VidaAgrícola -- PROFIN Foundation[1]

About the Project

Project Name: VidaAgrícola -- PROFIN Foundation
Type of Facility Project: Microinsurance innovation grantee
Country of Operation: Bolivia
Region: Latin America and the Caribbean
Sub Topics: Business models, Financial institutions, Country experience, Policy and regulation, Subsidies, Partnerships, Consumer education, Improving value, Demand, Composite products, Property, Agriculture, Life
Type of Risk Carrier: Regulated insurance company
Type of Distribution Channel: Bank

Organizational Overview

The PROFIN Foundation develops, promotes and facilitates financial innovation, linking them with non-financial services in cooperation with public and private institutions. Its aim is to provide micro, small, and medium size rural and urban agricultural producers access to appropriate, equitable, and comprehensive financial services. As a leading centre of expertise and knowledge, PROFIN has been supporting economic development in Bolivia through innovative solutions on financial and risk management, as well as advocating supportive and consistent public policy.

Fundación Profin is an organization working to bring appropriate, equitable and comprehensive financial services to low-income people. The organization, with the support of the Swiss and Danish cooperation, has developed different products and pilots involving microfinance organizations, private sector organizations and governments. For the last five years, PROFIN has worked on the development of microinsurance in Bolivia and the deepening of financial services, generating experiences and learning about microinsurance in the rural area. In particular, experiences with two risk management funds - Tarija the ?Fondo de Transferencia del Riesgo? (FTR) or Risk Transfer Fund in the Bolivian region of Uriondo, ?Fondo de Mitigación del Riesgo Agrícola? (FMRA) or Agricultural Risk Mitigation Fund in the highlands of La Paz - proved useful during the implementation of Vida Agrícola, a composite insurance product.

Project Description

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Beneficiaries

Small scale farmers are the most vulnerable economic sector in the country. Their economic activity is exposed to a series of adverse weather and climate conditions. The project focuses on small producers, of whom 68% own and cultivate an average of 1.5 hectares of land.

Learning Agenda

Consumer demand and value

- What factors convince small farmers either to buy or not buy the composite insurance product VidaAgrícola over other solutions that they already use?
- What value do small farmers find in a composite insurance? Does the value they perceive from this product have a real impact on their welfare in relation to the price that is paid?

Supply

- How needs of the client can be incorporated into the design of a composite product and its commercialization?
- What are the criteria to select delivery channels that are most suitable from the client’s perspective, as well as most efficient for the project?

Education

- Which model is most adequate, sustainable, and efficient for awareness raising and education, for the consumer as much as for the insurer,
distribution partners and the government?

Public-private partnerships

- What are the conditions and factors that are most important to set up and consolidate sustainable public-private partnerships?
- What role does an institution like PROFIN play in such a project?

Project Status

Key Performance Indicators

Sold policies and covered hectares:

- 2011-2012 campaign: 41 policies ? 43.25 hectares
- 2012-2013 campaign: 44 policies ? 71 hectares
- 2013-2014 campaign: to be confirmed (Profin seeks to sell 2,400 policies)

Project Updates

As of February 2011 Fundación Profin has been working with the insurance company to define the final life insurance product (with Nacional Vida) and property and agricultural insurance (with Latina seguros). The proposed produce to be insured are: grape, sugar cane, corn and potato. These products represent the main crops being developed in the region of Tarija. A market study has been prepared to validate the designed products and a baseline study to collect data on the situation of farm... READ MORE [2]

Project Lessons

On demand and consumer value  Non-financial values for clients allow for a better welcome of agricultural products that may seem expensive at first glance. In the case of the FMRA, the clients perceived the premiums as high (15% of the insured premium), though they bought the insurance product given the personalized technical assistance that they could receive. In the case of the FTR, the surveys showed how farmers found the price of the insurance as fa... READ MORE [2]

On supply and the distribution channel  Distribution channels for rural insurance products need to fulfill certain requirements. Fundación Profin is developing a methodology in order to find the right distribution channel for a composite product in rural communities. The previous experience through pilots has shown that organizations fitting the following criteria will most likely be better distribution channels: - Rural portfolio - Wide range network ... READ MORE [2]

On consumer education  Several educational barriers need to be overcome when working with an insurer that is new to microinsurance. An educational process must first take place within the insurance company as new concepts and a different culture need to be absorbed by the insurance company. For Latina Seguros, this experience was the first time that the organization was trying to develop products for the low-income market. Initially the expectations from the ... READ MORE [2]

On public private partnerships  Support from the government varies as different political changes occur; therefore different strategies need to be implemented to face these situations. In the implementation of the FTR initially the local government in Tarija fully supported the project and agreed to subsidize the premium. Later the local government decided to stop subsidizing premium forcing a reduction in the insured amount and a premium rise. After th... READ MORE [2]

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