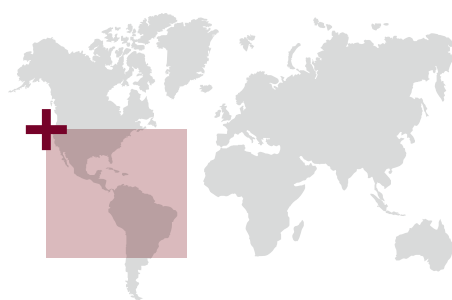


# REDSOL - Red Solidaria de Microseguros



## AT A GLANCE

### Name

Red Solidaria de Microseguros Rurales (RedSol)

### Duration

September 2009 – January 2014

### Focus area

Mexico

### Target group

Rural populations – especially indigenous families

### Funds available

Confidential

### The project is jointly implemented by ...

Asociación Mexicana de Uniones de Crédito del Sector Social A.C. (AMUCSS)

### The core objective is ...

to develop a microinsurance network (RedSol) that deals with the delivery of the product, organizational training, marketing, IT solutions, communication, education for consumers and operators, and applied research.



## BACKGROUND

Food production in Mexico has been constrained by climate, with low rainfall bringing frequent droughts and the proximity to the Gulf of Mexico bringing hurricanes and tropical storms. Climatic risks and health are the most important and recurrent risks faced by rural households.

In 1998 the Mexican government developed the “Fondos de Autoaseguramiento” (self-insurance funds). The scheme is administered by the ministry of agriculture (SAGARPA) through the public insurance company, Agroasemex. The insurance funds scheme requires farmers to form a group in which the premiums of the members are put into a fund.

Claims for any of the members are paid from this fund, with reinsurance covering any shortfall. Through a history of communal or landsharing arrangements, many of these group structures already exist amongst Mexican farmers.

Vulnerability studies conducted by AMUCSS in 2009 and 2010 indicated that agriculture was the main source of income in a majority of households. Furthermore, livestock and agricultural assets formed a significant proportion of overall assets. Hence, it made sense for AMUCSS to extend the life microinsurance programme to develop agricultural insurance.

## APPROACH

RedSol liaises between community organizations and the insurance industry. It helps the former understand the risk management needs of its members, and negotiates with insurers to develop and offer relevant products to the rural poor.

In order to adapt the self-insurance funds concept to low income farmers, RedSol had to understand that the nature of the group structure design requires a level of scale for both insurance pooling and for the purposes of expenses being covered cost-effectively. As a result, relatively few larger scale producers in the same locality or region can form a “fund” large enough to participate in the scheme. Small-scale producers are not excluded from the scheme, but their natural low scale and dispersion nature makes it difficult for them to participate in such structures.

In 2010, RedSol hired an agricultural economist to design an Agriculture Insurance Fund, with support from the AGROASEMEX, the Mexican National Insurance Institution, which develops and deals with rural risks solutions.

The legal entity “RedSol Agrícola” was created by AMUCSS in 2011 to play a role as an intermediary. RedSol Agrícola recognized that facilitating the aggregation of many small-scale producers would allow those producers to participate in the scheme and obtain protection. These are the exact small-scale producers that AMUCSS aims to extend loans and rural financial services to, and whose vulnerability and income is highly dependent on agricultural production. RedSol Agrícola constitutes one fund within the Agroasemex scheme. The premiums are set by Agroasemex, and depend on the risks covered, crop type, and the region.

### REDSOL'S RELATIONS AND WORK



### INTEGRATING CROSSED RESPONSIBILITIES

Insure and manage risks

- Close to rural organizations and deal with the insurance company
- Know low-income people necessities
- Different business model
- Technical design of the products
- Ad hoc software
- Agile management
- Marketing
- Organizations training
- Financial education

- Know low-income people necessities
- Social and physical proximity
- Confidence
- Information



## Challenges

- There is a predominance of informal financial practices to prevent and handle shocks.
- Formal savings are insufficient to respond to the shocks faced by rural households.
- A certain level of financial education may be a prerequisite to building an insurance culture. It was very difficult to deal with protection and insurance mechanisms with people who were not familiar with concepts as budgeting, savings, economic projects, and loans.
- The nature of an indemnity insurance product requires field inspections to be made to identify the value of the insured amount, and the approval and verification of the amount of any claim.

- MFIs and rural financial institutions can provide a solid platform for the distribution of microinsurance in rural areas but still face particular challenges.
- Catastrophic products run the risk of infrequent but large claims. In the event of a large number of claims, significant additional human resources will be needed to make indemnity assessments of the losses – This is a potential issue that has been identified but that the fund has yet to face in reality.

## Opportunities

As the RedSol portfolio continues to grow, human resources are needed not only for promotion and training activities, but also to assist in the contracting and evaluation process of new groups brought into the fund

## LESSONS LEARNED

- **Marketing and one-on-one explanations** are not enough to build an insurance culture.
- **Providing insurance products** for the risk needs of partner institutions can create loyalty in the final clients.
- **It is important to implement a model** that enables small organizations to become familiar with microinsurance concepts and activities to allow better interaction between rural organizations and insurance companies, as well as building loyalty amongst distribution partners.
- **Rural financial institutions have better knowledge** of rural financial markets and clients that other organizations can struggle to develop.
- **Building the commitment of local organizations** to deliver microinsurance is vital to improving access of rural people to insurance products.
- **It is necessary to know the institutional strength of partner organizations**, to develop a distribution that can suit the degree of operational and management sophistications and that better targets the final clients.
- **It is easier to build scale by selling insurance to existing groups of individuals with homogeneous risks.** Therefore the identification of rural groups with similar characteristics is key to developing product distribution.





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### **Websites**

**For more information about implementing partner visit:**

[www.amucss.org.mx/](http://www.amucss.org.mx/)

[www.weather-risk.com](http://www.weather-risk.com)

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