Webinar on “3-D Client Value Assessment”

How do we apply to use the MQS? It would be great to get the tool spreadsheet and supporting documents.

The tool is available on our website. If you have further question or would like to request assistance to use the tool, please contact impactinsurance@ilo.org

For questions specifically pertaining to the MQS (Indicator 1 of the 3-D Client Value Assessment Tool), please contact basis@ucdavis.edu

The materials talk about an "uplifting example from Mali", although the pilot projects do not seem to include Mali. Any comments specifically on the Mali example?

The Mali example refers to an interlinked credit-insurance contract in Mali which demonstrated significant impacts on productive investments among insured cotton cooperatives. Results of a randomized controlled trial revealed that insured farmers expanded area cultivated (50 percent), borrowing (34 percent), and increased use of productive inputs (50 percent). The project and impact evaluation was repeated in Burkina Faso, which also saw significant increases in high-productivity investments by insured farmers. This and other examples demonstrate the use of agriculture insurance not only as a protective tool, but also as a productive tool. More information is available on the website of the Feed the Future Innovation Lab for Assets and Market Access.

How many users have been using the tool through the pilot projects?

Several people were involved at different stages of the process. Typically, we would have one person supervising the overall analysis, one person collecting data in country and a survey team of 10-15 people (for an analysis requiring about 500 farmers interviews).

Is the tool designed exclusively for micro index insurance? Or can it also be applied to meso-level and/or macro-level index insurance?

The 3-D tool has been designed for micro index insurance and is best suited for this type of products. The tool could be relevant to assess macro or meso-level products as long as the payout rules directly or indirectly benefit the farmer. However, depending on how such products are designed, some adjustments may be required. The tool would have limited relevance for macro or meso-level products that do not aim to cover farmers (e.g., an index product covering an agricultural loan portfolio where no benefits are directly or indirectly transferred to clients). Regardless, the fundamental principles that underlie most of the indicators will have some relevance to these other products which would be beneficial to consider.

Do clients understand the complexities of index insurance and is this typically a barrier to value?

Understanding index insurance and the basic parameters of how it works are an essential part of client value. In particular, it is important for farmers to understand that payouts are linked to estimated losses, and your losses may vary from the average in an area – either over or under. This will help them make informed decisions on how to integrate insurance into their broader risk management and productive planning portfolio.

Many clients of agricultural insurance have limited exposure to insurance in general and index insurance in particular, which creates a greater need for customer education and protection. Despite
the complexity of these products, in our experience, clients can understand their key product features when they receive sufficient information and it is conveyed in a way that matches their needs.

**Does the third D (Delivery) include 'impact' of the product to farmers?**

The three dimensions jointly indirectly assess the capacity of a product to have a positive impact on farmers’ risk management capacity. However, a 3-D assessment of client value is not (and does not mean to be a substitute for) an impact assessment.

**What was the percentage of the defect rate (i.e. identified that the quality was lower than MQS)?**

During the pilot application of the tool, out of four schemes with MQS, one received a Strong score, two received an Average score and one received a Poor score. It should be noted that this is a very small sample size of four products and is not recommended to use the results as any kind of indication of how the statistic will stand when expanded to more products. Hence, it is too early to state the defect rate. We will track this indicator as we apply the tool across more schemes.

**It was mentioned that we need to survey farmers from different geographic areas and hiring a survey team would be helpful. Doing this may incur a lot of costs. How do we manage or defend that all these costs are worthwhile?**

Compared to the overall costs involved in designing and implementing an agricultural insurance product – which will only increase if low quality products create reputational damage – the costs of hiring a survey team are quite modest. These efforts are worthwhile – perhaps even essential – to ensure a sustainable business model. Product design and testing for every other industry is a standard cost of doing business, and we see no other reason why this sector should be any different. However, while the tool provides guidelines and tips to anticipate and prevent potential biases, it does not impose strict requirements in terms of sample size or geographic areas, leaving some flexibility to adjust the assessment to specific needs and constraints.

**What are your observations from the five markets through this tool?**

It was interesting to note that although each product had its specific strengths and gaps, our findings were consistent across the 5 markets. We observed, for example, that products generally scored well on several of the key product design indicators, showing that the risks and activities they covered were relevant to farmers. On average, scores were lower for Indicators assessing processes such as sales, evidence of coverage or availability of feedback mechanism.

**What would be interesting is a web tool in which you can adjust the questions and size before and run the interviews via Survey Monkey. What are your thoughts on this?**

Thus far the data collection has been done on different apps based on the survey firm involved in the data collection. We may create a Survey Monkey template for the agent/staff/client interviews in the future.

**Do you have best practice on explaining basis risk?**

Through the 3-D assessments, when we asked to clients if the information they received was useful to them and what could be improved, the feedback we received was that clients tended to prefer receiving both verbal and written explanation, in local language and with visuals. In addition, there have been several interventions that have had success in explaining index insurance through **financial education games**. Keep in mind, however, that the best way to manage the conversation around basis risk is through effective product design and consumer protection to reduce the existence of
preventable basis risk. Other methods from the GAN resource “Helping Farmers Understand Index Insurance: Guidelines for Consumer Education Interventions” may also be useful to address the issue of basis risk.

Does the ILO have a similar methodology for health and life products?

We do not have a similar tool for the other product lines as yet, but this is something that we are considering developing based on the availability of resources.