Index Insurance Training
Key performance indicators

KPIs for accuracy of product - basis risk measurement

KPIs	FORMULAE OF KPIs	RELEVANCE OF KPIs	EXAMPLE BENCHMARKS FOR MONITORING
1. Agriculture claims frequency	No. of farmers or hectares/livestock units with losses reported/ No. of farmers or hectares/livestock units insured	Indicates claims incidence/reporting rate and utilization of the cover. Also important for the pricing and design of the product	30%-70%
2. Basis risk measurement	Correlation between historical payouts and historical losses (correlation to yield or losses)	Very important metric for basis risk measurement for index insurance products Correlation of occurrence. Correlation of extent.	5%-30%
3. Historical payouts for index insurance	Percentage of years with historical payouts, Average, Min, Max of historical payouts	Important metric for checking the pricing and for checking the adequacy of pay-outs.	50%-90%
4. Human centric design	Number of Focus Group Discussions (FGDs) held for the purpose of product design. Report on FGD should also indicate how the FGD results were used to influence the product design.	Important to understand how the products are being designed and the human-centric approach to product design.	5%-20%
5. Relevance of risks	-Crops insured and most relevant crop production risks for the specific season. - Compared to the insured risks	Enables assessment of the relevance of perils insured. Special focus on both rainfed and irrigated farming should be there.	10%-50%