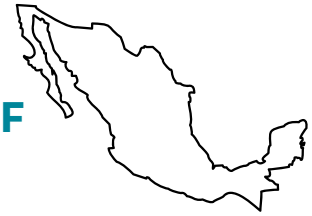
InsuResilience
Solutions Fund

PROJECT BRIEF
MEXICO



Smallholder farmers in Mexico are not well served by traditional indemnity-based agriculture insurance products, have limited access to formal credit, and often face substantial losses due to drought, hurricanes, excess rainfall, and floods. Following the closure of the government subsidised CADENA insurance programme in 2019, smallholders have had almost no protection. The project developed and tested an index-based sovereign insurance solution identifying and covering all smallholder farmers cultivating maize, and a robust and efficient distribution model of direct payouts to improve their resilience against extreme drought and rainfall events. The programme will require the commitment from the government to fully subsidise the programme, covering the most vulnerable smallholder farmers.

PRODUCT CHARACTERISTICS

Target group
Smallholder farmers with < five (5) ha field size

Target region
Oaxaca, Tabasco and Chiapas, then rollout throughout the country

Insured asset
Agricultural production costs of maize

Insured peril / hazard
Extreme rainfall, drought

Insurance type
Macro-scheme
Development of new insurance product(s)

Own contribution
52.4% of total ISF project costs

PRODUCT DEVELOPMENT ACTIVITIES SUPPORTED

- Development of index-based standalone solution for two perils, data collection and modelling (based on satellite data, Chirps with 5 x 5km resolution).
- IT platform and mobile app that facilitates the enrollment of eligible farmers through various channels.
- Calculation Agency / claims payout distribution.
- Training for stakeholders and enrollers.
- Premium financing for a pilot in 11 municipalities.
- Helpline and Call Centre for beneficiaries and enrollers.

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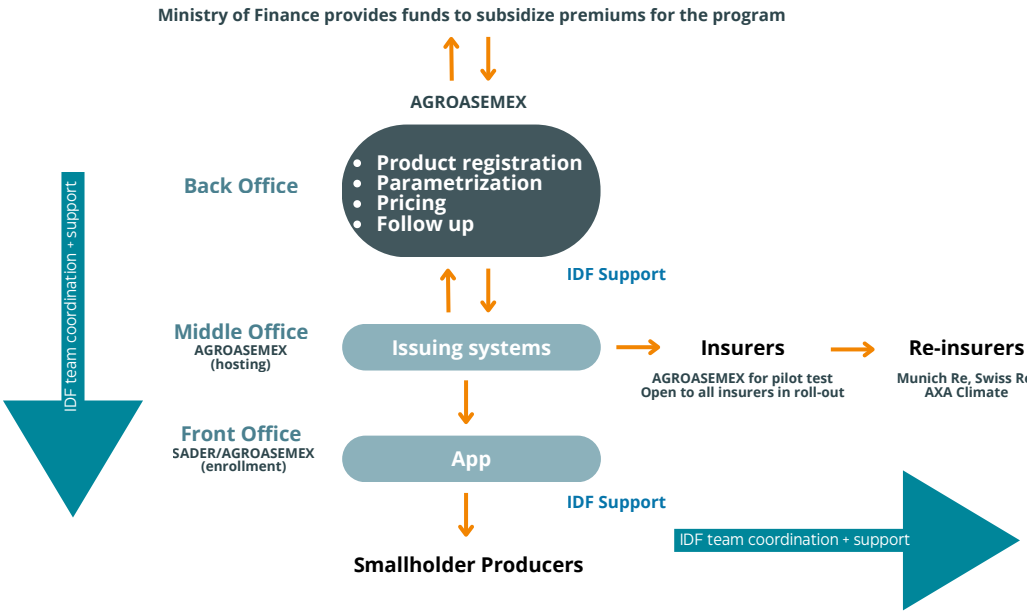
PROJECT SET UP



EXPECTED IMPACTS

- Ultimate goal is to provide the tools the government needs to include subsidies for insurance coverage targeted at vulnerable population as part of the Federal Budget. By achieving said goal, the following impacts are expected to be seen:
- Increased access to finance (timely and direct payouts) and other social protection schemes, resulting in increased resilience of smallholders.
- Increased preparedness from access to tailored, location-based weather forecasts and extension services through technology.
- Reduced protection gap of climate change-related risks and developed local insurance market.

PROJECT PARTNERS

DEMAND

- Agroasemex / State-owned reinsurance company / MX
- Insurance and Pension Unit (USPSS) within Ministry of Finance / Federal Government / MX

SUPPLY

IDF Members
- AXA Climate / Reinsurance Company / FR
- Guy Carpenter Mexico / Reinsurance Company / MX
- Munich Re Services GmbH / Consulting Company and broker / DE
- Swiss Reinsurance Company Ltd / Reinsurance Company / CH

Other partners
- Raincoat Ltd / InsurTech / PR

EXPECTED BENEFICIARIES[1]

3,735,072 by 2025
100% poor and vulnerable

IMPLEMENTATION PERIOD

MAR 2022 — APR 2024

GRANT AMOUNT

EUR 1,893,827

[1] Based on submission documents requiring use of IGP M&E Methodology.