

## PRESS RELEASE

### **Incofin's Rural Finance Partnership technical assistance program promotes smallholder resilience to climate change through innovative agricultural insurance**

Antwerp, Belgium | 24 October, 2018

Through its Rural Finance Partnership technical assistance program, Incofin IM is supporting two local microfinance institutions (MFIs) – Fundenuse and Micrédito – to implement the first ever meso-model agricultural index insurance product in Nicaragua.

Designed jointly by project coordinator MG Consulting, AXA XL Reinsurance and local Nicaraguan insurance company Iniser, the coverage aims to boost the resilience of smallholder farmers to increasingly frequent and destructive weather events that threaten agricultural production and rural livelihoods. The coverage will help protect 6,000 coffee and basic grain farmers, more than 90% of which possess fewer than 10 hectares of land, from economic shocks related to drought and excess rain.

The product's innovation lies in its unique design. Whereas traditional insurance schemes would require administering individual policies for each farmer, in this case, the MFI acts as policy holder and risk aggregator. Payouts are triggered based on pre-established rainfall indexes measured via satellite precipitation data. This setup reduces basis risk and administrative costs, making the coverage more accessible compared to traditional models.

After being approved by the Nicaraguan Superintendence for Banks and Other Financial Institutions (SIBOIF, by its Spanish acronym), the product triggered its first payout in September 2018 due to the ongoing drought in Central America, which has already caused significant crop losses<sup>1</sup>. The MFIs will use the insurance payout to restructure loans of the most vulnerable farmers in the affected regions, preventing these clients from falling into arrears and eliminating the need to sell off productive assets in order to repay their loans.

In an effort to scale up the initiative, Incofin IM, MG Consulting and AXA XL are supporting a third Nicaraguan MFI, Financiera Fundeser, to implement a similar product adapted to the needs of their agricultural clients. If approved by SIBOIF, this product will help protect an additional 12,000 smallholder coffee farmers from the adverse economic effects of flooding during Nicaragua's rainy season.

The project is jointly financed by the US-based Multilateral Investment Fund (MIF), a member of the Inter-American Development Bank Group, the Dutch development bank FMO and Belgium-based social impact fund Incofin cvso.

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<sup>1</sup> <http://agroinsurance.com/en/two-million-risk-hunger-after-drought-in-central-america-u-n/>

#### *About Fundenuse*

Fundenuse is one of the foremost microfinance institutions in Nicaragua, recognized for its outreach, portfolio quality, diverse offering of products and services, profitability and social performance. Fundenuse was rated 63<sup>rd</sup> on the list of 100 best microfinance institutions in Latin America and the Caribbean, according to an annual evaluation conducted by the MIF. <https://fundenuse.com.ni/es/>

#### *About Micrédito*

Micrédito provides financial services to micro- and small enterprises in urban and rural Nicaragua. Through its network of 30 branches, Micrédito has helped more than 9000 families reach social and financial inclusion. In the future, Micrédito aims to continue improving the quality of life of communities throughout Central America. In July 2018, Micrédito launched operations in Costa Rica. <https://www.micredito.com.ni/>

#### *About Financiera Fundeser*

Financiera Fundeser is an institution licensed by the SIBOIF since October 2014, before which it operated for 14 years as an NGO specialized in microfinance. Fundeser targets the micro- and small enterprise sector, with particular focus on rural communities. The institution serves nearly 25,000 clients through 27 branches and agencies located throughout Nicaragua. Fundeser has a portfolio of 46.1M USD, of which 58% is dedicated to financing the agricultural. <http://financierafundeser.com.ni/>

#### *About MG Consulting*

MG Consulting is a Switzerland-based consulting firm providing services related to economic and social development. Key areas of expertise include financial inclusion, gender empowerment, strengthening of agriculture value chains and fair trade. The firm also provides market intelligence services to develop insurance solutions that promote climate resilience of vulnerable populations, especially for the global reinsurance market.

#### *About AXA XL<sup>2</sup>*

AXA XL provides insurance and risk management products and services for mid-sized companies through to large multinationals, and reinsurance solutions to insurance companies globally. We partner with those who move the world forward. [www.axaxl.com](http://www.axaxl.com)

#### *About AXA XL Reinsurance*

XL Reinsurance is among the world's leading reinsurers, offering solutions that include property, casualty and specialty reinsurance. Top insurers choose XL Reinsurance to help them move the world forward.

#### *About Iniser*

INISER, a state autonomous entity with 39 years of experience, is a leading insurance company in the Nicaraguan market, with an extensive and solid asset base. Acknowledged for its constant growth, profitability and commitment, INISER contributes to the economic, social, cultural and productive development of Nicaragua, through the promotion of insurance options that guarantee security and reliability, in favor of the common good and social equity of its clients, families and community. <http://www.iniser.com.ni/>

#### *About MIF*

The Multilateral Investment Fund serves as an IDBG innovation laboratory to promote development through the private sector by identifying, supporting, testing and piloting new solutions to development challenges and seeking to create opportunities for the poor and vulnerable populations in the LAC region. To fulfill its role, the

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<sup>2</sup> 1AXA XL is a division of AXA Group providing products and services through four business groups: AXA XL Insurance, AXA XL Reinsurance, AXA XL Art & Lifestyle and AXA XL Risk Consulting.

MIF engages and inspires the private sector and works with the public sector when needed.

<https://www.fomin.org/en-us/>

#### *About FMO*

FMO - the Dutch development bank, supports sustainable private sector growth in developing and emerging markets by investing in businesses, projects and financial institutions. To strengthen organizational capabilities, FMO have a Capacity Development Program to promote and facilitate transfer of knowledge and skills. <https://www.fmo.nl>

#### *About Incofin cvso*

Incofin CVSO is a Belgian social investment fund specializing in debt and equity investments. CVSO focuses in particular on Financial Inclusion at the base of the pyramid, and supports 3.4 million driven micro-entrepreneurs through 50 local financial partner institutions in developing countries. It is a cooperative fund and open to retail investors. [incofincvso.be/en/](https://incofincvso.be/en/)

#### *About the Rural Finance Partnership*

Sponsored by MIF and led by Incofin IM, the Rural Finance Partnership (RFP) promotes financial inclusion of rural populations in Latin America and the Caribbean (LAC). Since 2014, the RFP has provided nearly 1M USD in capacity building grants to 15 partner institutions in 8 countries. These grants support interventions in financial product development and innovative delivery channels benefitting 300,000 rural clients.

#### *About Incofin IM*

Incofin Investment Management manages impact investment funds and is a global leader in rural and agricultural finance. It is an AIFM licensed fund manager, advising and managing 1B USD of assets. Headquartered in Belgium, Incofin has a network of 4 regional offices and a team of 50 experienced staff with in-depth knowledge of rural finance and private equity. [www.incofin.com](http://www.incofin.com)

Contact details: [investorrelations@Incofin.com](mailto:investorrelations@Incofin.com); +32 3 829 25 36