



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

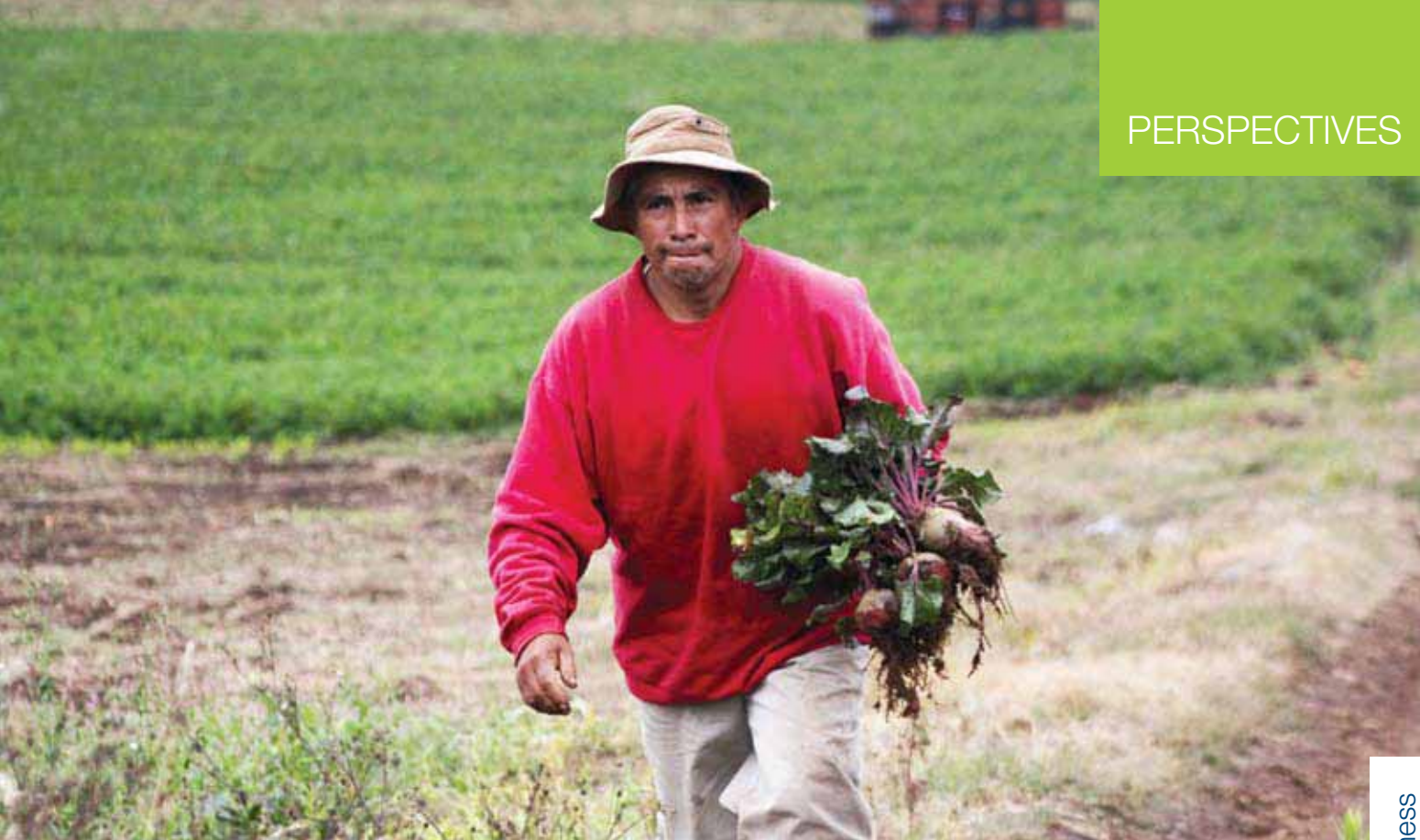
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

Food security in the Americas: A new development model

- Microfinance and microinsurance in Latin America and the Caribbean
- Doha Round: Situation and outlook
- Measuring the performance of agricultural GDP
- Public policy for rural development and social participation



Microfinance and microinsurance in Latin America and the Caribbean: situation and outlook

Jesus Rivera Velasco¹ and Jorge Caro Crapivisky²


Summary

This document provides an overview of the current situation of microfinance - and, in particular, of microinsurance - in certain Latin American countries³. The research focuses on microinsurance coverage for agriculture and rural communities. Most microinsurance initiatives are related to multi-risk coverage for crops and livestock. The last part of the document contains a summary of lessons learned by microfinance institutions, governments and institutions that support the microfinance sector. These lessons are intended to contribute to IICA's process of systematizing experiences and devising action strategies.

¹ Rural Development Specialist, IICA-Colombia, jesus.rivera@iica.int

² IICA Representative in Colombia, jorge.caro@iica.int

³ Specifically, in Bolivia, Brazil, Chile, Colombia, El Salvador, Peru, Guatemala, Haiti and Panama.



Key words: *microfinance, microinsurance, Latin America and the Caribbean, agent-partner model, life insurance, agricultural microinsurance.*

The microfinance and microinsurance market: general introduction

Microfinance

Microfinance is a growing market in Latin America and the Caribbean (LAC). Several factors have contributed to its development, including improvements in the regulatory framework, the economic growth of certain countries and the spread of the concept of entrepreneurial responsibility.

The microfinance institutions (MFIs) operating in LAC are mostly commercial banks, finance companies, foundations, cooperatives and non-governmental organizations (NGOs). The most common microfinance services in the region are microloans, savings, remittances, insurance and leasing.

According to a study carried out recently by the Inter-American Development Bank (IDB) in 26 Latin America countries⁴, in 2007 over 600 institutions were providing

microloans to more than eight million customers, with a total portfolio worth US\$8.6 billion. Substantial progress has been made since 2001, when the number of microfinance customers was put at less than two million, and the value of the total portfolio was only a little over one billion dollars⁵. A list of 325 institutions that offer services to low-income groups in LAC can be consulted at <http://www.mixmarket.org>.

This study also provides other key data on the microcredit market in the region. For example, research shows that the average rate of interest in the region is roughly 30%, but with major variations. The rates in some countries (Bolivia and El Salvador) are below 25%, while two countries (Mexico and Paraguay) have rates of over 40%. It is worth noting that the 30% microfinance interest rate is, on average, six percentage points more than the rate charged by commercial banks. A number of factors have an important bearing on these rates, including the specific economic characteristics of individual countries, the competitive and regulatory frameworks and institutional efficiency.

4 Argentina, Barbados, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Paraguay, Panama, Peru, Saint Lucia, Suriname, Trinidad and Tobago, Uruguay and Venezuela.

5 According to IFPRI-INIA (2003), during the 1980s few institutions offered savings and loan services to the poor in developing countries. There are now over 7000 microfinance institutions worldwide, a level that was unimaginable 20 years ago.

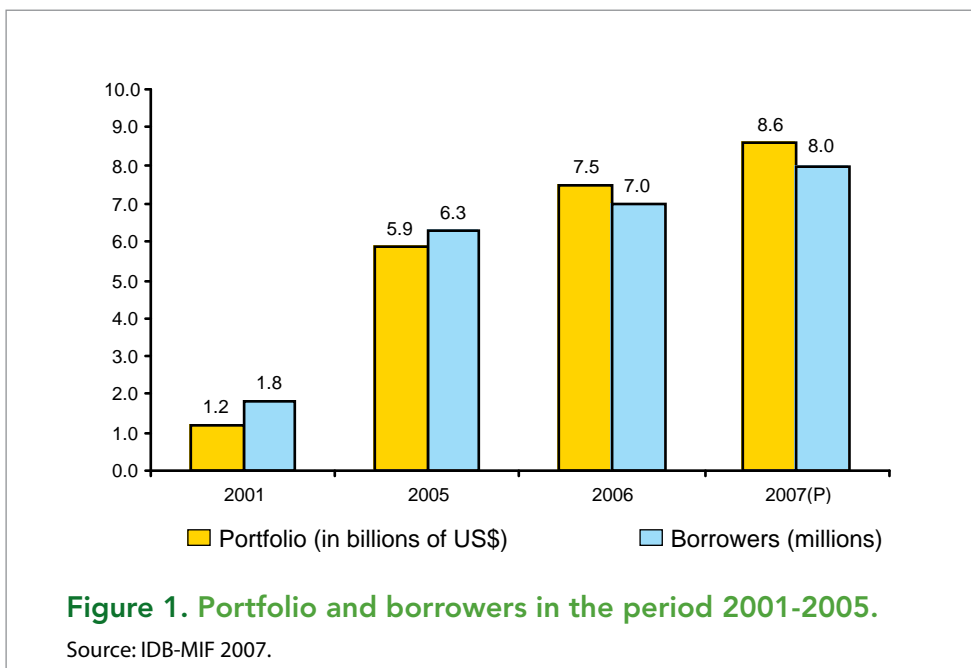


Table 1. Annual rate of interest (2006).

Country	Microfinance		Banks		Premium microfinance (a-b)
	Number of institutions	Interest rates (a)	Number of banks	Interest rates (b)	
Ecuador	58	15.5	24	26.5	-11
Bolivia	17	21	12	11.5	9.5
El Salvador	11	22.7	13	14.9	7.8
Guatemala	27	23.4	23	17.8	5.6
Panama	3	25.4	41	10.3	15.1
Colombia	14	27.9	17	17.7	10.2
Argentina	5	28	71	22	6
Nicaragua	20	31.8	7	23.5	8.3
Peru	38	32.2	12	16.2	16
Dominican Republic	3	34.7	12	21.3	13.4
Honduras	11	36.6	16	15.9	20.7
Paraguay	7	40.5	12	80.4	-39.9
Mexico	44	64.9	16	31	33.9
Selected countries	258	30	276	24	6
All countries	303	30.4			

Source: IDB-MIF 2007

The microfinance environment in the region varies widely. According to the Microscope's data, developed by the Economist Intelligence Unit (IDB and CAF 2007), in small countries like Bolivia, Peru, Ecuador and El Salvador the environment for the development of the microfinance market is relatively favorable in comparison with larger countries such as Argentina, Brazil and Mexico. To prepare this indicator (Table 2) 13 groups of sub-indicators were considered, divided into the following categories:

- **Regulatory framework:** Regulation of microcredit operations, formation and operations of regulated/supervised MFIs, formation and operations of

non-regulated MFIs, and regulatory and examination capacity.

- **Investment climate:** Political stability, capital market stability, judicial system, accounting standards, governance standards and MFI transparency.
- **Institutional development:** Range of MFI services, credit bureaus and level of competition.

Other findings of this study include the fact that the more favorable the business environment of a country, the higher the percentage of the population using microfinance services tends to be.

Table 2. Indicators of the microfinance environment in Latin America and the Caribbean.

Country / overall score		Regulatory framework		Investment climate		Institutional development	
Bolivia	79.4	Bolivia	100.0	Chile	75.0	Bolivia	75.0
Peru	74.1	Peru	81.3	Brazil	62.1	Rep. Dominican	75.0
Ecuador	68.3	Ecuador	75.0	Mexico	58.3	Ecuador	75.0
El Salvador	61.5	El Salvador	62.5	Peru	57.9	Peru	75.0
Dom. Rep.	57.5	Paraguay	62.5	Uruguay	54.2	El Salvador	66.7
Nicaragua	53.8	Guatemala	56.3	El Salvador	49.2	Nicaragua	58.3
Paraguay	52.9	Nicaragua	56.3	Bolivia	47.1	Paraguay	50.0
Chile	48.3	Chile	50.0	Colombia	47.1	Colombia	41.7
Mexico	48.3	Colombia	50.0	Argentina	46.7	Mexico	41.7
Colombia	46.1	Dom. Rep.	50.0	Ecuador	41.3	Brazil	33.3
Guatemala	44.0	Mexico	50.0	Venezuela	41.3	Chile	33.3
Brazil	43.3	Brazil	43.8	Guatemala	40.8	Guatemala	33.3
Uruguay	35.8	Uruguay	37.5	Nicaragua	40.0	Argentina	25.0
Venezuela	27.4	Venezuela	31.3	Paraguay	39.6	Uruguay	25.0
Argentina	26.8	Argentina	18.8	Dominican Rep.	37.5	Venezuela	16.7

Source: Economist Intelligence Unit (Inter-American Development Bank and CAF 2007).

Microinsurance

The word “microinsurance” first appeared at the beginning of the 1990s with the growth of microcredit and the need for cover for loans of that kind. The concept has evolved over the years but, in general, it refers to specific policies for individuals with low incomes who are not normally covered by conventional types of insurance.

Microinsurance covers carefully defined specific risks and the premiums are affordable for low-income customers. It is usually linked to a microcredit loan. Furthermore, individual insurance and microinsurance are linked in most countries, making it difficult to compile concrete information on the subject, since they are combined with different categories of individual insurance and involve personal rather than business activities.

The target group for microinsurance is concentrated in poor urban areas and, primarily, in rural areas. Nevertheless, not all poor people have access to services of this kind. Normally, for-profit MFIs do not work with the extreme poor but with those with some capacity to pay. In those sub-segments, the objectives of microinsurance are primarily of a social nature, usually aimed at expanding health coverage.

The predominant distribution model, and the most successful form of

Not all poor people have access to services of this kind. Normally, for-profit MFIs do not work with the extreme poor but with those with some capacity to pay.



microinsurance, involves “partner-agent” schemes. These consist of a partnership between a microfinance entity and an insurance company. The benefits include fewer problems with regard to information and lower transaction costs. Under such schemes, the insurance company (partner) does not need to invest resources to develop a new operating structure, train staff and meet the regulatory requirements. Instead, it uses the platform of the MFI (agent), thereby achieving important savings in verification costs, since the poor usually operate in the informal economy. The arrangement also allows the MFI to access new markets with an existing financial history, which also favors the identification of new customers. This reduces costs, because the institutions specialize in the activity.

Other schemes operate via mutual societies, cooperatives and mutual insurers and the direct sale of products by insurers. Insurers are involved in every aspect of the business, from the development of products and services to the claim assessment process and marketing, all of which can raise costs considerably and even make them prohibitive. As a result, microinsurance schemes run by insurers are less common⁶.

⁶ In some countries, insurers may use non-conventional distribution channels, such as stores and small commercial establishments, to reach their target customers. This may permit them to get around some of the difficulties involved but they still have to contend with the marketing, publicity and product design costs.

▶ *Approximately 7.6 million people have life microinsurance in Latin America. They are concentrated in Peru (4 million) and Colombia (2.5 million).*

The growth of the fledgling microinsurance market over the last decade has been remarkable. Nonetheless, it is much smaller than the microfinance market in general, covering less than 7% of the potential population in the region. According to data cited by Jimenez (2007),

approximately 7.6 million people have life microinsurance in Latin America. They are concentrated in Peru (4 million) and Colombia (2.5 million)⁷, where life cover is linked to loans granted by financial institutions (payment protection insurance). One of the reasons why the use of microinsurance is still very limited is that the poorest segments of the population have little information about its potential benefits.

Table 3. Relative size of the microinsurance market in LAC.

Country	MFI customers (a)	Number of companies (a)	Microenterprises that have cover (percentage) (b)	Number of people with life microinsurance (c)
Argentina	10 649	3 787 634		
Bolivia	548 242	1 736 984	55.7	250 000
Brazil	289 697	22 407 968		
Chile	297 995	1 497 112	28.0	
Colombia	608 282	8 723 336	13.6	2 559 000
Costa Rica	45 607	516 527		
Ecuador	327 065	1 991 091		551 422
El Salvador	143 461	885 748	26.8	
Guatemala	363 286	1 600 041	6.0	105 600
Honduras	143 118	1 036 684	3.9	
Peru	1 174 361	4 993 399	18.7	4 091 292
Dominican Republic	145 332	1 399 785	10.1	525
Mexico	1 217 920	10 394 629	6.8	
Nicaragua	399 614	684 885		29 035
Venezuela	44 969	3 247 271	0.8	23 375
Total	5 759 598	64 903 094	17.04	7 610 249

Source: a) Navajas and Tejerina 2007; b) Murulanda and Otero 2005; c) Roth et al. 2007, cited by Jimenez 2007.

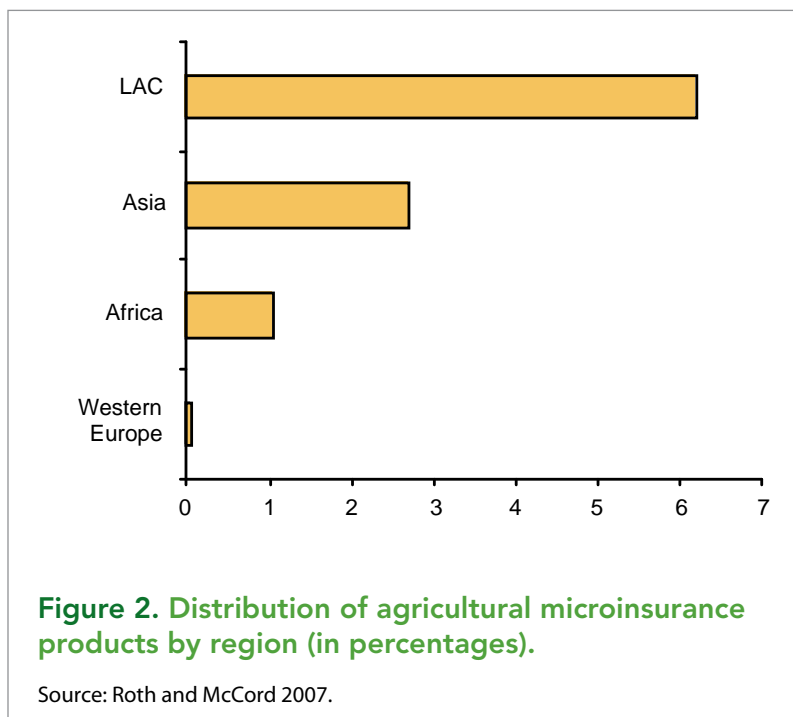
⁷ More recent information provided by FASECOLDA (2008) suggests that, as of 31 December 2007, nearly six million Colombians (almost 13.5% of the total population) had some type of microinsurance. As many as 55% of these people have funeral insurance, 34% have a group life policy, while 10% have cover for personal accidents and 1% for occupational hazards. However, microinsurance accounts for only 0.66% of all insurance policies issued in Colombia.

Roth and McCord (2007) determined that around 122 agricultural microinsurance products are available worldwide for low-income rural inhabitants - over 60% of them in LAC. The reason for this is not clear. One possible explanation is the fact that nearly every system in the region is heavily subsidized by its respective government, suggesting that there may be political pressure to expand schemes to include the poor.

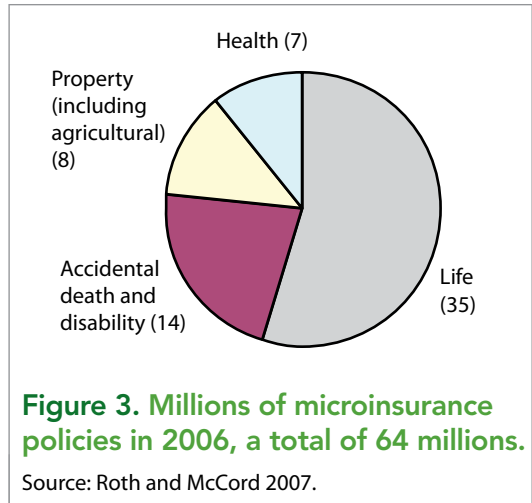
The research also found that a large proportion of the world's agricultural microinsurance is for livestock (nearly 43%). The figures for multi-crop and mono-crop systems and aquaculture are smaller.



In 2006, a total of 64 million microinsurance policies were sold worldwide⁸ (See figure 3). Nearly 50% (35 million) of those policies were for life insurance, followed by 14 million for accidental death and disability, 8 million for property (including agricultural insurance) and 7 million for health.



8 According to a study in the 100 poorest countries carried out by Roth and McCord (2007), of The Microinsurance Center.



Some microinsurance experiences in LAC

Different kinds of microinsurance are available in LAC. The most common are payment protection plans, temporary life insurance, annuity and retirement insurance, health insurance, cover for tangible assets and disability insurance. A few countries also have some more complex types, such as agricultural, education and health insurance. Table 4 contains a list of institutions and the most important types of insurance in 13 countries in the region.

Table 4. Institutions and main types of microinsurance.

Country	Institutions/programs	Types of insurance
Bolivia	<i>BancoSol, Banco Procredit/Caja Los Andes</i>	Life, property, disability
Brazil	<i>Banco do Nordeste, Banco do Brasil, Banco AMN, AMRO Real - Realmicrodito, PRONAF-PROAGROMAIS, Bolsa Familia</i>	Life, agricultural, vehicle, education
Chile	<i>Banco Estado, Banco Santander Banefe, INDAP-CORFO</i>	Life, health, education, vehicle, agricultural
Colombia	<i>AIG, Bancoldex, Fundación WWB Colombia/Cali, Popayán, Bucaramanga and Bogotá Microenterprise Development Corporation, Seguros La Equidad, Banco Agrario de Colombia, Acción Social, Programa Oportunidades Rurales (Ministry of agriculture), MAFRE-CODENSA</i>	Life, fire, material damage, agricultural
Ecuador	<i>Banco Solidario</i>	Life-disability
Costa Rica	<i>Banco Nacional de Costa Rica - Banco Credicorp Coop. Ltda.</i>	Life, vehicle and real estate
El Salvador	<i>Banco Multisectorial de Inversiones (BMI), Calpia / Banco Procredit</i>	Agricultural, funeral insurance
Guatemala	<i>Federación Nacional de Cooperativas de Ahorro y Crédito (FENACOAC), Seguros Columna, Aseguradora Mundial Guatemala (World Bank), Aseguradora Rural (Banco de Desarrollo Rural -BANRURAL), El Fideicomiso de Desarrollo Rural (Seguros G&T, Seguros Tikal, Seguros Agromercantil)</i>	Life and agricultural
Haiti	<i>Compañía de Seguros Alternativa, Fonkoze</i>	Life
Honduras	<i>Aseguradora Equidad, Seguros Atlantida - Banco Atlantida, PROAGRO in partnership with Interamericana de Seguros and HSBC</i>	Life, damage and finance, agricultural
Mexico	<i>Banco Compartamos, Finsol, Alsol (Choiapas and Zurich), Seguros Azteca</i>	Life, funeral
Panama	<i>Banco de Desarrollo Agropecuario and Instituto de Seguro Agropecuario</i>	Agricultural
Peru	<i>Pro Mujer</i>	Life

Source: Prepared based on Jimenez (2007) and information provided by the IICA Offices in the respective countries.

Life insurance and related types of coverage

Life insurance is available in the 13 countries studied by Jimenez (2007). The premiums range from US\$12 to US\$48 per year. In some cases, the amount is in relation to a factor multiplied by the amount of the loan or deposit.

Compensation ranges from US\$15 to US\$300. The schemes offer additional services, such as funeral assistance and legal assistance.

One of the main types of life insurance is payment protection, which ensures that if a customer dies his or her debt will be paid. The money owed may be for a mortgage, consumer credit or credit



► *Chile's Banco del Estado offers various types of insurance, mostly targeted at microenterprises that have accounts with the bank. Since 2001, the total number of the bank's microinsurance policies has risen from 1,335,000 to almost 3,000,000.*

card debt, or related to production. The premium is normally calculated based on a factor of the credit requested and included in the loan payments. In some cases, it also covers payments in the event of illness. One of the reasons why hybrid microinsurance cover exists is that paying a monthly premium is more attractive.

Generally speaking, life microinsurance is a mass-market product, because it permits insurers to trim costs. Furthermore, verifying loans is relatively inexpensive, because no specialized training is required for an MFI loan officer to verify the death of a borrower or a member of the borrower's family. (Roth and McCord 2007)

One of the biggest success stories in Latin America's development banking system is Chile's *Banco del Estado*. The institution offers various types of insurance, mostly targeted at microenterprises that have accounts with the bank. Since 2001, the

total number of the bank's microinsurance policies has risen from 1,335,000 to almost 3,000,000. Most of these policies were requested by the customers concerned, which shows the bank's market penetration and its success in recognizing the needs of the target group concerned.

Another interesting experience is that of the Banco Popular, the microfinance arm of the Banco do Brasil, which offers its customers voluntary life insurance. The insurance provides for compensation of US\$1400 and the cost of the premium is US\$6.5 every six months for an individual and US\$12 every six months for a couple. The cover begins 24 hours after the contract has been signed and includes funeral assistance of up to US\$1400.

In Peru, the Corporación Financiera de Desarrollo (COFIDE) developed an innovative product that offers various services, including insurance. *Mi Taxi* is a loan program that enables taxi drivers to purchase vehicles and convert them to gas. Every time the driver (borrower) fills up the tank, he uses a chip to pay part of his monthly installment on the loan. The payment also includes monthly contributions to a retirement pension, accident insurance and family health

Agricultural microinsurance systems operate principally in Chile, El Salvador, Brazil, Honduras, Guatemala, Panama, Colombia and Mexico.

insurance. Around 250,000 taxi drivers (and their families) are involved in the program.

Also in Peru, the NGO *Pro Mujer* and *Invita Cía. de Seguros* implemented a life insurance policy that costs US\$0.33 per month. Through the insurer, women entrepreneurs in the interior of the country have access to 40,000 new customers.

Other initiatives worth mentioning are those of the Banco Nacional de Costa Rica (BNCR), which has an insurance branch within its holding company, the Banco Credicorp Coop. Ltda., which in turn has a subsidiary that offers life cover and vehicle insurance and commercial protection for goods and chattels and real estate.

In Mexico, *Financiera Solidaria S.A.* (FINSOL) and the Argos insurance company developed a life microinsurance policy and were expecting to attract around 300,000 new low-income customers by the end of 2008.

In Colombia, an interesting case worth mentioning is the product developed by the firm *MAFRE Seguros Generales* and *CODENSA*, an energy supplier in the Department of Bogotá. These companies entered into a successful partnership for the large-scale distribution of microinsurance that customers pay for along with their electricity bill. (Bejarano 2008)⁹ This partnership started in 2001 and by December 2007 had already insured over one million people, more than 90% of whom belong to the poorest strata of society. The partnership offers

nine different products but the most popular are funeral assistance, life and personal accident insurance, business protection and extended guarantees. The average cost of a policy is US\$3.5 per month. Over 11,500 clients are shopkeepers and taxi drivers who have special insurance that guarantees the continuity of their businesses.

Agricultural microinsurance and other microinsurance that impact the rural milieu

Agricultural microinsurance systems operate principally in Chile, El Salvador, Brazil, Honduras, Guatemala, Panama, Colombia and Mexico. Most of them have been instituted by development finance institutions and are associated with microloans. The following are some of the agricultural initiatives implemented in the countries mentioned:



⁹ Experience presented during the Fourth World Conference on Microinsurance, held in Cartagena from 5-7 November 2008.

- **Chile.** Since 2002, the Agricultural Development Institute (INDAP) and the Production Development Corporation (CORFO) have been implementing and promoting agricultural insurance mainly for micro and small farmers, enabling them to transfer weather risk to the private insurers that participate in the program. So far, over US\$10 million worth of production has been insured.
- **El Salvador.** The Multisectoral Investment Bank (BMI) of El Salvador has developed agricultural insurance schemes that offer protection against adverse weather conditions. They cover a wide range of crops, from staple grains to coffee, fruits and vegetables. They offer production guarantee, plant (multi-peril) and crop-yield insurance. The cover ranges from 100% of the direct and financial costs to 30% of the expected profits. In this case the premium is variable - 5.8% of the resources invested in planting, payable in two parts (half when the contract is signed and the other half 45 days after planting).
- **Brazil.** The Proagro MAIS, coordinated by the Ministry of Agrarian Development, and the National Family Agriculture Program of the Central Bank implemented an insurance scheme for family agriculture in 2004. The insurance covers up to 100% of the value of the loan plus 65% of the liquid income expected by the family farmer¹⁰. Producers of cotton, rice, beans, apples, corn, soybean, sorghum, wheat, banana, cashews, manioc, castor oil and grapes are eligible for this insurance. The areas are determined in advance using the agricultural zoning system of the Ministry of Agriculture, Fisheries and Food.
- **Guatemala.** The rural development trust, known within the country as Guate Invierte, offers a wide range of services, including agricultural loans and insurance. With regard to insurance, the program subsidizes up to 70% of the cost of the premium for small and medium-scale agricultural producers in all 22 departments of the country. As of October 2007, 6300 animals and 5082 hectares were insured under the program.
- **Honduras.** Since 2002, agricultural insurance has gradually been adjusted to take the form of microinsurance through agricultural loans. Seguros Atlantida has the biggest share of the agricultural insurance market, as it handles the entire agricultural portfolio of Banco Atlantida and most of the loans granted by the National Agricultural Development Bank (BANADESA). The crops for which there is the biggest demand for insurance are bananas, African palm, export vegetables, staple grains (corn

10 The term “family farmer” refers to producers whose families obtain at least 60% of their income from on-farm agricultural and non-agricultural activities; family members are responsible for most of the work on the farm; laborers are only hired as an exception when seasonal activities make it necessary; and gross annual family income is between R\$4000 and R\$18,000, excluding social benefits and social security payments resulting from rural activities.

and rice), melon, and watermelon. In the case of staple grains (corn and rice), efforts have been made to adjust conventional insurance and mainly meet the needs of small farmers. Collective cover is offered under a single policy, although losses are assessed individually. However, due to the absence of regulations governing this service, the results have not been entirely satisfactory.

The *Empresa Protección Agropecuaria de Honduras S.A. (PROAGRO)* is a Mexican insurance company specializing in agricultural insurance that operates in 28 Mexican states and 4 Central American countries. In Honduras, the firm works via strategic partnerships with HSBC and Interamericana de Seguros. Compensation is paid for total or partial loss of crops, investment, profits, the production cycle and financial assets. Payment protection insurance is also available. The types of schemes or products on offer include production guarantee, plant (multi-peril) and crop-yield insurance, cover for small farmers, and livestock and aquaculture insurance.

- **Panama.** Panama's Agricultural Insurance Institute recently implemented an insurance scheme for hand-planted corn and rice and yam that is offered with the microloans granted by the Agrarian Development Bank¹¹, provided the Institute's insurance conditions are met. The risks covered are drought, excessive precipitation, flood, pests, disease and



fire. The cost of the premium ranges from 4% for hand-planted rice in certain provinces to 8% of per-hectare production costs for the Darien variety of yam.

- **Colombia.** For the most part, agricultural insurance is targeted at agribusinesses. However, certain institutions in the country have recently begun developing or implementing microinsurance schemes for small farmers (mainly life insurance plans).

The institutions and programs that structure or offer insurance for the agricultural or rural sectors include the *Banco Agrario y Acción Social* and the Rural Opportunities Program, co-financed with resources of the Ministry of Agriculture and Rural Development and IFAD. Working with Aon Affinity de Colombia and *Seguros La Equidad*, this program has devised three types

11 This Bank offers loans to small farmers (maximum of US\$4000).

of microinsurance for small farmers: life, microenterprise and household insurance. The insurance will be channeled through certain producers' associations located in different parties of the country that have benefited from program. The products will be launched in 2009.

The Microfinance Management Unit of the Banco Agrario of Colombia is designing a microinsurance product for the rural sector with support from the More Investment for Sustainable Development Program (MIDAS) of the U.S. Agency for International Development (USAID). This product is due to be launched in the near future.

In 2008, the President's Agency for Social Action and International Cooperation created a life microinsurance scheme for the most vulnerable segment of the population, which receives assistance under its different programs. The product is a life microinsurance policy for which anyone aged 18-72 is eligible. It covers all causes of death, whereas accidental death is the norm. If the policyholder dies, the beneficiaries receive compensation of nearly US\$2200, distributed among them as stipulated by the deceased. They also receive one million pesos for funeral expenses. In the event of partial or total disability, the policyholder receives compensation of five million pesos. The annual cost of the policy is 10,000 pesos (US\$4.30). In some cases, the municipalities finance part of the cost of the policy. The agency expects nearly 30,000 of its beneficiaries to

have taken out a life microinsurance policy by the end of 2008.

- **Mexico.** The Red Solidaria de Microseguros Rurales (REMIS) is comprised of the Asociación Mexicana de Uniones de Crédito del Sector Solidario (AMUCSS), a group of MFIs, the SEP Group and the Zurich insurance company. It began operations in 2000 and now has nearly 45,000 policyholders, including indigenous communities, and 94 outlets - different types of credit unions (*cajas solidarias* and *cajas reguladas*), microbanks and rural organizations). REMIS offers mainly life insurance, with policies that cost between US\$2.50 and US\$50 (Munich Re Foundation 2008). The policies are very simple and are sold in the community. The network's operations are based on the strong social and community links that exist in the countryside (*cajas solidarias*, producers' and women's organizations, etc.).

Lessons learned

Some experiences and case studies in Latin American countries point to the following results with regard to the implementation of microinsurance in rural areas:

- Since the low-income market includes a large number of small policies, the insurance companies share the risk, thus allowing them to continue and to increase their operations among the neglected segments of the population.
- The poorest social strata frequently face higher risks in coping with difficult

economic situations - when the family breadwinner dies, funeral expenses, the reopening of microenterprises - as well as concern that their assets may be stolen.

- It is important to regard associations of agricultural producers as channels for the distribution of microinsurance. This reduces the moral risk involved in this activity and the transaction costs for the parties.
- The studies carried out suggest that the poor rural population, despite its limited income, in general is in a position to purchase an insurance policy.
- In the large-scale promotion of microinsurance, it is essential to consider marketing channels for products and services that already exist, such as public utility companies and banks with branches in rural areas.
- It is feasible to produce simple policies for poor communities.
- Group or collective life insurance can be sold easily to individuals with low incomes because it is simple to administer and protects their savings and loans for a relatively small cost.
- Since the policyholders receive their insurance through credit unions and cooperatives or governmental organizations (GOs), they are often not aware of the insurance company providing the cover.



MFI's will need to adjust their microinsurance services, in general microfinance services, to household saving and spending habits, the culture, the resources available, agroecological characteristics, the division of labor by gender and historical experience.



- The development of this industry generates multiple benefits. First, the MFI adds a new product that generates income and microinsurance is a tool for improving the financial stability of their portfolio. Second, the insurance companies benefit by discovering a potential market made up of 19% of Latin American households.
- MFI's will need to adjust their microinsurance services, in general microfinance services, to household saving and spending habits, the culture, the resources available, agroecological characteristics, the division of labor by gender and historical experience. For example, the poor lack the traditional types of guarantees, so MFI's will have to find substitute guarantees based on local conditions to achieve substantial improvements in access to credit. Payment arrangements also have to be based on local production cycles.

References

Bejarano, V. 2008. Distribución masiva y eficiente de microseguros. La alianza MAFRE-CODENSA.

FASECOLDA (Federación de Aseguradores Colombianos). 2008. Microseguros en Colombia: Resultados preliminares.

IDB (Inter-American Development Bank); CAF (Andean Development Corporation). 2007. Microscope on the Microfinance Business Environment in Latin America. Economist Intelligence Unit. Available at: <http://www.mixmarket.org>.

_____; MIF (Multilateral Investment Fund). 2007. Microfinanzas en América Latina y el Caribe - Actualización de datos 2008.

IFPRI (International Food Policy Research Institute); INIA (Instituto Nacional de Investigación Agropecuaria). 2003. La banca para los pobres: cómo liberar los beneficios de las microfinanzas.

Jiménez Mori, R. 2007. Una aproximación a los microseguros. Centro de Estudios Económicos y Desarrollo Empresarial.

Navajas, S; Tejerina, L. 2007. Las microfinanzas en América Latina y el Caribe ¿Cuál es la magnitud del mercado? IDB, Sustainable Development Department (Series of Reports on Good Practices).

Munich Re Foundation, 2008. 4th International Microinsurance Conference 2008: Making insurance work for the poor. Report. 5-7 November 2008, Cartagena, Colombia.

Murulanda, B; Otero, M. 2005. Perfil de las microfinanzas en Latinoamérica en 10 años: visión y características. ACCION International.

Roth, J; McCord, M. J. 2007. Agricultural Microinsurance: Global Practices and Prospects. Microinsurance Center.

_____; McCord, M. J.; Liber, D. 2007. The landscape of microinsurance in the world's 100 poorest countries. The MicroInsurance Centre, LLC.

► **La microfinance et la microassurance en Amérique latine et dans la Caraïbe : situation et perspectives**

L'article présente quelques indices sur la situation actuelle de la microfinance, en se concentrant principalement sur la microassurance dans plusieurs pays latino-américains. L'étude est axée sur la microassurance agricole ou celle qui est destinée aux communautés rurales. La plupart des expériences en matière de microassurance correspondent aux cultures et à l'élevage et sont de type « multirisques ». Dans sa dernière partie, l'article résume quelques-uns des enseignements tirés par les institutions de microfinancement, les gouvernements et les institutions qui appuient le secteur de la microfinance. Il vise à faire des contributions au processus de systématisation des données d'expérience et des stratégies d'action de l'IICA.

► **As microfinanças e os microsseguros na América Latina e no Caribe: situação e perspectivas**

São apresentados alguns indícios sobre a situação atual das microfinanças com ênfase nos microsseguros em certos países da América Latina. A pesquisa está focalizada nos microsseguros agrícolas ou nos que estão voltados para as comunidades rurais. A maior parte das experiências em microsseguros corresponde à área agrícola de culturas e pecuária do tipo multirisco. Na última parte do artigo estão sintetizadas algumas lições aprendidas pelas instituições microfinanceiras, pelos governos e pelas entidades de apoio ao setor das microfinanças. Com isso pretende-se contribuir para o processo de sistematização de experiências e estratégias de ação do IICA.

► **Las microfinanzas y los microsseguros en América Latina y el Caribe: situación y perspectivas**

Se presentan algunos indicios sobre la situación actual de las microfinanzas con énfasis en los microsseguros en ciertos países de América Latina. La investigación se enfoca en los microsseguros agrícolas o los que están dirigidos hacia las comunidades rurales. La mayor parte de las experiencias en microsseguros corresponden al área agrícola de cultivos y ganado, del tipo multirisgo. En la última parte del artículo se sintetizan algunas lecciones aprendidas por parte de las instituciones microfinancieras, los gobiernos y las instituciones de apoyo al sector de las microfinanzas. Con ello se pretende contribuir con el proceso de sistematización de experiencias y estrategias de acción del IICA.

COMUN//CA

INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE
Headquarters P.O. Box 55-2200
San Jose, Vazquez de Coronado, San Isidro
11101 - Costa Rica
Phone: (506) 2216 0222 / Fax: (506) 2216 0233
e-mail: iicahq@iica.int
Web Site: www.iica.int

