



► Social Finance Brief

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Seguros Futuro

Growth of El Salvador's only cooperative insurer

Overview

- **Description:** In July 1994, Seguros Futuro was created as the first and only cooperative insurer in El Salvador, formed with capital from the network of savings and credit cooperatives of El Salvador, FEDECACES.
- **Distribution channels:** Savings and credit cooperatives, financial institutions and direct sales
- **Products offered:** Climate, life, surgical, repatriation, health, general risks and debit and credit card insurance
- **Number of policies:** 250,000 microinsurance policies sold in 2019

Introduction

Seguros Futuro is an insurer that is cooperative in nature, which is unique in El Salvador. It was created by the Federation of Cooperative Savings and Credit Associations of El Salvador (FEDECACES) that together make up a network of FEDECACES cooperatives. When the company was created in 1994, its mission was to provide protection for Salvadoran families that did not have access to insurance services because of their cost and perceptions that insurance was only for the well-off.

Initially, Seguros Futuro only offered insurance to members of the 25 cooperatives affiliated to FEDECACES. Today, its insurance products are available to El Salvador's entire population through direct sales and various other channels. Currently, the sale of microinsurance through affiliated cooperatives represents 45 per cent of Seguros Futuro's entire business.

For Seguros Futuro, working with cooperatives represented an important opportunity to leverage their national coverage and broad member base. However, in order for the cooperatives to generate an insurance

culture and offer protection services, they needed to develop and strengthen their sales force management. To address this, Seguros Futuro made arrangements with the cooperatives so that they became part of the main marketing channel, becoming points of sale, with the support of insurance advisers to guide customers in making insurance purchases.

In addition, the implementation of insurance sales involved operational and technological efforts on both sides. At the beginning of the partnership between Seguros Futuro and the cooperatives, the operational, logistical and technological needs and contributions of each were defined. The cooperatives, being owners of their own insurer, supported the use of their national network of branch offices, as well as the support of their managers and employees in promoting the insurance products, collecting premiums and sending the insurance policies signed by the clients to Seguros Futuro. The insurer, on the other hand, provided technological support and computing equipment wherever cooperative branches faced with challenges to their operations. It also

provided promotional materials for product communication and incentives for the sale of insurance.

In addition, Seguros Futuro appointed personnel as insurance advisers to provide direct support to the channel. This team of employees of the insurer work in-house in the cooperative offices, providing technical and technological support in the implementation and use of the systems, monitoring insurance operations, and providing commercial support to help the cooperatives increase their insurance sales.

Through this partnership, Seguros Futuro has been able to sell a wide range of insurance products, from life and health insurance to products to protect clients against weather risks.

Offering free preventative health services to clients has been important to strengthen ties with the cooperatives and generate added value for the cooperatives and their clients. Seguros Futuro carries out preventive health activities, such as medical check-up days and financial education, in the premises of the cooperatives. This benefit is not exclusive to clients of the insurer and anyone can make use of check-ups in different medical specialties within the cooperative on the same day of the campaign.

With more than 25 years of operations, the partnership has proved advantageous and durable for the cooperatives as well as for Seguros Futuro. On the one hand, it allows the cooperatives to offer greater value to their clients through additional services. On the other hand, Seguros Futuro has been able to leverage the cooperatives as successful alternative sales channels, allowing it to access a large customer base.

Catastrophic index insurance

Since 2018, Seguros Futuro has sold a catastrophic index insurance product called “Produce Seguro” (“produce safely”), in collaboration with the Microinsurance

Catastrophe Risk Organisation, the reinsurer Swiss Re, and the Agricultural Development Bank (Banco de Fomento Agropecuario - BFA), a public bank designed to promote agriculture through loans to farmers in El Salvador. The product offers farmers protection against risks caused by excessive rain, drought and earthquakes. Satellite data allows the insurer to determine claims automatically and remotely based on precipitation indices, without the need to carry out loss adjustment in the field.

During the first year, the insurance premium was subsidized by the State of El Salvador. The subsidy was offered at various levels (50 per cent, 75 per cent and 100 per cent of the total insurance premium) on a randomized basis. This mechanism was used to understand the effects of the different levels of premium subsidy, and to encourage insured farmers to learn about and experience the insurance during the first year, in the hope that they would be willing to pay for the product fully in following years.

At the end of the first year, it was observed that some producers, despite being offered a 100 per cent premium subsidy, did not take up the insurance. This was likely due to a lack of information provided by the bank advisers to the farmers, partly as a result of limited training given to the advisors and follow up. Since the experience of this first year, Seguros Futuro focused on adviser training and financial education as well as communication with clients.

Currently, the parametric insurance product is offered without state subsidy. In 2018, about 10,000 policies were sold to clients of the BFA. In 2019, the producers paid 100 per cent of the insurance premium because they did not have the subsidy and about 3,000 farmers were insured. As of 2020, new channels with other financial entities were included, insuring more than 4,000 farmers. Many of the insured were compensated that same year for a total amount of USD 900,000 as a result of Hurricane Amanda that catastrophically affected El Salvador.



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The [Impact Insurance Facility](#) contributes to the agenda of Social Finance by collaborating with the insurance industry, governments and partners to realize the potential of insurance for social and economic development.

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