

## Summary

### Microinsurance Conference 2007

13–15 November 2007, Mumbai, India



#### **Plenary 4 – From macro to micro: Insurance solutions for small scale farming – Current practice and lessons learnt from Asia and Latin America**

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*New Developments in Agricultural Insurance in Latin America and the Caribbean*

Climatic risk is pervasive in the region and generates high economic losses in the agricultural sector. Despite the fact that Latin America and the Caribbean (LAC) is the most urbanized developing region, agriculture and the food processing industry still account for a large share of export earnings, employment generation, and value-added. Available traditional yield risk mitigation instruments tend to be inadequate. Modern instruments are grossly undeveloped. Renewed interest in crop insurance, however, exists due to a confluence of political, economic, and technological factors.

There are a number of impediments that thwart the development of sustainable agricultural insurance markets that will be discussed as well as the public policy implications of having to rely on inadequate traditional risk management instruments, i.e. persistent rural poverty, central government fiscal stress due to ex post emergency programs, and agriculture being placed at a competitive disadvantage. Whereas, the multiple peril insurance schemes common in developed countries are not easily replicable due to high cost and inefficiency, parametric ones are emerging as promising, albeit with several weaknesses.

In a snapshot, LAC only has only two countries with more than 10% of cultivated area insured. Performance indicators are reviewed for several countries and Mexico is highlighted as a source of interesting lessons learned. A progress report is also made on a regional pilot project to introduce parametric products in three Central American countries. (Honduras, Guatemala, and Nicaragua).

Conclusions and recommendations will focus on the proper role of public subsidies, the need for an integrated risk management strategy, regulatory issues, information infrastructure issues, and the importance of educating stakeholders, using alternative delivery channels, and properly marketing insurance products.

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