

Researchers

Dean Karlan
Northwestern University

Jonathan Zinman
Dartmouth College

Sample Size

2000 low income microentrepreneurs who are existing clients of Green Bank microcredit program in Northern Mindanao

Research Implemented by IPA

Yes

Demand for Hospital Insurance in the Philippines

Abstract

We partner with Green Bank to assess the demand for hospital insurance among microfinance clients. Green Bank offered the insurance to clients at randomly assigned premiums. By observing the take-up rates at different prices, we can measure the price sensitivity. We also collect an extensive data on demographics and risk characteristics of the individuals in the sample, which allows for an examination of adverse selection in the insurance market (risky individuals are less price sensitive than risk-averse individuals). The impact of information asymmetries on insurance markets is important in theory but ambiguous in practice. Generations of studies have failed to produce a consensus on the presence, absence, or magnitude of adverse selection and moral hazard in most markets. While an increasing number of microfinance institutions offer insurance products to their clients as an add-on, there are few empirical studies on the impact of expanding access to health or hospitalization insurance in developing country contexts. The sample of our study includes 2,036 existing clients under the Green Bank's individual-lending program (TREES) in 10 branches of Northern Mindanao and Caraga regions.

March 24, 2011