Distribution of microinsurance through rural financial institutions in Mexico -- AMUCSS

Country of Operation: Mexico
Region: Latin America and the Caribbean
Sub Topics: Business models, Financial institutions, Promotion, Product development, Partnerships, Consumer education, Improving value, Savings-linked, Agriculture, Life, Agriculture

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

AMUCSS is a network of rural micro banks that created RedSol, a microinsurance intermediary for distribution in rural areas of Mexico. RedSol has grown to service more than 67 organizations with voluntary sales of more than 5,500 policies per month.

Activities Overview

RedSol is a microinsurance broker that has developed a distribution network through rural financial institutions. RedSol works on one side with the insurance industry to develop relevant products for rural households and on the other side in prospecting and building the insurance capacity of rural financial institutions. Furthermore, it has worked in adapting the existing methodology of insurance funds that are supported by the state insurance company Agroasemex, and in setting up an agricultural insurance fund for low income farmers that operates in five states.

Latest Updates

As of 01/09/2015

Individual premiums have grown more than 10% between 2014 and 2015. Clients are increasing their coverage, as protection is being considered more and more valuable since client understanding of the product has improved and there is greater awareness about the product through examples of claims paid in the communities. Even though the amount of insured people has not increased significantly, RedSol is invoicing an average of USD 70,000 compared to USD 40,000 three years ago.

Zurich Seguros is RedSol?s main insurance partner, as the institution has responded adequately to the needs of the rural population in terms of product design and servicing, improved its understanding of the demand and of the requirements to serve this market.

RedSol is currently working with 67 organizations for distribution. Though there is an institutional turn over in terms of the partnerships, the amount of partner institutions is stable and the premium that each distribution partner is placing is increasing. Partners have also been very active at integrating incentives to their staff on insurance activities, which has helped to improve results. Monthly sales are between 5500 to 5800 policies, resulting in a total of around 70,000 active policies.

RedSol pays a commission of 20% to its partners. This is significantly lower than the average 50% commission level in mass insurance in Mexico, which means that clients get more for their premium. Incentive campaigns have also evolved from a general incentive campaign target to all organizations, to more focused individual campaigns tailored to each partner institution as a way to either unlock potential or keep up the performance of particular institutions. As a complement to its incentive strategy, RedSol organizes a yearly event that brings together all the sales officials of the different institutions to share experiences and get on-going training, which encourages the partners? sales force.

Financial education is being worked through the general AMUCSS umbrella. The Instituto Mexicano de Finanzas Rurales, provides support in terms of financial education, both to the personnel of the institution as well as the final clients.

RedSol is also developing a more integral product with credit life cover, life insurance, tele medicine, funeral expenses and funeral expenses for family members. However, it is struggling to get the minimal scale asked by the insurer to guarantee the price.

In August 2015, RedSol launched a health campaign to test the launch of a new health insurance product. The new product was promoted alongside
With the growth of its activities, RedSol has upgraded the old IT system named Tamazolin to a new system that can better handle more products (including the new requirements of the new health product). This new system works live with the insurance company and has eliminated any intermediate data sharing procedures. The IT upgrade was demanded by some institutions that had significant transaction volumes, as they wanted a faster subscription process. This was a natural growth of the business in terms of more demanding partners and higher volumes.

The insurance fund started operating in Puebla, Veracruz and Chiapas. Guerrero and Oaxaca have been integrated in 2013. RedSol is authorized to operate in 150 municipalities and have authorization for 90 more in the future. The initial insured crops include corn, peanut and coffee. Later banana was added. For the next season cycle, citric crops will be included too.

In the case of coffee, RedSol is using the internal controls for organic production in order to control the land plots and verify crops. Creating synergies with other established control mechanisms is being used a way to control costs.

In terms of outreach, the agricultural insurance program has shown the following numbers:

- 2012 2,797 ha
- 2013 4,555 h
- 2014 2,980 ha
- 2015 1,048 ha (until August with at least 3,000 ha expected).

Promotion keeps being a great challenge for the fund, as it is important bring awareness to farmers at the right moment, in order to carry out the necessary registration in a limited period of time.

**Lessons**

The traditional adjustment required for agricultural insurance products by the insurance funds can be carried out by organizations that work in the certification of organic produce. The insurance fund of RedSol has created partnerships with the certification entities for organic produce of coffee to also carry out the activities needed to verify plants and crops for the insurance cover. These partnerships have created significant cost reductions that make it possible to service the insurance product in a sustainable manner.

It is important for microinsurance intermediaries working with a diversity of partners to design tailored incentive campaigns adapted to the needs and agents of each partner, as a way to activate sales and keep up performance levels. RedSol has evolved its incentive strategy, which started as a general incentive campaign implemented with all member organizations and changed to specific campaigns tailored to each institution as a way to either activate sales or keep up performance in mature institutions. This allows the network to make better use of the limited resources and to create incentive campaigns that evolve over time.

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**Date of last update:** October 14, 2015

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