

# Insurance education for today's society in the context of financial education:



# The project «Insurance for Everyone»\*, by FUNDACIÓN MAPFRE



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## Introduction to financial education

Concern by international bodies, governments, supervisors and regulators regarding the financial education or literacy of our society has noticeably increased in recent years, following -perhaps lagging somewhat behind- the development of the financial markets and the social and demographic changes of the last two decades. The general consensus among experts is that society's knowledge on the various savings, investment and financing products available has not matched the consumption or use of these products. This has meant that a large portion of society has managed their personal finances with little or no prior understanding of what they were committing themselves to; this, they say, has led to debt and other similar problems that are difficult to handle.

\* «Seguros para todos».

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The need for citizens to be better informed has become even more evident during the financial crisis, when the poor standard of general knowledge came to light at precisely the worst moment. Some may think that only professional investors need such expertise, but the truth is that it affects all families, at all levels of society, because informed decision-making is essential for guaranteeing our health, our home(s) and our current and future living conditions. The problem is two-fold: first, people do not have sufficient knowledge; second, they are being offered a vast range of financial services and products that have become increasingly complex and technical over time.

The world's financial environment is volatile and ever-changing, and the risk factors that

shape it are diverse, from purely financial to political, cultural, social and demographic. The following key parameters have influenced recent developments: rising *per-capita* income and associated higher savings capacity; the huge range of financial products available on the market; a steady increase in the level of indebtedness; longer life expectancy; job insecurity; changes in the benefits of public health systems, social benefits and pensions; changes in tax legislation; deregulation; the increase in electronic transactions and decrease in the use of paper money, to name but a few.

Given all of the above, properly administering financial resources requires more knowledge and skills than it used to. Ultimately, for governments, investing in financial literacy and





training is a way of cultivating social well-being and ensuring the future growth of a country.

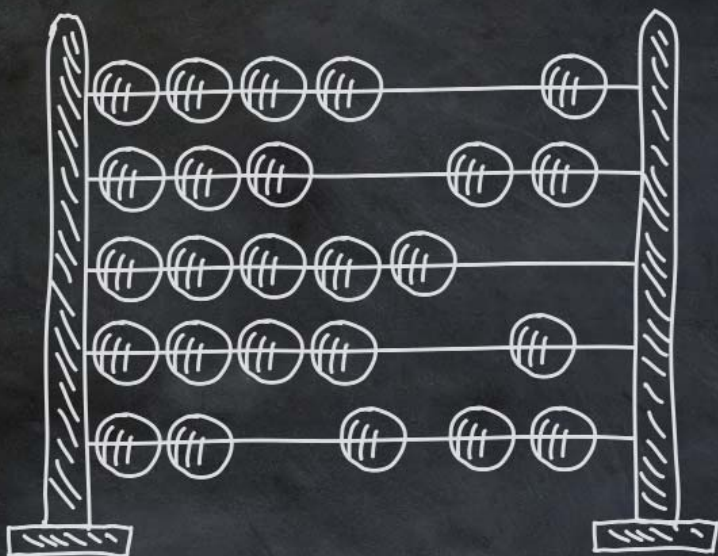
a culture of insurance beyond those that are produced merely for commercial purposes.

## The role of insurance

Against this backdrop, insurance is a key financial product that we would do well to understand, as it is one of the most important guarantees for maintaining our basic personal needs and, in many cases, it is the principal repository of family savings. A correct understanding of the benefits, capacity and limitations of insurance policies is a key security factor in people's lives and, as such, education regarding insurance must play a major role in the education of our citizens. However, there are currently very few initiatives aimed at promoting

## Background of financial education

The history of modern financial education began in the United States in the early 90s, with the first analyses pertaining to savings in homes. Although these studies were focused on the efficiency of tax incentives for saving, they seemed to show a certain correlation between low rates of saving and low financial literacy. Other studies were also performed to establish the effects of financial education in schools on individual savings and to see what long-term changes there were in consumer behaviour; it was found that those persons



who had received education displayed higher savings rates and accumulated more wealth as adults. Subsequently, in the first decade of this century, research was continued in Europe and other industrialised countries on people's financial behaviour (planning and saving for retirement, types of investments used, level of wealth accumulation, level of indebtedness) and their financial knowledge, reaching the same general conclusions: the correlation between a person's financial education and the quality of their savings and investment decisions was clearly established.

Regarding the activity of international or supranational bodies, the Organisation for Economic Cooperation and Development (OECD) has played an important role. A significant milestone was undoubtedly the presentation in 2005 of its study «Improving Financial Literacy. Analysis of Issues and Policies» (see 1 in References) that showed the results of analyses on consumers' financial literacy and the effects of the programmes pertaining to this issue in 15 countries. It also provided the first broad definition of financial education (Text 1). In

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### Text 1

***Financial education is «the process by which financial consumers/investors improve their understanding of financial products, concepts and risks and through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and take other effective actions to improve their financial well-being».***

**OCDE. 2005.**

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general, these studies all came to similar conclusions, notably that financial literacy was quite low, and that consumers generally lacked knowledge of the risks they assumed and engaged in inadequate long-term financial planning. It also pointed out that the lower one's socio-economic status, the greater one's lack of financial literacy was likely to be.

Based on the results of this study and also in 2005, the OECD Council published a resolution (see 2 in References) in which it invited the Member States to implement policies that would promote financial education, designing programmes aimed at and adapted to all segments of the population. The resolution includes the general principles and good practices for its

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## Text 2

***Initiatives for developing financial and insurance literacy have been carried out following principles that were generally common to all:***

- 1. Promotion of a culture of prevention and long-term savings.***
  - 2. Cultivation in all stages of life, beginning in the early school years.***
  - 3. Accessibility for all social groups.***
  - 4. Useful, clear and transparent information in order to face the specific day-to-day problems and needs of each demographic group.***
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**Table 1: Summary of the content of the Financial Education Plan, period 2008-2012.**

Source: CNMV/BdE

	Segments	Needs	Actions	Areas for cooperation
Educational system	Secondary education Vocational training	- Basic factors: Savings/ Investment/ Indebtedness.	- Material preparation. - Training for teachers. - Ongoing support. - Curriculum inclusion.	- National and regional education authorities. - Teachers' associations.
	University	- Financial system.		
Adult population	Employees/Freelancers	- Insurance policies. - Loans and credit. - Retirement savings. - Investment products.	- Workshops at worksites. - Internet. - Training for trainers.	- Business organisations. - Professional associations. - Unions. - Large companies.
	With children	- Insurance policies. - Loans and credit. - Retirement savings. - Investment products.	- Specialised publications.	- Publishing houses.
	Retired workers	- Savings/ Investment products - Fraud prevention.	- Workshops at seniors' centres. - Training for counsellors.	- Autonomous Communities.
	Others (immigrants, disabled people, housekeepers, other young people...)	- According to demographic group.	- Workshops. - Internet. - Publications.	- Associations for disabled people, - Consumers associations, immigrants associations...

publication and application by governments and institutions.

Since then, many studies, surveys and programmes have been published on the issue, many of them with the financial crisis as a backdrop; in turn, the governments of developed countries have followed the OECD indications and have mostly designed national strategies and plans for financial education. Many companies and private organisations have also implemented their own initiatives.

## Financial Education Plan, Spain

Focusing on the case of Spain, the National Securities Market Commission (CNMV) and the Banco de España (BdE), the country's most senior financial supervisors, undertook in May 2008 to draft, publish and develop the «Financial Education Plan» (see 3, 4 in References) under the principles and recommendations of the OECD, the principal aim of which was to «contribute to the improvement of citizens' financial literacy». Subsequently, the General Directorate for Insurance and Pension Funds, Spain's insurance regulator, joined the Financial Education Plan along with many other public and private companies and associations.

Within the Plan, a financial education website was designed as the main channel

for information and training: «Finance for Everyone» ([www.finanzasparatodos.es](http://www.finanzasparatodos.es)). Other information and training activities were also carried out. This four-year plan 2008-2012 was extended to the period 2013-2017. Table 1 shows the general guidelines of the first Plan.

## The project «Insurance for Everyone», by FUNDACION MAPFRE

### Background

Within the general context described above, in 2011 FUNDACIÓN MAPFRE set itself a new goal of contributing towards improving citizens' insurance literacy; this goal aligns perfectly with the objectives of the foundation. In order to accomplish this project as effectively as possible, it was deemed necessary to carry out a study (see 5 in References) that would gather information on the matter and identify the educational requirements regarding insurance in Spain. (Text 3)

Based on this, the project «Insurance for Everyone» was born in 2012, with the aim of improving social perception of insurance through knowledge of insurance culture, its principles and basic tenets. Given that its approach dovetailed well with the initiatives of the Financial Education Plan, the FUNDACIÓN MAPFRE signed a collaboration agreement with the BdE and the CNMV to develop insurance-related content.

**The National Securities Market Commission (CNMV) and the Banco de España (BdE), the country's most senior financial supervisors, undertook in May 2008 to draft, publish and develop the «Financial Education Plan» and the principal aim was to contribute to the improvement of citizens' financial literacy**

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### Text 3

***Some of the conclusions of the report on social perception of insurance in Spain, which show Spaniards' low level of preventive and insurance literacy:***

- ▶ ***Only 52 % of the population say that risks should be prevented and would take a preventive measure to avoid them or protect themselves from the consequences (through savings and insurance).***
  - ▶ ***Over half of the users (54 %) say they find it difficult to understand the information on insurance policies.***
  - ▶ ***A third (34 %) say they do not read the general conditions of coverage carefully.***
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### Philosophy and aims of «Insurance for Everyone»

«Insurance for Everyone» aspires to help citizens understand the basics of insurance and by extension, how the insurance sector works. Given that this is a broad aspiration and the profiles of the stakeholder groups vary widely, the guiding principles have been defined as follows:

► **Universality:** The principles that govern financial and insurance education are universal and therefore, the content of the project tends towards generality. However, the needs of the various social groups and the specific realities of the countries and geographical areas involved are taken into consideration.

► **Aimed at non-experts:** The target audience is not expert in insurance. Simple language that strikes a balance between jargon and technical precision is preferred.

► **Easily accessible:** Access to information must be easy, free and universal, so that the content can be consulted regardless of the manner in which it is accessed. Visibility through different media is required to achieve this, both on the internet ([www.segurosparatodos.org](http://www.segurosparatodos.org)) and by traditional means, usually print.

► **Possibility of interaction:** This is an essential factor if a society is genuinely interested in stating its opinion on the products and services that are marketed or offered.

«Insurance for Everyone» aspires to help citizens understand the basics of insurance and how the insurance sector works. It is aimed at all citizens in a variety of different social groups



Along these lines, the informative strategy is designed for the interaction to be real and bi-directional, based on active listening.

### Scope of the project

Given its essence and origin, «Insurance for Everyone» is aimed at all citizens in a variety of different social groups. Geographically, the Foundation focuses the bulk of its activity on the countries in which it has an institutional presence.

Following the principles of the OECD, education in matters of insurance must be provided to a broad target audience. However, demographic groups with similar features are established, depending either on the training requirements

presented, or on the access channels that are considered most effective. Table 2 shows the different population groups and the actions planned for each of them.

### Content

The website presents nuts-and-bolts information on insurance. It also addresses the following specific issues: fraud and the harm it causes to society as a whole; the rights and obligations of the insured; the role of mediation, etc. The website also contains a glossary where the essential terminology is explained in simple words. A consultancy service with experts is also available to discuss specific insurance questions; this is explicitly neutral and non-commercial.

**Table 2. Population segments, needs and actions of «Insurance for Everyone».**

Source: SpT

Population segments		Needs	Actions in «Insurance for Everyone»
<b>School-age population</b>	Students in general (6-11 years)	Elementary concepts on risk, protection, human solidarity and savings.	- Drafting of school materials. - Teaching of workshops.
	Secondary education and vocational training (12-17 years)	More elaborate concepts on insurance. Supported by training tools.	- Drafting of school materials. - Teaching of workshops. - Support for teachers.
<b>Adult population</b>	General	Become familiar with the insurance sector and associated products. Rights and obligations of the insured person.	- Information on the website. - Seminars at workplaces. - Basic education.
	Seniors and retirees	Same as above, focusing on pension plans and life insurance.	- Seminars at senior centres. - Basic education. - Support for providers and personnel caring for seniors.
	Other groups (self-employed, educators, disabled)	Depending on demographic group.	- Conferences and seminars. - Information on the website. - Specific actions at associations.

## The importance of interaction and social media

In order to find out first-hand where society is lacking and has difficulties regarding insurance, it is essential to use the new technologies and tools that enable interaction with users. This will allow us to design materials that relate to the issues that arouse the most interest. «Insurance for Everyone» was not conceived only as a place to store data on a website; it is a set of initiatives featuring different media that seeks to promote this interaction so that the users themselves can decide on part of the content and can openly express their expectations and needs.

Social media are very useful tools for transmitting this message to society; the most common platforms -Facebook, Twitter and Youtube- are leveraged for this purpose.

- ▶ **Facebook** is the main channel for promoting the content of «Insurance for Everyone»; the specific aim is to generate a community that will provide new ideas and actions, and will serve as a channel for spreading insurance literacy.
- ▶ **Twitter** cultivates relationships with experts with an online presence; these individuals can «vet» content and endow it with further reliability.

The screenshot shows the website 'Seguros para todos' in a browser window. The address bar shows 'http://www.segurosparatodos.org/'. The page has a navigation bar with links for 'Accesibilidad', 'Mapa web', 'Contacto', and 'RSS'. The main header features the logo 'Seguros para Todos' with three colorful circles. Below the header, there is a breadcrumb trail 'Estás en: Home >'. A vertical menu on the left contains links: '¿Qué es el seguro?', 'Tipos de seguros', 'Quién, cómo y cuándo asegurar', 'Preguntas frecuentes', 'Glosario', 'Las cifras del seguro', and 'Formación'. At the bottom of this menu is a button 'Consulta al experto' with a graduation cap icon. On the right, a large box titled 'El mundo del Seguro al alcance de todos' contains text: '¿Aún no sabes quién es Máximo Pupas? Conoce a nuestro personaje estrella que te explicará, a través de sus aventuras, muchas cosas del seguro que quizás no sepas.' Below this, a 'Colaboran:' section lists partners: 'FUNDACIÓN MAPFRE', 'plan de educación financiera', 'CNMV', and 'BANCO DE ESPAÑA'. At the bottom, there are three columns of content: '¿Qué es el seguro?' with sub-links 'El Riesgo', 'El seguro', 'Los Principios del Seguro', and 'Comprar un seguro'; 'Tipos de seguros' with sub-links 'Seguros Personales', 'Seguro de Daños o Patrimoniales', and 'Seguros de Prestación de Servicios'; and 'Quién, cómo asegurar' with sub-links '¿Qué se puede asegurar?', '¿Quiénes interaccionan con el seguro?', and '¿Cuándo contratar un seguro?'.

### Text 4

**Content currently available on the «Insurance for Everyone» website:**

- ▶ **What is insurance?**
- ▶ **Who, how and when to insure.**
- ▶ **Types of insurance.**
- ▶ **Insurance in numbers.**
- ▶ **Ask the expert and FAQs.**
- ▶ **Glossary.**





► **Youtube** is used in its double role as a repository for the project's audiovisual content and as a global medium that takes advantage of the viral nature of the Internet.

### Teaching: a key element in developing the project

Teaching is one of the basic pillars of «Insurance for Everyone»; its ultimate goal is to be practical, so that it can help in real-life situations.

There are two strands of teaching activities:

- **Basic teaching for the general public:** Simple courses that focus on single insurance issues, e.g. types of insurance, fraud, protecting the insured person, purchasing insurance, making a claim.
- **Training for teachers:** It is only possible for the population to receive information on insurance from an early age if teachers are suitably prepared for this job; «Insurance for Everyone» will provide the necessary training and resources so that teachers can confidently provide education on insurance for their students.

This training also involves other related groups: Social workers and other personnel who work with seniors or disabled persons, employees of financial and insurance companies. To this end, training materials and tools will be created to reinforce the content currently available on education syllabuses.

### Text 5

**Figures summarising «Insurance for Everyone's» social media activity over the last year:**

- **Facebook: over 1,900 followers.**
- **Twitter: over 2,100 followers.**
- **YouTube videos have been seen over 10,000 times.**





### The future

«Insurance for Everyone» is just the beginning and the project will only bear fruit in the medium to long term. Meanwhile, we must analyse the effectiveness of all of the activities and quantify their true impact both

on the population at large and on specific groups. Doing so will enable us to calibrate future activities and guarantee the success of these educational programmes. Of course, any such initiative must continue to be aligned with institutional measures and plans in order to maximise mutual benefit.

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### Text 6

**Basic, informative courses, that can be found on «Insurance for Everyone»:**

- ▶ **Insurance, what is it and how does it work?**
  - ▶ **Purchasing insurance.**
  - ▶ **Types of insurance.**
  - ▶ **The insurance policy.**
  - ▶ **How do I use insurance?**
  - ▶ **Protecting the insured person.**
  - ▶ **Insurance fraud.**
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