Red Solidaria de Microseguros Rurales (RedSol) -- AMUCSS [1]

About the Project

Project Name: Red Solidaria de Microseguros Rurales (RedSol) -- AMUCSS
Type of Facility Project: Microinsurance innovation grantee
Country of Operation: Mexico
Region: Latin America and the Caribbean
Sub Topics: Other channels, Financial institutions, Product development, Partnerships, Consumer education, Improving value, Demand, Savings-linked, Health, Agriculture, Life
Type of Distribution Channel: Bank

Organizational Overview

The Asociación Mexicana de Uniones de Crédito del Sector Social A.C. (AMUCSS), a not-for-profit organization, was established in 1992 by a dozen of credit unions specialised in rural finance. The mission of the organization is to contribute to better financial services in rural areas by creating, strengthening, and expanding local financial institutions with a strong link within the communities. AMUCSS supports a variety of institutions including a network of rural credit unions, self-insurance funds, and micro banks in different regions of Mexico. AMUCSS has also developed in the last 10 years a recognised capability in rural microfinance. AMUCSS works with more than 65 partners coming from private, academic, government or grass roots organizations, credit unions and cooperatives.

Project Description

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Beneficiaries

In this project, AMUCSS expects to serve 100,000 families in remote and marginalized areas in Mexico. The project will target rural populations — especially indigenous — who are not yet covered due to remote locations, local language barriers, and lack of resources.

Learning Agenda

- How do the rural poor manage the risk? What are the specific needs of the low income population for risk management tools?
- What is the added value of insurance products promoting proactive behaviours and protecting assets compared to informal schemes used?
- What is the added value to invest in education to build an insurance culture?
- How to develop an organizational model to facilitate the delivery of micro insurance? What is the added value of a cooperative association aiming to convert into a ?broker?? How replicable is such a model?
- To what extent does technology contribute to higher outreach, improved efficiency, lower prices, etc.?

Project Status

Key Performance Indicators

The performance indicators presented are as at 31 December 2012, and focus on life microinsurance. As at this date, the RedSol network comprised 60 institutions.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Period 1: (Jan12-Dec12)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of policies sold</td>
<td>47,749</td>
</tr>
<tr>
<td>Total number of beneficiaries</td>
<td>43,614</td>
</tr>
<tr>
<td>Percentage growth (over previous 12 months)</td>
<td>26%</td>
</tr>
<tr>
<td>Percentage of renewal*</td>
<td>9%</td>
</tr>
<tr>
<td>Number of claims</td>
<td>372</td>
</tr>
<tr>
<td>Percentage of claims rejected</td>
<td>6%</td>
</tr>
</tbody>
</table>
Having launched in April 2011, the RedSol Agricultural fund continued to expand its operations to cover 1,985 producers and 2,797 hectares by 31 March 2014. An overview of the portfolio is shown below. It comprises insured land for coffee, corn, and peanut crops.

<table>
<thead>
<tr>
<th>State</th>
<th># Producers</th>
<th>Insured Area (Ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chiapas</td>
<td>44</td>
<td>240</td>
</tr>
<tr>
<td>Puebla</td>
<td>1,472</td>
<td>1,805</td>
</tr>
<tr>
<td>Veracruz</td>
<td>469</td>
<td>753</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,985</strong></td>
<td><strong>2,797</strong></td>
</tr>
</tbody>
</table>

[1] *Exchange rate USD-MXN = 12.2 as of April 2013 is used throughout the text.

**Project Updates**

As of December 2009 RedSol institutionalization AMUCSS has distributed life microinsurance since 2005 in partnership with a broker, Grupo SEP, which connected it with the insurance company Zurich Seguros. By 2009, AMUCSS had developed significant experience in insurance and decided to integrate the broker?s functions into AMUCSS. For 6 months, it worked on the institutional design, studied the different legal options and finally decided to create an insurance intermediary. The soci... [READ MORE]

**Project Lessons**

On rural poor risk management, practices of protection and necessities There is a predominance of informal financial practices to prevent and handle shocks. In order to answer the key question about risks management of low-income population, AMUCSS conducted a survey about vulnerability of rural families in 1,000 households at the beginning of 2009. This research demonstrated that the use of formal financial practices is minor. 78 per cent of the surveyed ho... [READ MORE]

On the formal insurance products versus informal schemes Informal solidarity schemes are considered by community as reliable support mechanisms in Mexican rural areas. In rural areas where the offer of financial services is still limited, informal schemes of protection remain key practices to prevent and mitigate risks. Based on the survey and interviews with the target population, it was found that community and family solidarity mechanisms are widely... [READ MORE]

On the relationship between education and insurance culture Marketing and one-on-one explanations are not enough to build an insurance culture. It is important to rely on local well-trained promoters, but it is not enough. The low renewal rate highlights this point. Even if microinsurance is simpler than traditional insurance, it is still sophisticated for rural people. Contrary to formal loans for example, insurance can?t be compared to an info... [READ MORE]

On the organizational model A model that enables small organizations to become familiar with microinsurance concepts and activities allows better interaction between rural organizations and insurance companies. On the one hand, RedSol carries out knowledge investment for many little organizations institutionally too weak to learn about insurance, insurance products and too small to negotiate with insurance companies. On the other hand, it offers economi... [READ MORE]

On the effectiveness of technology Small organizations need a unique information system that is simple and easy to implement. This system can become an incentive for organizations to join the network given the economies of scale. In order to homogenize and secure the administration of sales, premium payment, premium transfers to the insurer, and the registration of movements between local organizations, in 2006 AMUCSS[1] set up an information system for... [READ MORE]

On administration, operational processes and project sustainability Building the commitment of local organizations to deliver microinsurance is vital to improving access of rural people to insurance products. The low insurance culture is a phenomenon that particularly affects rural areas in the country. A large part of the staff of local organizations affiliated to RedSol was paying less attention to the promotion of microinsurance than the promotion of... [READ MORE]

On the organization?s profile and sales Compared to other types of rural organizations, microfinance institutions seem to have more appropriate sales methods and skills to distribute microinsurance in the rural context. AMUCSS observes significant differences in sales results between the different affiliated institutions: farmers associations, social organizations like women organizations, and microfinance organizations. For the moment, microfinance o... [READ MORE]

On the development of a health insurance product While developing a health product it is important to take into account the public health programme, and to bear in mind the fact that the supply of health varies by geography. Health insurance should complement existing access to health services. AMUCSS and RedSol have been working on a study on the reality of health services in rural areas in Mexico and how these services are likely to develop in the next few... [READ MORE]

On the growth of the agricultural fund It is easier to build scale by selling insurance to existing groups of individuals with homogeneous risks. The agricultural scheme run by Agroasemex is similar to a mutual self-insurance pool in which groups of farmers subscribe to the scheme. The RedSol agricultural fund subscribes groups of very small-scale farmers to its larger fund, to create the scale necessary to make the scheme sustainable. RedSol Agr... [READ MORE]

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**Links:**
