

MICROINSURANCE FOR LOW-INCOME PEOPLE IN BELIZE

MAINTAINING INCOME LEVELS OF BELIZE'S LOW-INCOME POPULATIONS AFTER NATURAL CATASTROPHES THROUGH THE PROVISION OF AFFORDABLE PROPERTY INSURANCE

PROJECT FACT SHEET

"Since its founding 32 years ago, ICB has maintained a goal of meeting the needs of Belize's rural population who has limited or no access to insurance coverage. This project, with the support of the MIF, provides ICB an opportunity to further its goal."



ICB DISTRIBUTION PARTNER TOLEDO TEACHERS CREDIT UNION VISITS A MAYAN FARMER IN HIS CORN FIELD

BASIC INFORMATION ABOUT THE PROJECT

- ▶ **Name:**
Microinsurance for Low-Income People in Belize
- ▶ **Funding period:**
2013-2016
- ▶ **Location:**
Belize
- ▶ **Executing agency:**
Insurance Corporation of Belize Limited (ICB)
- ▶ **MIF contribution:**
\$730,000
- ▶ **Total project amount:**
\$1,015,150

Challenge

Belize is one of the most underinsured countries in the Central American and Caribbean region with only 15% of households insured. The vast majority of the country's population remains highly exposed to financial losses and extreme hardship when a disaster occurs. At the same time, insurers tend to have limited capacity to deliver products to address this need and even less so when it comes to the rural poor engaged in agricultural activities.

Objective

Increase the outreach and depth of formal insurance for low-income people so that 10,000 Belizean households engaged in rural agriculture activities have access to products that enable them to protect their consumption and continue to repay their loans after disasters.

Strategy

The Insurance Corporation of Belize (ICB) will develop a parametric insurance-type property product covering the risks of severe income losses due to natural disasters. The product will be sold through credit unions and other microfinance institutions (MFIs), whose membership and clients include over a third of all Belizeans.



Background

As the first company in Belize to demonstrate a true engagement with low-income people, ICB has implemented complementary services for this population, such as remittances and two basic insurance products. Now ICB looks to develop a more complex, high-value microinsurance product for this population.



FIELD VISIT OF ICB DISTRIBUTION PARTNER TOLEDO TEACHERS CREDIT UNION WITH A CACAO FARMER

INVESTING IN PROPERTY MICROINSURANCE FOR THE RURAL POOR

The risk to which most low-income people are exposed given the precarious situation in which they live and work in general is compounded by Belize's location in the hurricane belt of the Caribbean Sea. The high risk means lenders are hesitant to provide credit. This is further exacerbated for the rural poor by the fact that agricultural activities imply high systemic risk, generally related to natural disasters and lately linked to the effects of climate change.

ICB will begin this project by understanding the needs of the rural poor involved in agricultural activities. ICB will also study the feasibility of using a mobile platform for product sales. Once armed with this information, ICB will design a parametric microinsurance product for the target clients as well as integrate an IT system that aligns with the information technology situation of the participating credit unions and MFI partners.

Initial research has shown that the target population is largely financially illiterate. As such, an education program on insurance and risk management will be designed and

implemented with low-income people throughout the country; this will be executed in unison with the credit unions' financial outreach program. A training program will also be undertaken for ICB staff, the credit unions and participating MFIs. This is expected to increase not only acceptance and purchase of the insurance product, but also its use. The project also looks to contribute to the strengthening of the Office of the Supervisor of Insurance with improvements in the legal, regulatory and policy environment for microinsurance.

This pilot –and the lessons it will generate– are expected to contribute to greater outreach of vitally needed property microinsurance in the region, and in turn, broadly increase wellbeing.

Key results

ANTICIPATED RESULTS AT PROJECT COMPLETION

- ▶ Provision of property microinsurance to 10,000 households through five local credit unions.
- ▶ Reaching 2,500 credit union members with financial literacy and microinsurance information.

- ▶ Increased understanding of microinsurance through the Belize Chamber of Commerce and the Office of the Supervisor of Insurance.

Next steps

- ▶ Carry out a market assessment and a baseline study.
- ▶ Design the property microinsurance product.
- ▶ Develop training for credit union staff and financial education for credit union members.

MULTILATERAL INVESTMENT FUND

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