

# AGRICULTURAL MICROINSURANCE IN BOLIVIA

- **Explain the agriculture micro insurance product from a client's perspective.**

"It is a alternative/opportunity for me because it allows my family to avoid losing our production because of hail. No matter what size is my vineyard, or its age (phase, stage). I can insure it."

## 1. The product, the subscription and indemnity process

- **How can I become a client of the insurance?**

If you have a vineyard in Tarija of any size you can be an insurance client.

- **Where do I have to go to/ which organization do I have to approach to become a client?**

You just have to visit El Churqui offices in Uriondo or Tarija and ask for a promoter, so he or she will go to your vineyard for verification and forms filling.

- **What does the insurance cover?**

Until this year it covered damages and losses in your vineyard because of hail during the insurance period, which is from September to April every year. For the new campaign 2012 freeze will be also covered.

- **What does premium mean? What if hail or freeze does not happens in my vineyard? Is it like savings?**

Premium is the price you pay to be insured during the campaign, and it is equivalent to your share of this protection. It is not a saving neither a credit. So if nothing happens to your vineyard, the insurance will not return your money. In the other hand, if you suffer a loss or damage in your vineyard, you will receive a payment for which but you don't owe anything to the insurance.

- **How much does the premium cost and how much does it pay in case of loss?**

It costs 1.400 Bolivianos (US\$ 200) for an hectare of vineyard. If you insure just a half, you also pay a half Bs. 700.- , and you will receive a bill for such amount.

It pays up to Bs. 17.000.- (US\$ 2500) for a loss of 100% of the yard. If the damage is not complete it pays you up the damage percentage.

- **What are the conditions?**

You have to take good care of your vineyard, just as if you wouldn't have insurance. No plague or disease will be considered as damage caused by hail.

The loss or damage after a hail will be inspected, verified and quantified by a technician of the Insurance, don't forget that you have to be present that day to agree or disagree with the inspection, which will be at the most 3 days after you call informing the hail in your vineyard. This "Claim and Inspection Form" states the amount of payment have to be signed by you and by the technician

Every loss or damage has a discount of 10% called "deductible" which reflects your own responsibility in the vineyard.

- **Which institutions does it need to offer smallholders such a service?**

Those operating in the rural area, they have to be concerned about giving alternatives to smallholders and getting their confidence as a result, no matter if their services are financial or not.

## 2. The institutional model of the insurance

- **Which institutions are involved in the model ?**
  - Distribution channel : COOPERATIVA EL CHURQUI (IMF)
  - Insurance Company: ALIANZA COMPAÑIA DE SEGUROS Y REASEGUROS
  - Re insurance Company: ALIANZA COMPAÑIA DE SEGUROS Y REASEGUROS
- **Is the insurance subsidized? By whom, and what exactly is subsidized ?**
  - In the first pilot period (2009/2010) the Municipality subsidized a Reserve Fund (Risk Transfer Fund) which was not used (since premiums paid covered the indemnization of covered damages). 60% of the premium was subsidized.
  - In the second campaign period (2011-12), SDC/PROFIN contributed to the Reserve Fund, since the Municipality did not participate anymore in the Reserve Fund.
  - No subsidy was given this last campaign (2011 – 2012) with the involvement of a (re)insurance company which “replaced” the Reserve Fund. The smallholder pays 100% of the premium.
- **What is the PROFIN’s (microfinance organisation supported by SDC) role in the project?**
  - 2011 – 2012: Accompany the process of transition between a non regulated pilot experience to a regulated agricultural microinsurance operation, both regarding the demand (smallholders) and the supply (insurance company) side. We play a “bridge role” between these two parties to get them together looking forward to create a sustainable and fair market relationship.
  - 2012 and further: Investigation and development of new coverages for grapes, such as freeze or others in order to get both: a better risk distribution of the mechanism and a better market insertion. At the same time we have to continue the implementation of Financial Education Strategy regarding risk management and insurance as a mechanism of transference.

➔ Roles: a) design of insurance model; b) co-implementor of the pilot, c) facilitator & set up of the PPDP

## 3. Lessons learnt

### Regarding the product

1. **Know your client. The design of the product has to be pertinent for the smallholder.** If not it will not survive even if it is subsidized.
2. **Product should be easy to understand and easy to process.** Concepts such as deductible, retention and coinsurance can be inserted after a couple of years.
3. **Losses should be immediately attended and indemnified.**

### Regarding Promotion/Financial Education

4. **Promotion and Publicity have to be strong, anticipated and permanent.** Temporal efforts do not get results and can make smallholders suspicious of the product.
5. **Better in original language and by radio.** Bolivian smallholders do not read.
6. **The distribution channel should be strongly trained, very engaged with the target market and receive a commission** for distribution which should reach in some way to their workers.

### Regarding PPDP with public sector:

7. **Do not make the product dependant of public institutions’ support through subsidies.**
8. **Get public acknowledgment in order to get the public sector’s “Non Objection”.**
9. **Once the product is strengthened/working, Public institutions will want to get involved. The involvement of public institution should be very carefully evaluated.**