

Promoting agricultural microinsurance

Agricultural insurance was introduced into Colombia in 1993 as a system for subsidising farmers' insurance premiums. There is currently no product defined specifically for small producers. Although micro-insurance is sold on the market, it is not specifically adapted to the needs of small farmers.

Against this backdrop, a bill to formalise and encourage the uptake of micro-insurance by smallhold-farmers has been submitted to Congress. This bill would create a special-purpose insurance product, in which the insured party would be the smallhold-farmer. It defines these as farmers with total assets of under 145 MMW (COP 99,970,830, approx. USD 33,059), adding together their assets to those of their spouse or long-term partner.

When it comes to the payment of claims made by small producers, the bill sets out that the value for which farming insurance policies will accept liability is to be based on the value of short-cycle crops with a verifiable historical price series in the agricultural region in question. The insurable value of the crop may not be higher than 12 MMW (COP 8,273,448, approx. USD 2,736).

Microloans can be used to fund crop-protection micro-insurance policies as a way of servicing future debts. This option will enable microfinance institutions to provide a more appropriate value proposition for their customers who work in agricultural activities.

In addition, agricultural micro-insurance would be offered by all insurance companies authorised to operate in the agricultural sector in Colombia, under a Public-Private Partnership (PPP) arrangement that would be regulated by the government once the law is passed.