



World Food Programme

SAVING
LIVES
CHANGING
LIVES

Parametric Microinsurance: A key tool to achieve resilience in Guatemala

BACKGROUND

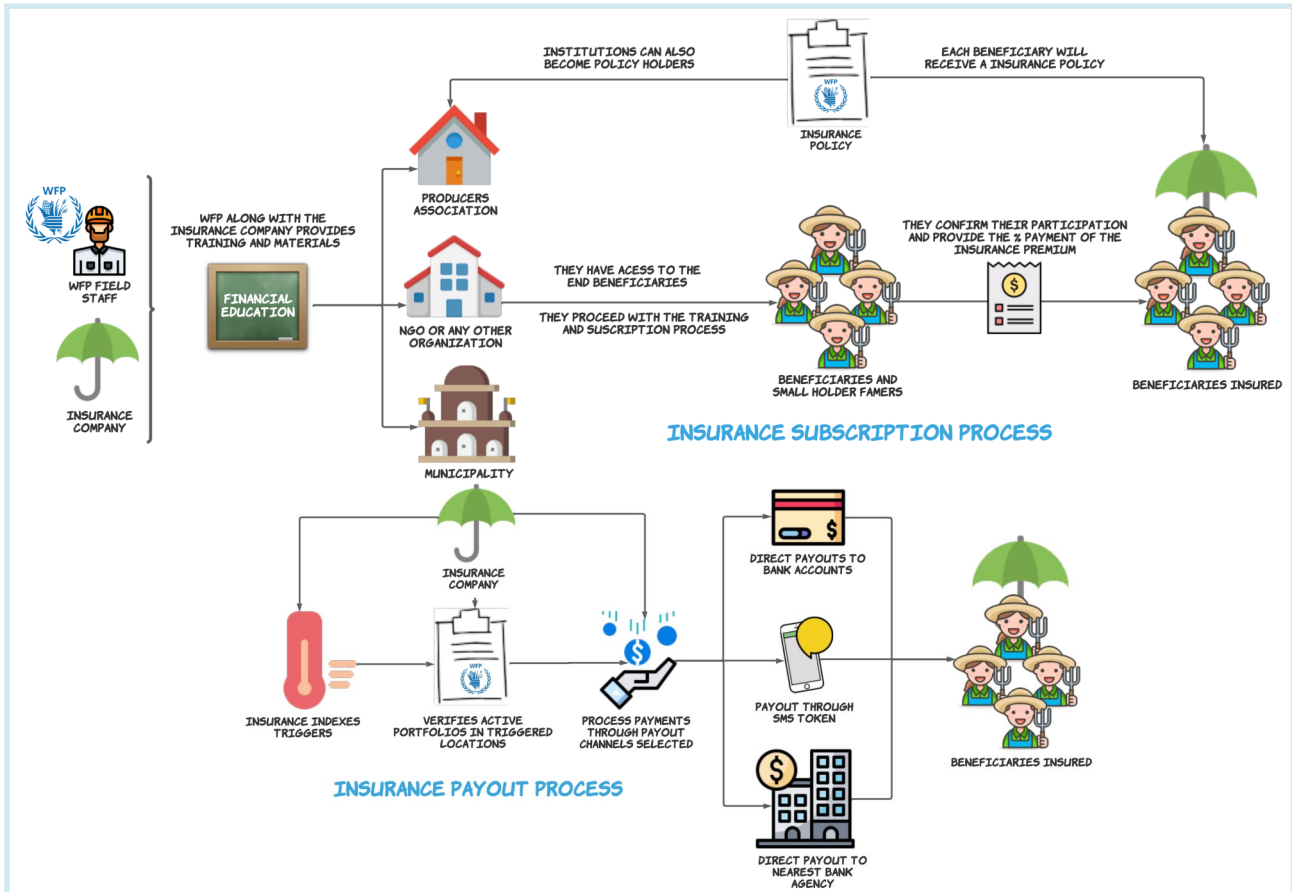
Guatemala is one of the most vulnerable countries to natural hazards, particularly the droughts that every year become more severe and frequent as a result of the increasing impacts of climate change. Increasing frequency and intensity of droughts, as well as excessive rains, abrupt changes in temperature, severe flooding, and landslides have led to chronic food insecurity in recent years, with the COVID-19 crisis exacerbating the situation. This increases vulnerability, especially among smallholder farmers who lack adequate methods to manage climate-related shocks.

WFP Guatemala implements integrated resilience-building activities, which include income-generation, asset creation, environmental rehabilitation, community governance, and nutrition, as well as social and behaviour-change communication.

WFP's resilience-building approach includes a climate risk management strategy to support smallholder farmers, as well as local institutions, to mitigate the impact of climate-related shocks on their livelihoods through innovative risk finance mechanisms. This strategy includes microinsurance along with conditional cash-transfers and savings-and-loan groups for women. Microinsurance is an effective tool for smallholder farmers to better manage climate-related risks, overcome vulnerability and achieve resilient livelihoods, while enabling risk-informed investments and growth in the rural productive sector.

WFP Guatemala designed a parametric microinsurance programme and successfully carried out a pilot project in 2021, meeting the needs of smallholder farmers and providing them with integrated instruments for resilience.

August 2022



Subscription and indemnity process of Parametric Microinsurance

KEY INFORMATION

	2021	2022
	1,292 people insured (69% women)	9,437 people insured (81% women)
	5 departments Alta Verapaz; Baja Verapaz; El Progreso; Chiquimula; Zacapa;	7 departments Alta Verapaz; Baja Verapaz; Izabal; El Progreso; Chiquimula; Jalapa; Zacapa;
	Q 200 (US\$ 25) Value of premiums	Q 250 (US\$ 32) Value of premiums
	Q 2,400 (US\$ 311) Value of sum insured	Q 3,000 (US\$ 390) Value of sum insured
	1 payout of Q 720 (US\$ 100) made to two women's associations	-
	-	1,659 people made contribution of 10% of insurance premium.
	Government of Canada, European Union, IFAD and WFP funds	Government of Canada, European Union, IFAD and WFP funds

1. PILOT PHASE 2021

The parametric microinsurance pilot was implemented by WFP in coordination with Aseguradora Rural in five of the country's departments (Alta Verapaz, Baja Verapaz, El Progreso, Chiquimula, Zacapa), for a coverage period of 12 months. The objective of the parametric microinsurance is to provide a key tool to achieve resilience for food security and nutrition for the people that are most vulnerable to climate shocks.

In May 2021, WFP Guatemala insured 1,300 smallholder farmers and small entrepreneurs as part of the pilot. The microinsurance was also complemented by a comprehensive financial education strategy that WFP Guatemala designed tailored to the context of the participants.

According to the post distribution monitoring (PDM), the level of satisfaction with the amount of payment is shown to be very high and all of the respondents indicated they would be interested in participating in parametric microinsurance projects in the future. Furthermore, 92 percent of the respondents were willing to make a partial financial contribution to obtain the microinsurance in the future.

2. BENEFICIARY STORY

Herlinda, 54, lives in Corazón de Maíz, a small community in Panzós, Alta Verapaz, which is located in Northern Guatemala where 83 percent of the population lives in poverty and 56 percent in extreme poverty. Herlinda is the president of a savings and loans group that WFP initiated in 2016 as part of the Joint Programme on Accelerating Progress towards the Economic Empowerment of Rural Women which was implemented in collaboration with International Fund for Agricultural Development (IFAD), Food and Agriculture Organization (FAO) and UN Women.

In 2021, Herlinda and her savings group were offered a microinsurance policy that would provide protective coverage in the case of a major disruption to their productive activities. When Alta Verapaz suffered from a 27 day drought (between August 2021 to October 2021), the microinsurance policies were triggered, activating a payout process for Herlinda and other members of her group. Herlinda and the other 35 smallholder farmers and entrepreneurs (34 women) in the region of Alta Verapaz (Santa Maria and Corazón de Maíz communities) received a payout of Q 720 (US\$ 100) each. Herlinda used the money to invest in her future by purchasing a pig. Other members of her group decided to buy fertilizers or compost to improve their crops. They also saved some of the money within their savings group.

“With the trust in God and in the insurance, we are going to be able to confront whatever comes next, so we don’t run out of food and we are able to provide for our families.”

Herlinda, 54, Alta Verapaz

3. SCALE UP PHASE 2022

After successfully launching the pilot of a parametric microinsurance project, WFP Guatemala has begun its second year based on the scale up strategy.

During the 2022 subscription period, more than 9,400 people have been registered as insured in seven departments of the country. Of the total number of people insured, 7,676 are women (81 percent) and 1,761 men. They are from 18 associations of producers and participate in the different resilience projects promoted in the country.

It is worth mentioning that this year the participation from indigenous communities has increased. 1,980 indigenous families, representing 21 percent of the total number of beneficiary families, belong to the Quek’chi indigenous community. Moreover, 800 families from the Chortí indigenous community participated in the in the area of Chiquimula with the support of the municipality.

Notably, 20 percent of the insured beneficiaries made a 10 percent contribution to the insurance premium (equivalent to Q 25 or US\$ 3.25), and WFP subsidized the remaining 90 percent of the total premium value. This second phase will offer coverage from May 15, 2022 to May 15, 2023.

As a result of the pilot project, for the second phase in 2022, WFP Guatemala now has Heifer International, a non-governmental organization, as implementing partner that became an insurance policy holder and participated in this year’s subscription process, insuring 1,082 beneficiary families in Alta Verapaz. Also this year, four municipalities participated in the process with a 10 percent subsidy scheme leading the subscription process and training.

4. SCALE UP STRATEGY

WFP Guatemala has established the scale up strategy for sustainable expansion of the project. It is based on expanding coverage by engaging associations involved in WFP interventions, current implementing partners, and other scale up partners. WFP Guatemala also seeks to scale up through municipalities as policyholders.

In the Guatemala context, the sustainability of the microinsurance also relies on the product being commercially viable. To support this, the smart subsidies strategy will be expanded next year with a contribution of 25 - 40 percent of value of insurance premiums.

As part of the scale up strategy, within the country office’s anticipatory action (AA) portfolio, a Forecast Index Insurance initiative is being developed as a preliminary trigger to help beneficiaries implement anticipatory actions for extended dry spells. Additionally, there is ongoing coverage design work on temperature changes which will serve as a complement to the Ministry of Agriculture (MAGA) risk transfer initiative through their climate insurance.



Women waiting for WFP’s parametric microinsurance

PARTNERS

The following partners are key players in the launch and expansion of the project.



LESSONS LEARNED

Based on the pilot phase in 2021-2022, with the suggestions of associations that participated during the pilot, WFP Guatemala has established lessons learned to improve the project.

Communication	Strengthen communication mechanisms
	Promote workshops on financial culture and productive economic planning
Product Enhancement	Implement the insurance scheme with the anticipatory actions pilot
	Revise parameters in the regions reporting higher losses
	Include climate information tools at local level
	Complement with climate services initiative to improve monitoring and climate awareness
Training	Add new coverage of abrupt temperature changes and strengthen the anticipatory action initiative
	Improve the training strategy
	Provide training on interpreting climate information
	Build a stronger link with resilience activities through training



Beneficiaries of WFP's Parametric Microinsurance in Guatemala

World Food Programme

WFP Panama | Clayton, Ciudad Del Saber | Calle Vicente Bonilla, Edificios 124-125, Corregimiento de Ancon Panama, Rep. De Panama.

Photo page 1: WFP Guatemala / Jorge Barrientos

Photo page 3: WFP Guatemala / Jorge Barrientos

Photo page 4: WFP Guatemala / Oscar Vaides