Index Insurance Training
Underwriting, Product Design and Pricing factors toolkit

Checklist of pricing factors for regulators and insurers

- ☑ Source, accuracy of and access to the weather data (weather stations or satellite).

- ☑ Summary of underlying data for index (number of years/seasons/gaps/ quality checks/statistics).

- ☑ Method used to derive parameters (e.g. trigger levels, payout levels).

- ☑ Pricing method used for extreme events (deterministic/stochastic/ blended approach/loading).

- ☑ Pricing versus payouts and basis risk for different options.

- ☑ Pricing key assumptions (burn cost/ office premium, target claims ratio, expense ratio), catastrophe loading.

- ☑ Premium rates compared with production cost, expected yield and farmer's expected margin.

- ☑ Access to basic data requirements (e.g. GPS coordinates of reference points, duration of season).

- ☑ Different sources of data used (e.g. weather station, satellite, yield, farmers' feedback, etc.).