

Smallholder farmers in Mexico need protection against the effects of climate change

Objective of the study:

Assess different options and feasibility of a sovereign parametric insurance solution that covers the smallholder farmers of Mexico against drought and excess rainfall to help them become more resilient against climate change and fill the gap from lost income due to these hazards with a direct payout to each farmer in case the trigger is met.

Improve as a consequence the resilience of currently uninsured smallholder farmers to extreme drought and rainfall events.

Main results of the study:

- Need to run small scale pilot to validate operational assumptions.
- To increase resilience of producers, payout must be directly to them
- Cost of enrollment is high, support from Ministry of Agriculture to do it is essential. (it is complementary to existing social programs)
- To manage large number of small ticket policies, there is a need for an IT platform and 'plug and play' model that facilitates the operation
- State insurer operating as administrator and reinsurer only, to favor more participation and competition from other insurance companies.
- Structuring a reinsurance pool may allow to access better price conditions
- Main success factors for implementation
 - Develop a robust and efficient distribution model.
 - Create a simple and easy-to-understand insurance product.

Project	Agriculture Insurance Mexico
Partners	Guy Carpenter, Swiss Re, Munich Re, AXA Climate
Region	America, Mexico
Main risks	Drought, Excess rain
Policy holder	<u>Ministry of Agriculture</u>
Insured assets	<u>The cost of production of corn-sowed hectares</u>

