

Index Insurance Training

Pricing, reserving and solvency

Checklist of underwriting and product design factors for regulators and insurers

- Suitability of product for targeted farmers/crops/value chain.
- Relevance of perils insured for targeted farmers/crops/value chain.
- Steps taken to reduce basis risk and any measurement of underlying basis risk, and reasons.
- Correlation between historical payouts and losses incurred by farmers (yield/ground-truthing).
- Payout structure – partial payouts/ binary/step-wise/linear/min-max payout/rate of payout.
- Basis of sum insured (e.g. loan amount, cost of production, expected yield, fixed cash amount).
- Hybrid structures – compatibility with other types of cover (e.g. weather index insurance with indemnity insurance, or weather index insurance with area yield index insurance).
- Use of deductibles/excess vis-à-vis use of triggers.
- Rationale for coverage dates, waiting period, exclusions, and so on.