dangerous areas.

According to the participants, the probability of health risk in *ger* area is similar to apartment area as generally health is a major issue in Mongolia. This opinion of the participants about health risk is due to low level of air pollution in Erdenet *ger* area. In contrast to UB, Erdenet city has better air quality in both *ger* and apartment area. The incidences of tuberculosis and hepatitis caused by air pollution, soil contamination and unhygienic condition in *ger* area are higher in UB especially in *ger* area (The World Bank, 2010).

GIZ and AFC Consultants International conducted a FGD with SMEs in Erdenet (AFC, 2014) with the aim of providing insights on the supply of and demand for inclusive insurance products that target the SME market including those in the mining communities. Although the target population of the previous FGD was SMEs, this report compares some results of both FGDs to indicate the trend of demand for insurance in Mongolia.

According to the AFC, 2014 report the higher risks identified were as following:

- “1. *Business Property risks (35% of responses):* The business property risks faced by the SMEs are damage to industrial buildings, theft and equipment damages. There are no insurance companies which insure the expensive equipment.
2. *Life, accident and health risks (35% of responses):* People are interested in insuring life and health risks especially those resulting from accidents caused by the environment (grass fires), everyday living or in the workplace. Additional health insurance is very important to participants. Employers are willing to facilitate coverage for employees and families.
3. *Accident risks due to weather related events (9% of responses):* Businessmen feel that accidental death insurance is needed because there may be risks caused by fire, flood, drought, disaster and earthquake.
4. *Crop insurance (9% of responses):* Those in the agricultural sector indicated that harvest insurance (against hailstone, freezing, grass fire and impact of animal) is important.
5. *Other risks (14% of responses):* Other necessary products that address risks including, professional liability, livestock (special livestock not covered in IBLIP), patent and agreement responsibility and loan risk insurance of Savings and Credit Cooperative (SCC) are important.”

Comparing both FGDs regarding risks faced by the focus group, it is concluded that risks related to damage of property are more relevant for SMEs than for households. Health and life risks due to various reasons including accident are crucial for both SMEs and households.

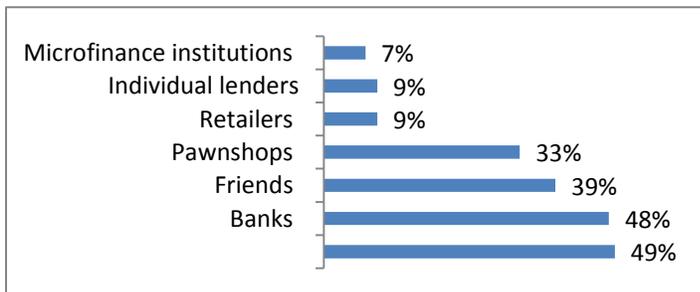
## 2.4 Risk protection mechanism:

The participants were asked about how they covered the financial costs incurred due to the above mentioned risks. According to the participants, *ger* area residents usually borrow from relatives and friends when they need money. They often could not borrow full amount of money they needed from one person, thus they borrow small amount of money from several people in order to cover their costs. Some said that they borrowed necessary amount of money from friends with interest rate. After relatives and friends, their next source of finance is financial organizations and the participants shared their experience of borrowing from the following four organizations.

- **Banks** – 43 percent of participants borrow from banks. Usually employed people take salary loans from banks.
- **Pawn shops** – 27 percent of participants borrow from pawn shops. It is easy to take loans from pawnshops once you have properties to pledge. However, interest rate is higher and loan terms are shorter.
- **NBFIs**– 27 percent of participants borrow from NBFIs.
- **Savings and credit cooperatives (SCCs)**– 3 percent of participants borrow from SCCs.

The participants all agree that it is necessary to have savings in order to protect them from financial risks; however, their meagre income level does not allow them to save.

The participants of clean oven initiative survey of the World bank were asked the same question. Most of the participants borrow from relatives (49%) and banks (48%). The purposes of the loans were for food purchase (50%), goods for basic needs (35%), and medicine purchase (18%) (The World Bank, 2012). *Ger* residents' income level is low and they usually spend their income on food, goods for basic needs and medicines.



**Figure 5: Credit sources of *ger* residents**  
**Source: The World Bank survey**

Both the World Bank survey result and the FGD demonstrate that relatives, friends, and banks are main sources of finance.

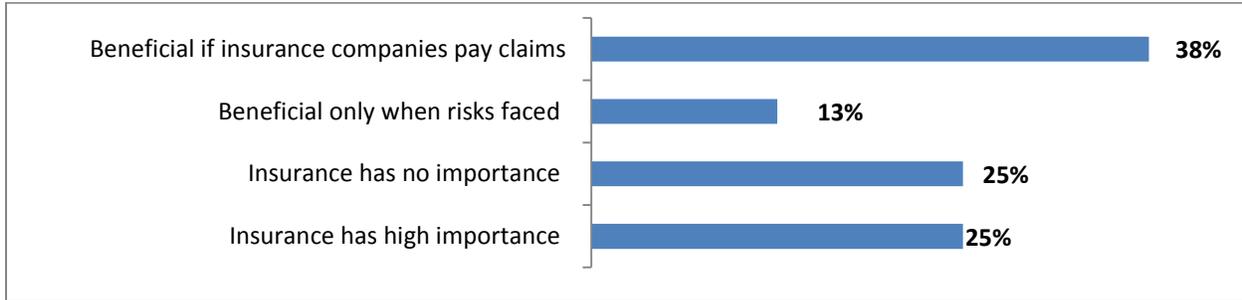
## 3. Attitude towards insurance and insurance experience

### 3.1. Understanding of insurance & attitude towards insurance

Our FGD tried to examine *ger* area residents' perceptions of insurance. FGD found out that majority of the participants (79%) knew about insurance to some extent while 21 percent of the participants had a lack of understanding about insurance. The participants shared insurance companies and insurance products they know which are Bodi, Mig, Practical, Ard, Tenger, Soyombo, Mongol, Nomin insurance companies; motor vehicle liability, vehicle, accident, livestock, property, health, life, and business risk

insurance products. The next question was asked about the participants' opinion about the importance of insurance.

**Figure 6: Importance of insurance**



A quarter of the participants appreciate the importance of insurance while the same number of participants thinks that insurance has no importance. Majority of participants (38%) replied that insurance was beneficial provided that insurance companies paid for claims and 13 percent of the participants think that insurance is beneficial if risks actually occurred. According to the most of the participants insurance companies usually do not pay for claims and always tries to avoid payouts. This negative attitude towards insurance prevails among *ger* area residents and Table 3 illustrates the shared experiences by the participants that adversely affected the public perceptions of insurance.

**Table 3: Experiences lead to negative attitude towards insurance**

No	Experiences	Comment
1.	When I took salary loan, MNT 25,000 was deducted as premium for credit risk insurance. However, the insurance company did not pay anything when the salary loan payment was 2 days late. I did not understand what the role of insurance was in this case.	Insured person was not informed or did not carefully read about terms and conditions of the insurance product when she made an agreement.
2.	My son's apartment was insured when he took mortgage. However, he was not paid when the apartment was damaged in the fire. People from the insurance company visited to the site and requested to pay more money. The money was paid but there was no payment from the insurance company.	This insurance company did not provide any explanation why the coverage was not made for this claim and the insured did not request any explanation from the insurance company.
3.	I was not paid when the windshield glass of my car was broken. The insurance company explained that I had purchased motor vehicle liability insurance but not vehicle insurance.	The insured did not have knowledge about which risks were insured and in what condition she would be paid.
4.	My husband had insured under accident insurance when he injured his back by accident. However, he did not receive any payout. Insurance companies strived to find ways to avoid payment.	The insured did not have knowledge about which risks were insured and in what condition she would be paid.

No	Experiences	Comment
5.	My friend had taken out motor vehicle liability insurance when there were a car accident. The insurance company did not paid because the insured did not inform about the accident within 24 hours. Insurance companies should be more flexible in terms of rules and procedures.	The insured did not know about procedures of claiming.
6.	I purchased property insurance for the trading space I rented. Insurance companies do not regularly contact with their customers who had not claimed. They usually contact with policyholders once they face with risks insured. They do not provide information about their products and services or do not take care of the existing customers.	Insurance companies only communicate with insured people only when they claim.

It can be concluded that the following main reasons lead to negative perceptions among public.

1. Insured people usually are not well explained about terms and conditions of insurance such as exclusions, claiming procedure, and risks insured.
2. Insurance companies do not advise insured people in case of incidence of risks under insurance; do not provide explanation about the reasons of refusing payout.
3. Insurance companies do not maintain long term customer relationship. Moreover, they do not offer customer care to their existing customers such as providing their customers with information about their new products, and ways of prevention from possible risks.

Some participants (13%) asserted that insurance was only beneficial to whom that actually faced insured risks. This perception is generated due to the specific characteristic of insurance product that buyers are not certain about their future benefit from insurance when they purchase. The participants further suggested on how insurance companies could promote customers those have no incidences of insured risks during the policy period. They agreed on insurance companies need to build database of customers including their insurance history and then promote them based on the database. For instance, a participant previously had purchased *ger*, house and fence insurance for 3 years; however, she decided to discontinue the insurance because there was no incidence of risks qualified to claim. She further said that if the insurance company promoted me as providing some commissions at the end of the term then I would have extent my insurance term. Other participants also agree with this opinion and possible promotion amount and conditions should be stated in contract. Promotion could be cash or non-cash, cash promotion could be some percent of premium and non-cash promotion could be recommended in any way such as providing free medical diagnose in a specific hospital to policy holders of health insurance.

People do not usually benefit from mandatory health insurance and this has affected public negative attitude towards insurance that insurance is not beneficial. Even though, people have health insurance, they usually pay themselves for medicines and treatment when they are sick.

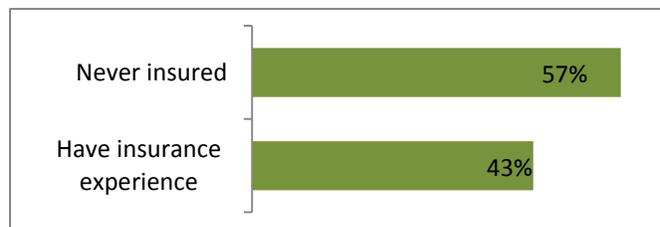
AFC, 2014 also reached the similar conclusion regarding public perceptions of insurance.

“Since the introduction of mandatory products, the awareness of insurance has increased but there is a lot of confusion on what kind of damage insurance products cover and which ones are useful. For example, many people are confused why drivers’ liability insurance does not cover damage caused to their own vehicle. When motor vehicle liability insurance was introduced, many believed that the insurance covered both liability and vehicle damage. Even if it was clearly communicated in documents and by the sales agent, the population does not have enough experience with insurance and insurance terms to fully absorb and understand what has been communicated to them. The salesmen of insurance thus have to improve how they explain the product and service claims to the client. If the insurance industry can conduct surveys of the population to improve knowledge of how the product is understood, future communication can work to improve how and what insurance does.”

Compared to the results of the 2016 survey we may conclude that public understanding of insurance has not improved much and even insured people do not have sufficient information about risk coverage and procedure under the insurance they purchased. Some insurance companies try to sell insurance by making it mandatory for people who take loans from banks rather than improving their service and public knowledge about insurance. This action also brings negative attitude toward insurance since this kind of insurance does not allow people to choose their insurance companies or insurance terms. Moreover, insurance companies or banks do not explain insurance terms and conditions well.

### 3.2. Insurance experience

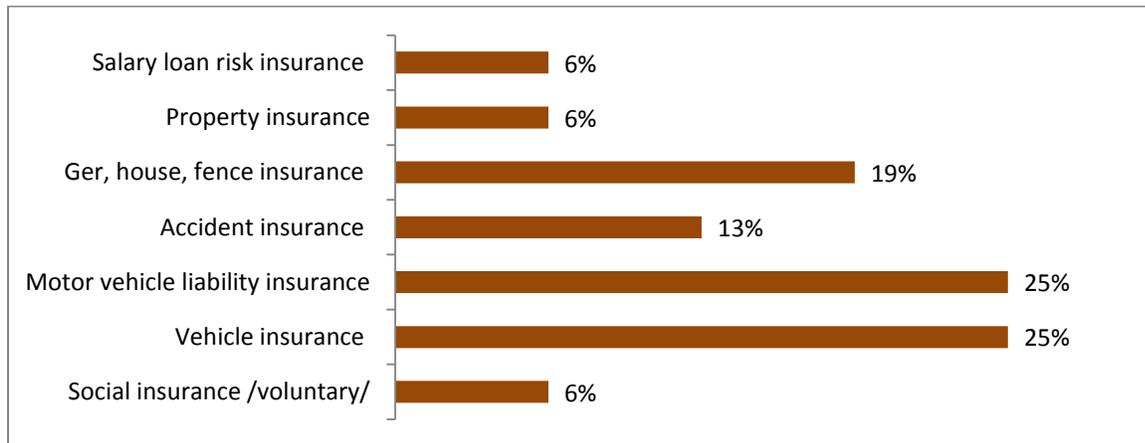
**Figure 7: Insurance experience**



The participants were asked about their insurance experience except for mandatory health and social insurance. Majority of the participants (57%) have never been insured and 43 percent of them have insurance

experience.

**Figure 8: Insurance types that participants purchased**



Most of the participants (50%) have or had motor vehicle liability insurance and vehicle insurance. 19 percent have experience of *ger*, house, fence insurance, 13 percent have accident insurance, 6 percent have property insurance, 6 percent have salary loan risk insurance, 6 percent have voluntary social insurance experience. Salary loan protection insurance is a new product in the market and mandatory for all who are taking salary loan. For *ger*, house, and fence insurance, Ard and Mig insurance companies have been operating actively in Erdenet city. Entrepreneurs usually purchase social insurance voluntarily. Out of the participant who have insurance experience, 19% percent or 4 people were paid under vehicle and *ger*, house, fence insurance. According to them, claiming and payment process was not cumbersome and they are willing to continue their insurances.

For the participants voluntarily took out insurance, insurance companies usually selected based on the following criteria.

- Prompt service (Ard insurance, *ger*, house, fence insurance)
- Convenient location (Mig insurance, voluntary social insurance)
- Friends or relatives work for the company (Mig insurance, Vehicle insurance)
- Friends' suggestion. A friend of a participant received payout under accident insurance and the participant chose the same insurance product in that insurance company. (Ard insurance, Accident insurance)
- Reliable (Bodi insurance, property insurance)

The most often mentioned insurance companies by the participants were Bodi insurance LLC, MIG insurance LLC, and Ard insurance LLC. The following table shows some information about the three insurance providers.

**Table 4: Information about most mentioned insurance providers**

Insurance companies	Established year	Total asset	Market share by income	Products for individual according to their websites
Bodi insurance LLC	1995	MNT 15.36 billion	7.7%	Life & health, Accident, Travel, Liability, Property including ger, house, fence Motor vehicle, Motor vehicle liability
MIG insurance LLC	1997	MNT 11.94 billion	14.2%	Motor vehicle, Motor vehicle liability, Accident, Property including ger, house, fence, Travel insurance.
ARD insurance LLC	1991	MNT 9.55 billion	9.0%	Savings, condominium, motor vehicle, motor vehicle liability, disability, property, liability, accident, collateral, salary loan, travel insurance.

In Erdenet city, ARD insurance LLC is known especially among ger area residents in its attempt to cooperate with sub-districts to sell ger, house and fence insurance but the cooperation did not work well. According to the participants, MIG insurance LLC also conducted a survey among ger area 1.5 years ago to introduce ger, house and fence insurance. Moreover, MIG also introduces its products by organizing workshops in Erdenet city. Through these campaigns ARD and MIG insurance became better known in Erdenet city. Bodi Insurance is the second largest insurance company in terms of total assets after Mongol daatgal and Bodi group has many companies in various sectors so the name Bodi is generally familiar in Mongolia.

**Figure 9: Reasons of not being insured**

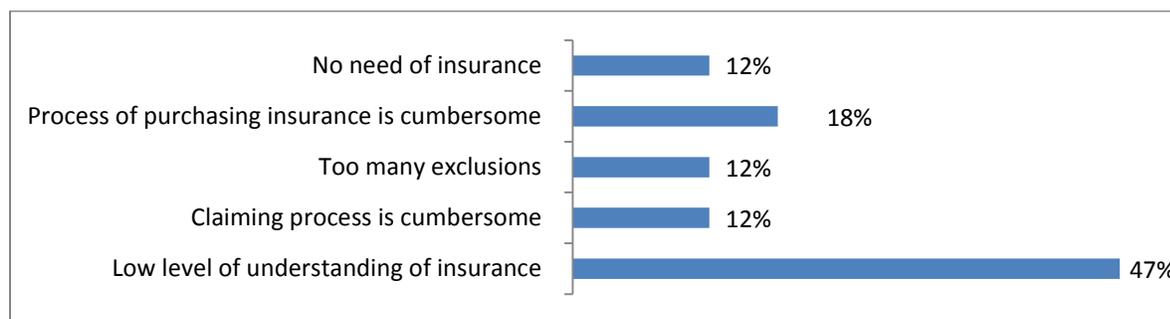


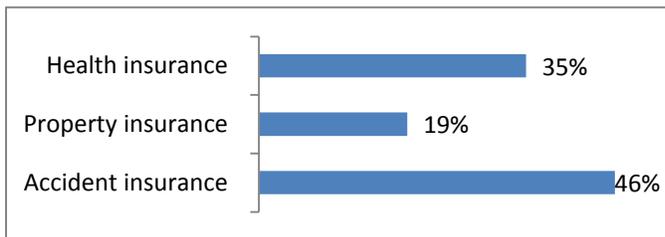
Figure 9 illustrates the reasons of not being insured provided from the participants. Most of the participants (47%) do not purchase insurance due to their low level of understanding of insurance. The reasons are followed by cumbersome process of claiming and too many exclusions (24%), “process of purchasing insurance is cumbersome” (18%), and “no need of insurance” (12%). Less than 10 percent of the participants had been informed about insurance by insurance companies as participated in organized events or presentations in their offices. The participants prefer media particularly television is a good way of informing about insurance.

According to the participants, the main reason of not purchasing insurance is a lack of understanding of insurance and FRC in particular needs to encourage the use of media to improve people’s financial education and explain the benefits of insurance to the public. Also insurance companies do not reach to *ger* area residents and provide them with sufficient information about their products and services.

**4. Insurance demand and need**

**4.1. Insurance need**

**Figure 10: Insurance need**



The participants were asked about their insurance preferences by a question “Which insurance would you take out first?”. Most of them (46%) replied accident insurance, 35 percent preferred health insurance and 19 percent chose property insurance. Accident

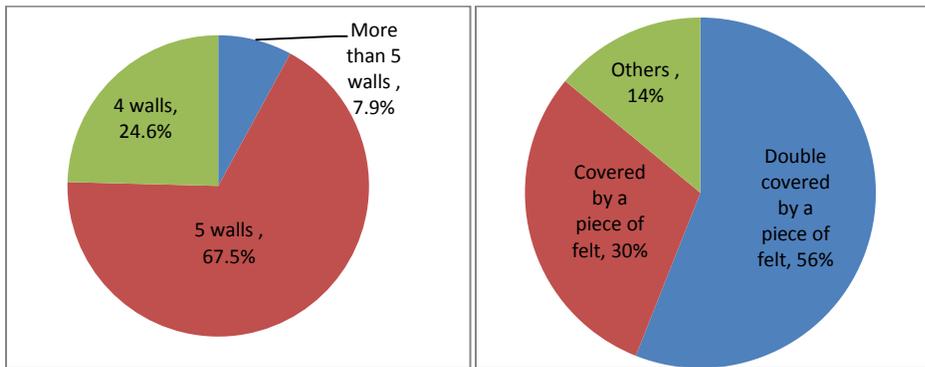
insurance is most needed insurance among the participants and this is due to life style and surrounding environment in *ger* area. Health insurance is the second needed one and this could somehow be explained by ineffective mandatory health insurance. Property insurance refers to usually *ger*, house, and fence and this result demonstrates that human basic needs of health and safety matter a lot.

AFC, 2014 proposed the introduction of insurance covering health and accident as a prototype product with the choice of either single coverage or family coverage for employees. This trend of insurance demand is still in the market not only among SMEs but also among *ger* area households.

**Ger, house, and fence insurance need:**

Before defining need of *ger*, house, and fence insurance among *ger* area residents, general information about dwelling type, ownership and size is provided below. Private ownership of land and houses are generally high in *ger* area. In older and established *ger* areas, nearly 99 percent of families own their dwellings and land. The ownership rate is lower (around 80 percent) in newer fringe *ger* areas where many new immigrants rent their land or houses. The size of fences (land plots) is fairly uniform at around 470 m<sup>2</sup>–590 m<sup>2</sup> in all *ger* areas because residents occupy as much land as laws allow. The average house is slightly larger in the city center *ger* area at 77 m<sup>2</sup>, compared to 55 m<sup>2</sup> in the mid-tier and fringe *ger* areas. (The World Bank, 2010).

**Figure 11: Ger size and insulation**



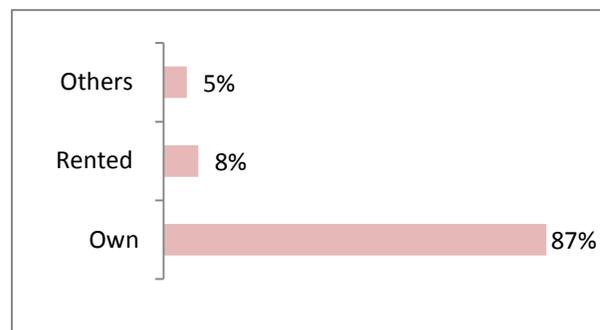
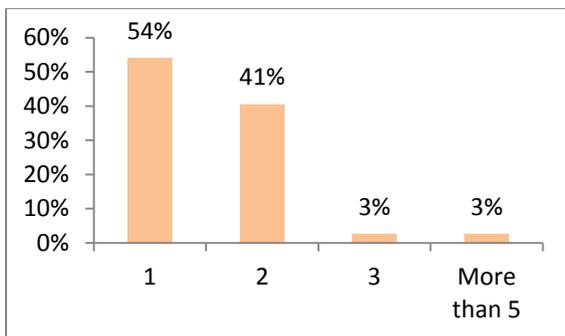
Source: The World Bank, Clean oven initiative study report

*Ger* area residents usually live in their own houses (92%), small percentage of them rent others' houses (3%) and 5 percent of them live in relatives' houses without rent (The World Bank, 2012). Majority of *ger* residents live in *gers* with 5 walls<sup>2</sup> (67.5%) in terms of size, and double covered by pieces of felt (56%) in terms of insulation.

Houses in *ger* area are usually small those have 2 rooms and a kitchen. Average area of houses excluding kitchen is about 48 m<sup>2</sup>. In terms of story, majority (88%) of them are one-story and 11 percent of them are two-story. *Ger* area residents who live in houses usually own their houses (96%), and 4 percent of them rent (1 percent with rent and 3 percent without rent) (The World Bank, 2012).

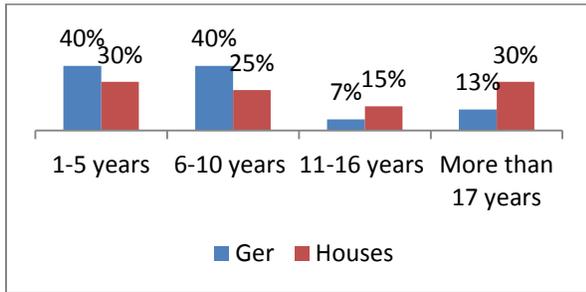
The participants expressed their need of *ger*, houses, and fence insurance and emphasized low premiums, flexible conditions, and convenient services are crucial to deliver insurance products in *ger* area. The following figures illustrate some information of the participants in our FGD regarding their dwelling.

**Figure 12: The number of households within a fence**      **Figure 13: Dwelling ownership**

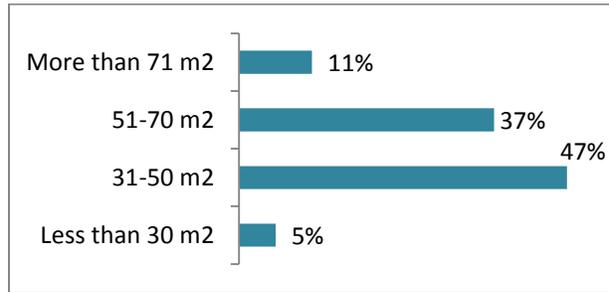


<sup>2</sup> *Ger* is framed by detachable walls (latticework of wood) and more the walls, larger the *gers*.

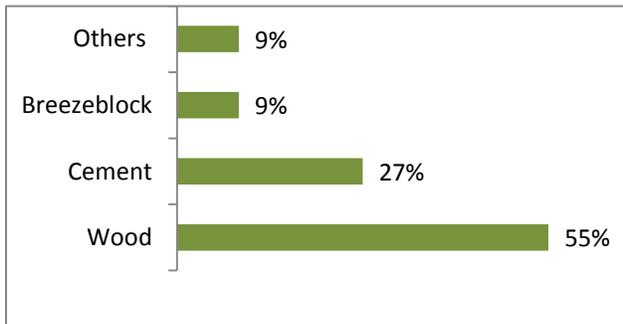
**Figure 14: Dwelling age**



**Figure 15: The size of houses**



**Figure 16: Materials of houses**



According to the participants, mostly (95%) 1-2 households live within a fence and majority of them (87%) live in their own houses. Houses usually last longer than *gers*. Most *gers* (80%) are 1-10 years of age while 30 percent of houses are aged more than 17 years, 30 of houses are 1-5 years of age. Most houses (47%) have 31-50 m<sup>2</sup> area and 55 percent of houses are wooden.

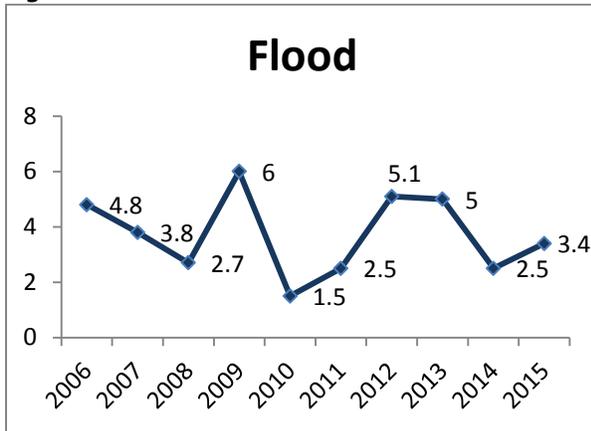
Ger area residents will buy *ger*, house, and fence insurance in order to protect them from financial risks and Table 5 shows possible risks can cause damage to *gers*, houses, and fences provided by the participants.

**Table 5: Risks cause damage to *gers*, houses and fences**

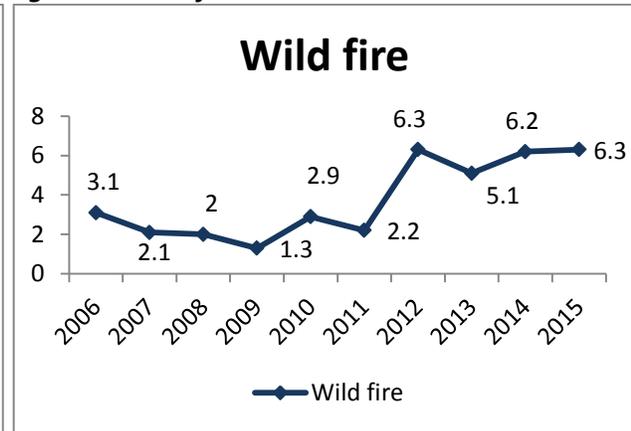
No	Risks	
1.	Fire	There were an incidence of fire among the participants and the cause was electricity.
2.	Flood and rain	A participant shared an experience that her neighbor's <i>ger</i> damaged or floated in the flood. The participants agree that <i>ger</i> is relatively stable during lighter rain.
3.	Wind	<i>Ger</i> can be survived in wind by tied down by ropes while the rooves of houses are usually damaged by wind.
4.	Theft	A participant shared her experience of theft occurrence from her house. Theft of belongings from <i>gers</i> , houses, and fences of isolated households are common.
5.	Earthquake	Earthquake risk is relatively low in Mongolia.
6.	Thunder	A participant shared an incidence of fire that caused by thunder.

The following figures illustrated indexes of risks published by Risk management Forum 2016 and higher the index, more the risk.

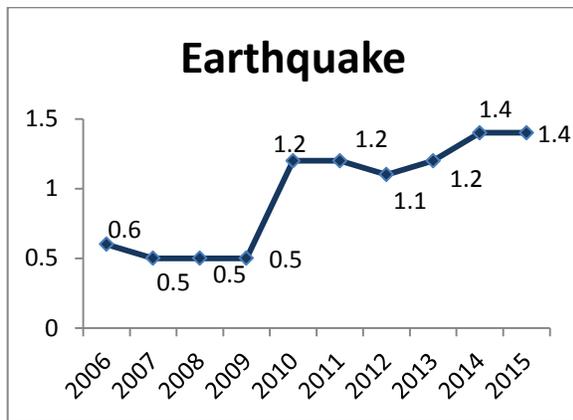
**Figure 17: Flood index**



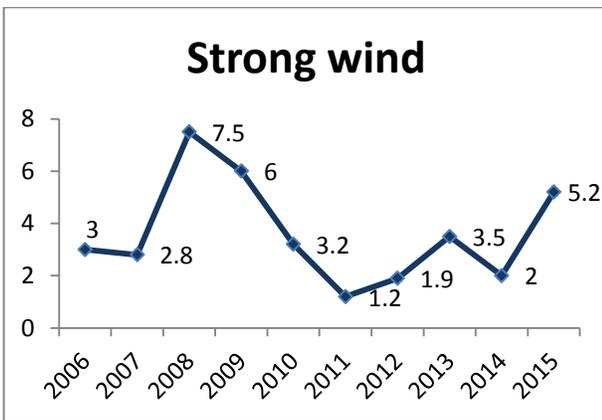
**Figure 18: Wild fire index**



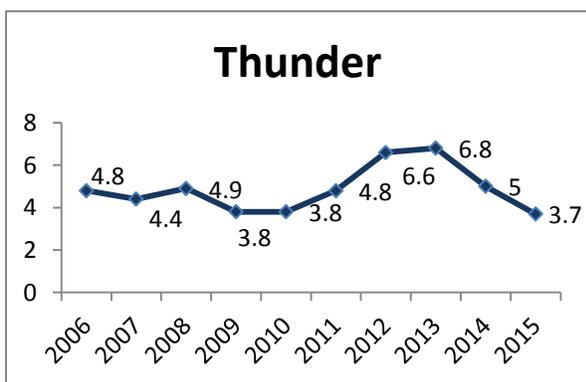
**Figure 19: Earthquake index**



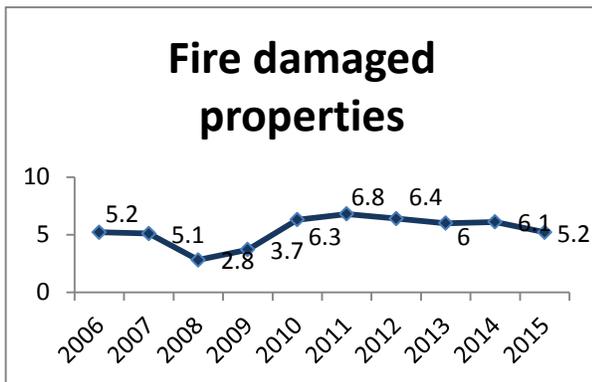
**Figure 20: Strong wind index**



**Figure 21: Thunder index**



**Figure 22: Fire damaged properties**



Major natural hazard risk in Mongolia is fire and this is due to dry weather condition. There were 181 and 120 incidences of fire in Orkhon province in 2015 and in first 9 months of 2016 respectively. Due to fire, one life in 2015 and 8 lives in 2016 were lost. Table 6 shows the reasons caused fire and main causes of fire are ash dumped outside and electricity.

**Table 6: Reasons of fire in Orkhon province**

Reasons	The number of incidence		
	2015	2016	Total
Ash dumped outside	59	33	92
Oven, stove, chimney heating	26	27	53
Improperly installed electricity	33	14	47
Candle, light, cigarette, match	13	6	19
Electricity misuse	0	12	12
Machine and technical failure and misuse	1	3	4
Children's careless actions	1	3	4
Welding	2	1	3
On purpose	1	2	3
Crude oil	2	0	2
Automobile exhaust pipe	1	1	2
Electricity and technical failure	0	1	1
Working below technology standards	1	0	1
Others	41	8	49

**Competitors offering ger, house, and fence insurance:**

According to their websites, most insurance companies in Mongolia can insure ger, house, and fence. Table 7 shows the terms of ger, house, and fence insurance product.

**Table 7: Ger, house, fence insurance terms**

No	Insurance companies (source of information)	Ger, house, fence insurance	Premium amount (percent of market value of property)
1.	Bodi insurance (Website)	Under the product named Property insurance ger, house, fence can be insured.	Annually 0.8%-1.5%
2.	Ard insurance (website & phone)	Even though on the website, ger, house, and fence can be insured under property insurance; however, its staff said over the phone that these properties only could be insured if these are pledged against loans.	
3.	Ganzam insurance (phone)	Not possible to insure ger, house, and fence	
4.	Ger insurance (phone)	Under the product named Property insurance ger, house, fence can be insured.	1.5% per annum covering natural hazard and fire risks. 0.2% per annum per additional risks.
5.	Mandal general insurance (website)	No property insurance product for individuals	
6.	MIG insurance (phone)	Under the product named Property insurance.	1% per annum covering natural hazards, electricity, and fire risks.
7.	Munkh insurance (phone)	No insurance offered for ger, house, and fence	
8.	Mongol insurance (website)	No insurance offered for ger, house, and fence	

9.	Nomin (phone)	insurance	Ger, house, fence can be insured but premium amount could not be provided. They said that first need to see the property and evaluate its risk.	
10.	Tenger (phone)	insurance	Under the product named Property insurance ger, house, fence can be insured.	1.6% per annum covering all risks including theft. 1.0% per annum covering main four risks including natural hazards, fire, electricity, flood risks.
11.	Practical (phone)	insurance	Individual household's ger, house, and fence cannot be insured. It can insure group household's properties such as employees of an organization.	
12.	Monre (website)	insurance	Easy product especially designed to insure ger, house, and fence.	Risks covered: Fire and flood. For Ger: premium - MNT 20,000 per year and coverage amount - MNT 2.0 million For house: premium – MNT 50,000 per year Coverage – MNT 8.0 million For fence : premium – MNT 5,000 Coverage – MNT 1.0 million

Although insurance companies offer property insurance, ger, house, and fence insurance products are not widespread in the market mainly due to following reasons:

- Premium is not on monthly basis
- No specific product for ger, house, and fence insurance except for Easy product
- Information about the product is vague and usually not stated on their websites. Some requires visiting to the site of ger, house, and fence first and then provide premium amount based on their risk evaluation.
- Some companies do not insure gers, houses, and fences of individual households and only insure when these properties are pledged against loans or group households together insure these properties.
- All above mentioned conditions prevail in the market because there is no convenient distributional channel to involve a great amount of ger area households in insurance. That is why some insurance companies refuse to insure individual households' property because of adverse selection problem.

In order to launch a successful ger, house, and fence insurance product in the market, insurance providers first need to identify an adequate distribution channel in order to reach as many ger area households as possible and second offer a low amount of premium that can be paid on monthly basis. And last but not the least insurers need to offer good quality of service by explaining the product to the customers (Client value).

#### 4.2. Affordability

The income level of ger area households is generally lower than that of apartment area and this leads to a challenge to sell insurance in ger area. Table 8 shows the result of the World Bank survey carried out in July, 2012 among ger area households regarding household income level. This result indicates that households live in gers have the lowest monthly income and households live in houses with boilers have the highest income level. Average monthly income of households in ger area was MNT 750,082 in 2012.

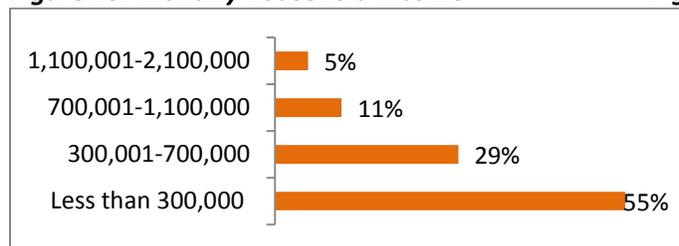
**Table 8: Income level of households by dwelling type**

	<i>Ger</i>	Houses without stove walls	Houses with stove walls	Houses with boilers	Total
<b>Monthly income</b>	634,770	695,613	850,738	957,906	750,082
<b>The number of households</b>	76,483	13,623	54,326	19,695	164,127

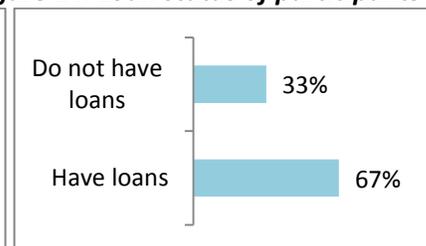
Sources: The World Bank, Clean stove initiative, 2012

Below figures illustrate income level and credit status of the participants in our FGD. Majority of the households (55%) in our FGD belongs to the income level of less than MNT 300,000 per month. Most of households live in *gers* (80%) in contrast to 33 percent of households live in houses have monthly income less than MNT 300,000. This demonstrates that households live in *gers* have lower income than those live in houses.

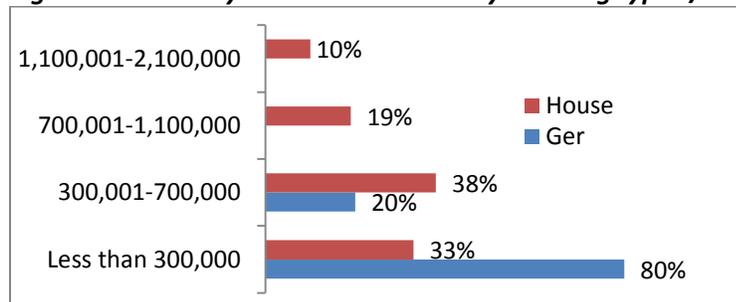
**Figure 23: Monthly household income**



**Figure 24: Loan status of participants**



**Figure 25: Monthly household income by dwelling types /in MNT/**



Majority of the participants (67%) have loans from financial institutions and 33 percent do not have any loans. Loan status of the participants also demonstrates that *ger* area residents have financial need and risk protection mechanisms. Low and affordable premium amount is the most important for *ger* area residents to buy insurance due to their meagre income level.

## 5. Insurance products for *ger* area residents

### 5.1. Risks to be insured

Most needed insurance for *ger* area residents are accident, health, and *ger*, house, and fence insurance. The participants were also asked by a question “Do you prefer bundled insurance or typical insurance product?”. The participants all agreed that bundled products meet their needs and they prefer bundled products if premiums are reasonable. The participants also prefer group insurance product that involves all the family members instead of an individual.

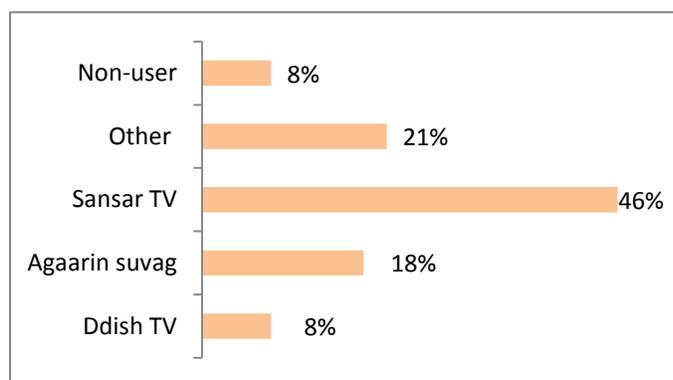
## 5.2 Distribution channel

Due to a lack of public and other services in *ger* area, distribution channel is a main challenge to sell insurance to *ger* area residents. In terms of premium payment, the participants prefer to pay premiums monthly and it is convenient for them if premiums are added to their monthly payments. *Ger* area households make the following monthly payments.

- Electricity bill (waste collection fee, electricity bill, national broadcasting fee)
- Cable TV payment (for households use cable TVs)

According to participants, premiums could be collected with both the electricity bill and cable TV payment. Some mentioned that monthly cable TV payment is lower than electricity bill thus, premiums will impose less financial burden on households if it is collected adding to cable TV payment.

**Figure 26: Cable TV usage**



Most of the households (92%) in our FGD use cable TVs such as Sansar TV (46%), Agaariin suvag (18%), and Ddish TV (8%). Agaariin suvag is a local cable TV provider in Erdenet city and that is why it is popular among the participants.

According to the World Bank study in 2012, every *ger* area household has at least one mobile phone and average number of mobile phone is 3.3 per a household. Moreover, 17 percent of households use mobile banking service and the participants more prefer to pay premiums with monthly payments instead of paying via mobile phones. *Ger* area residents are not ready to use mobile phones for premium payment.

## 7. Conclusion and recommendation

UB *ger* area has been expanding since 2003 and as of 2013 totally 59.1 percent of households live in *ger* area. Migration from rural areas to bigger cities such as Ulaanbaatar and Erdenet has caused an unprecedented expansion of *ger* area. Socioeconomic profiles of *ger* area households are different from apartment area households and usually poorer, younger, larger families live in *ger* area. *Ger* area residents usually involve in economic sectors require physical strength in both work environment and everyday life. Personal accident, fire, theft, illness risks are more often occur in *ger* area due to unhealthy environment with dust, air pollution, soil contamination, and bumpy roads. These risks increase the demand of accident insurance, health insurance, and *ger*, house, and fence insurance in *ger* area.

Majority of *ger* area residents have basic understanding of insurance; however, perceptions that insurance companies usually do not pay coverages are widespread among people. Policy holders usually

purchased vehicle insurance, motor vehicle liability insurance, accident insurance, and property insurance. Main reason of *ger* area residents not being insured is lack of understanding of insurance. Our FGD finds out that the following conditions are significant to deliver insurance products to *ger* area residents.

- Low and affordable premium;
- Provision of good explanation and information about insurance benefits and terms and conditions;
- Regular contact and care of the existing customers;
- Promotion offer to the reliable and long-standing customers.

Moreover, bundled insurance products and group insurance products are preferred than typical insurance products.

According to the participants, *ger* area residents need *ger*, house, and fence insurance and premiums are preferred to be paid added to monthly payments such as electricity bill and cable TV payment. *Ger* area households usually live in their own houses and households live in *gers* are poorer than households live in houses. Small percent of *ger* area residents use mobile banking service and they are not ready to use their mobile phones for premium payment. *Ger*, house, and fence insurance product has not been successfully launched in Mongolia because of a lack of effective distribution channel and insurance companies could not involve the low income and less educated *ger* area residents in insurance. This situation leads to unfavorable insurance terms and conditions such as annual premium collection instead of monthly collection and avoidance of insuring individual households to prevent adverse selection.

For an insurance product to be successfully introduced in a *ger* area, insurance companies need to identify first an effective distribution channel in order to reach all *ger* residents. Once this is achieved a lower amount of premium and better quality of services is necessary to further develop the market in a *ger* area.

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