“3-D” Client Value Assessment

Assessing Client Value for Agricultural Index Insurance

A Technical Guide

USAID FROM THE AMERICAN PEOPLE

IMPACT INSURANCE

FEED THE FUTURE INNOVATION LAB FOR ASSETS & MARKET ACCESS BASIS basis.ucdavis.edu

I4 INDEX INSURANCE INNOVATION INITIATIVE

Authors :

EA Consultants:

Coralie Martin

Barbara Magnoni

ILO Impact Insurance Facility:

Aparna Dalal

Feed the Future Innovation Lab for Assets and Market Access (AMA Innovation Lab)

Tara Chiu

Table of Contents

About this Guide

The 3-D Client Value Assessment Technical Guide (3-D Technical Guide) provides guidance on how to conduct a 3-D Analysis of Client Value for agricultural index insurance products, using the "3-D Client Value Assessment Tool" (3-D Tool).

It is part of a broader set of tools, templates and documents that aim to support 3-D Analyses of Client Value. These documents will be referred to throughout this guide, with indications on when and how to use them.

The table below summarizes the different documents that constitute the entire toolkit for a 3-D Analysis of Client Value for agriculture index insurance products.

Document Name	Description
3-D Technical Guide	The 3-D Technical Guide (present document) provides guidance on how to conduct a 3-D Analysis of Client Value, using the 3-D Tool and associated documents describe below.
3-D Tool	The 3-D Tool is the centerpiece of the analysis. It looks at client value across 14 indicators and provides indications on how obtain a scoring for each of them.
3-D Client Value Assessment Workplan	This document aims to support the planning of a 3-D Analysis of Client Value. It includes typical tasks and steps, presented in the form of a sample workplan.
3-D Administrative Data Checklist	The 3-D Administrative Data Checklist summarizes important information, administrative data and documentations to collect throughout the analysis. It also helps keep track of deadlines and information gaps.
3-D Interview Guides	This file contains interview guides for covered farmers, management, and sales staff or agents. Each question is associated to the indicator it aims to assess. The guides can be customized to products and contexts.
MQS Calculation Sheet	The MQS Calculation Sheet is a tool that provides a measure of index reliability used for Indicator #1. It is a simplified version of the "Minimum Quality Standard" methodology.
3-D Working Template	The 3-D Working Template provides step-by-step guidance for analyzing the data collected through the analysis for each indicator.
3-D Report Template	The 3-D Report Template has been created to support the presentation of findings and recommendations after the analysis has been conducted.

The “3-D” Analysis of Client Value

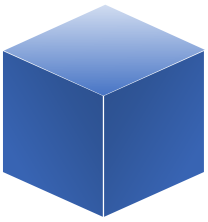
The case for measuring Client Value

Smallholder farmers are highly vulnerable to risks, including weather uncertainty, pests, disease, price volatility, and labor risk. Often, existing tools that smallholder farmers use to manage those risks are costly and insufficient. In this context, insurance products covering agricultural risks have the potential to offer high client value.

While traditional insurance products are often inaccessible to smallholder farmers, index insurance products might offer an affordable and feasible alternative. But poorly designed index insurance can create more risks than they mitigate. For example, a poorly designed index could result in farmers’ failing to receive payouts when they experience losses, or receiving payouts when they did not suffer any. Other issues, such as lack of understanding of the product among farmers, high premiums or irrelevant coverage, could also erode client value.

Particularly with complex, index insurance products, understanding the products’ value proposition and assessing the value they bring to clients is essential. The 3-D tool provides a framework to conduct such analysis. One of the key underlying assumptions of this tool is the following: if a product cannot be designed, distributed, and delivered to clients in a way that – at a minimum – does not make clients worse off for having purchased the product, it should not be sold.

The 3-D Tool



The 3-D Tool is a Client Value Assessment tool created by the ILO’s Impact Insurance Facility and the Feed the Future Innovation Lab for Assets and Market Access (AMA Innovation Lab).

Merging the Facility’s PACE Analysis, adapted for index-based agricultural insurance, with the AMA Innovation Lab’s calculations for Minimum Quality Standards for Index Insurance, this tool provides a multi-dimensional understanding of the value proposition for potential or existing clients.

The three dimensions included in the analysis are Design, Distribution and Delivery. Each dimension incorporates different elements that contribute to client value.

How to use this Guide

Who

This Guide has been created to support anyone conducting a 3-D Analysis of Client Value for index-based agricultural insurance products using the 3-D Tool. The 3-D Tool can notably be useful to insurers, consultants, technical assistance partners, donors, or researchers.

Why

Although the 3-D Tool information on the type of data needed, data collection methods and scoring, experience has shown that a successful 3-D Analysis of Client Value requires careful planning, communication and follow-up. This document provides step-by-step guidance for each phase of the analysis.

What

This Guide is a supporting resource that is meant to be used in conjunction with other relevant supporting documents and templates (See Section About this Guide).

When

This Guide has been designed to support a client value analysis conducted for an existing product, after its launch.

If the analysis is conducted before product launch, refer to the 3-D Ex Ante tool, which has been designed for such analysis.

A step-by-step guide to a 3-D Analysis of Client Value

The 3 Dimensions of Client Value

The 3-D Tool assesses client value across three dimensions:

1. Design
2. Distribution
3. Delivery

For each dimension, the 3-D Tool defines standards that every product reaching the market is expected to meet. These standards are defined by 14 distinct indicators of client value:

Dimension	Indicator
Design	1. Index reliably predicts farmers' experience
	2. Covers appropriate activities
	3. Covers appropriate risks
	4. Enables productive investment decision-making
	5. Minimizes gaps in coverage
Distribution	6. Covered farmers are adequately informed of product details
	7. Staff and sales agents are adequately trained, incentivized, and supervised to inform clients and sell responsibly
	8. Payment processes minimize liquidity constraints
	9. Product is inclusive
Delivery	10. Product delivers adequate coverage for money
	11. Benefits are delivered in a timely manner
	12. Procedure to deliver benefits is reliable and understood
	13. Provider is responsive and proactive about questions, problems, and complaints
	14. Covered farmers receive evidence of coverage

To evaluate how a product performs against the 14 indicators of client value, the 3-D Tool provides specific data sources and thresholds. A 3-D Analysis of Client Value involves obtaining the relevant information from multiple sources, conducting both qualitative and quantitative data analysis, and obtaining a scoring for each indicator.

The figure below provides an example of how the tool looks like for a specific indicator (here, Indicator #2). The tool uses the same format for every indicator.

Figure 1. 3-D Tool "Assessment Input" Sheet (Indicator #2)

Indicator	Data source	Information required	Measurement output	SELECT SCORE
2. Covers appropriate activities	Interviews with covered farmers	Farmers' perception of a) whether the crop is relevant to their household income, in comparison to their other activities and b) whether the investments it requires are high, in comparison to their other activities.	0: The crop is neither relevant to households income, nor does it require high investments in comparison to other activities 1: The crop covered is relevant to households income, OR requires high investments in comparison to other activities 2: The crop covered is relevant to households income AND requires high investments in comparison to other activities	2
	External sources (e.g, economics or agricultural research institute, publicly available data, etc)	Information on importance of crop(s) or livestock for farmers' livelihoods, and investment needs in comparison to other activities.		
	Management interview	Previous evaluations of the relevance of the crop(s) or livestock covered in comparison to alternatives.		

Scores range from 0 to 2. In the tool, the scores can be selected directly from the dropdown list. The results are automatically computed and reflected in the "Assessment Result" sheet of the tool, giving a final score and the distribution of scores by indicator, as shown in Figure 2 below. The results of the analysis can be used to formulate recommendations and inform product improvements.

Indicator assessed	Data sources needed to conduct the analysis for Indicator #2.	Description of information required for each data source for Indicator #2.	Possible scores for Indicator #2 and thresholds. The scoring is based on an analysis of the data obtained against these thresholds.	Final score

Figure 2. The 3-D Tool Assessment Result Sheet

Assessment Result:	Strong

Indicators receiving a "Poor" score	Indicators receiving an "Average" score	Indicators receiving a "Strong" score
4. Enables productive investment decision-making 5. Minimizes gaps in coverage 6. Covered farmers are adequately informed of product 7. Staff and sales agents are adequately trained, incentivized, and supervised to inform clients and sell responsibly 8. Premium payment processes minimize liquidity constraints 10. Product delivers adequate coverage for money 11. Benefits are delivered in a timely manner 12. Procedure to deliver benefits is reliable and understood 13. Provider is responsive and proactive about questions, problems, and complaints 14. Covered farmers receive evidence of coverage	3. Covers appropriate risks 9. Product is inclusive	1. Index reliably predicts farmers' experience 2. Covers appropriate activities

The 5 phases of a 3-D Analysis of Client Value

Although this structure might be adjusted to different projects, a 3-D Analysis typically follows the steps outlined below (See Figure 1). This document provides guidance on how to conduct a 3-D Analysis for each of these steps.

Figure 3. The 5 Phases of a 3-D Analysis of Client Value

Step 1: Project Planning

Objectives

Good planning is essential for a successful 3-D Analysis. This phase involves obtaining a general understanding of the product assessed and the context in which it is distributed. Preliminary research and discussions should help create and refine a workplan for the 3-D analysis.

RESOURCES:

The 3-D Tool: should be reviewed to have a clear understanding of the tool, anticipate needs and refine project scope and objectives.

3-D Client Value Assessment Workplan (See Figure 4) can be adapted and used as a template.

Planning for a 3-D Analysis

Understand product and context: Any information that can be easily obtained online or from the insurer (background information, product sheets, articles, regional context, etc.) can be collected and reviewed. This should include information on key stakeholders (e.g., insurer, distributor, technical assistance partner…) and their respective roles.

Set expectations: Objectives and deadlines should be discussed with key stakeholders in the early stages, along with expectations related to data requests, interviews, and any activity that requires time commitments. It might be useful to assign one point of contact in each relevant institution.

Refine scope and objectives: Early discussions should also help obtain relevant information to refine the scope of the assessment, such as number of customers, areas in which the product is distributed, constraints and additional resources needed (e.g., local surveyors, etc.).

Refining the scope: crop selection

When a product is available for multiple crops, decisions must be made on which crop(s) to include in the analysis. This will have an impact on the sampling, and on the analysis of product relevance.

If only one index is used to determine payouts, the analysis may be conducted for all the crops at once. However, if each crop has its separate index, it is recommended to focus on one crop only.

In general, the focus should be on the crop that is most important to farmers' well-being in the area where the analysis is conducted. Discussions with the management or publicly available sources may help obtain this information.

Create Workplan: The 3-D Client Value Assessment Workplan can be used as a template to define main steps and timelines. Timelines are indicative and can be tailored to each project depending on scope, objectives, constraints and resources. The suggested steps may also be adjusted. Figures 4 and 5 below show how the 3-D Client Value Assessment Workplan looks like in practice, with the example of the second step of the analysis (note: the tables have been condensed to fit the format of this document).

Figure 4. The 3-D Client Value Assessment Workplan – Sample Tasks

Ref.	Task	Responsible	Start date	End Date
Step 2. Preparation				
2.1	Discuss administrative data needs and availability with key stakeholders	XX	MM.DD.YY	MM.DD.YY
2.2	Identify relevant sources for each document needed and define timelines	XX	MM.DD.YY	MM.DD.YY
2.3	Send written data requests to relevant stakeholders	XX	MM.DD.YY	MM.DD.YY
2.4	Research information to be obtained from external sources (research institutes,	XX	MM.DD.YY	MM.DD.YY
2.5	Sampling for farmers, staff and agents interviews	XX	MM.DD.YY	MM.DD.YY
2.6	Preparation of survey / interview instruments	XX	MM.DD.YY	MM.DD.YY
2.7	Preparation of training material for survey teams (if relevant)	XX	MM.DD.YY	MM.DD.YY
2.8	Planning of field trip	XX	MM.DD.YY	MM.DD.YY

Figure 5. The 3-D Client Value Assessment Workplan – Sample Timelines

				Weeks									
Ref.	Responsible	Start date	End Date	1	2	3	4	5	6	7	8	9	10
Step 2. Preparation													
2.1	XX	MM.DD.YY	MM.DD.YY										
2.2	XX	MM.DD.YY	MM.DD.YY										
2.3	XX	MM.DD.YY	MM.DD.YY										
2.4	XX	MM.DD.YY	MM.DD.YY										
2.5	XX	MM.DD.YY	MM.DD.YY										
2.6	XX	MM.DD.YY	MM.DD.YY										
2.7	XX	MM.DD.YY	MM.DD.YY										
2.8	XX	MM.DD.YY	MM.DD.YY										

Step 2: Preparation

Objectives

The success of the 3-D Analysis lies greatly in the capacity to collect data and elicit truthful answers from all stakeholders. Step 2 aims to ensure that all the conditions are met to obtain complete and accurate data. This implies communicating clear requests to the right people, providing relevant training and guidance, and ensuring that interview and survey instruments are adequate.

RESOURCES:

The 3-D Administrative Data checklist lists the documents and information to be obtained for a 3-D Analysis. This list can be used to keep track of information obtained and deadlines.

The 3-D Interview Guides can be used to run interviews for a 3-D Assessment

Preparing for a 3-D Analysis

Discuss administrative data needs and availability: Administrative data requests should be discussed with the relevant stakeholders to ensure that data is available, identify who can provide it, and under which timeframe. When data is not available or incomplete, further discussions can help find alternative options.

Send written requests to relevant stakeholders: After reaching a common understanding on content, deadline and person responsible, a clear, written request should be sent to all the relevant stakeholders, mentioning the type of information expected, formats and deadlines.

Research information to be obtained from external sources: For some indicators, the 3-D Tool relies directly on external sources. These sources will vary depending on projects and countries, and must be researched and identified. Potential sources include agricultural research institutes (e.g., ILRI, CIMMYT), international organizations (e.g., World Bank, FAO), or government agencies. External sources can also be used to fill information gaps or supplement data obtained from interviews.

Sampling: The sampling of farmers to be interviewed is a crucial part of analysis. Poor sampling may result in important biases in the analysis. Although a 3-D Analysis does not require to have a representative sample, interviewing a sufficient number of farmers from different geographic areas is essential.

Sampling Guidelines for farmers interviews

Information Needed

- ☐ List of areas (villages, districts, etc. – depending on geographical scope and information available) where the product is distributed
- ☐ List of areas where there are constraints for field work
- ☐ List of areas where there has been a payout vs. area where there has not been a payout in the last 10 years
- ☐ Percentage of farmers who have received an indemnity in the last 10 years

# Total farmers covered	# Farmers in sample
1 - 500	1 - 50
500 - 1,000	50 - 100
1,000 - 5,000	100 - 150
5,000 - 10,000	150 - 200
10,000 - 50,000	250 - 300

# Areas in total	# Areas in sample
1 - 10	1 - 5
10 - 20	5 - 10
20 - 50	10 - 15
50 - 100	15 - 20
100 - 500	20 - 30

% **of farmers who have received an indemnity in in total = in sample**

Preparation of instruments: The 3-D Interview Guides should be reviewed before the data collection process and questions may be adjusted if needed. Decisions may also be made on format (e.g., focus groups vs interviews), and supporting documents such as product sheets, documents explaining coverage, customer satisfaction surveys, must be prepared and printed.

Preparation of training materials: If third parties are involved in the data collection process, such as surveyors or translators, ensuring that they are familiar with the instruments and trained to administer them is essential.

Planning of field trip: The planning of field trip should be adapted to each project scope, logistical constraints, resources available and sampling. A process can be discussed with partners to ensure that farmers will be available and willing to be interviewed at the time of the visit. At this stage, appointments for interviews should also be made with the management and staff / agents. Although rigorous sampling is not needed for agents and staff interviews, it is highly recommended to interview a few agents (2-3) for each area visited.

Step 3: Data Collection

Objectives

Obtaining reliable datasets and relevant information on the product assessed

RESOURCES:

The 3-D Administrative Data checklist can be used to keep track of information obtained

Obtaining data for a 3-D Analysis

- Gathering administrative data: After the written requests have been sent, make sure to keep track of information obtained, send reminders as needed and provide relevant clarifications.
- Conduct field trip as planned: Follow the planning created in Step 2 for conducting interviews with farmers, agents and / or staff, and management.
- Obtain and verify datasets: Especially if farmers interviews are conducted by third parties, it is advisable to conduct periodic checks and review any available datasets regularly. Similarly, administrative data must be verified to ensure that the information provided is complete.

Tips for Fieldwork

- ✓ Find the right time: though making appointments might not be possible, finding the best time to visit farmers and being aware of their schedules is important.
- ✓ Find the right place: make sure that the setting is conducive to sharing experiences and opinions.
- ✓ When traveling to remove areas, verify that means of communication are available, in case of unexpected event (e.g., checking cell phone connection, surroundings)
- ✓ When the researcher trains a team of surveyors, make sure to observe a few interviews to confirm that the recommended approach is followed.
- ✓ Be respectful and approachable.
- ✓ Use appropriate language, avoiding jargon. Supporting documents and visuals can also be helpful.
- ✓ Make it clear that no reward can be obtained from providing certain answers, positive or negative
- ✓ Do not assume that farmers do not understand complex insurance products. Explain concepts clearly and pay attention to answers.

Step 4: Data Analysis

Objectives

Analyzing the information gathered to obtain a scoring for each indicator.

RESOURCES:

The MQS Calculation Sheet is a tool designed to run the MQS Test

The 3-D Working Template provides guidance on data analysis and scoring for each indicator.

Analyzing Data for a 3-D Analysis

Clean Datasets: Information obtained through interviews may be incomplete and contain errors. The first step of the analysis is to identify these errors, fill the gaps when possible, and obtain a clean, usable dataset. If answers are deleted, the impact on sample representativity, if significant, must be accounted for.

Run MQS Test: Indicator 1 relies on the Minimum Quality Standard test, a methodology designed to determine whether an index product, at the price at which it is bought, makes clients better off or worse off. The MQS Calculation Sheet provides the necessary indications to run this test.

Obtain a scoring: Obtaining a scoring for Indicators 2 to 14 requires bringing together the information gathered from multiple sources and analyzing it against the thresholds set by the 3-D Tool. The 3-D Working Template can be used as a working document to conduct this analysis.

What do different scores mean?

Indicators receiving a “Poor" score	Indicators receiving an "Average" score	Indicators receiving a "Strong" score
Important shortcomings have been identified. Information collected through the 3-D Analysis can be used to define recommendations and identify potential product improvements.	The product meets the minimum requirements set by the tool, but gaps have been highlighted by the analysis. The data obtained through the 3-D Analysis can be used to address these gaps.	The product fully meets the standards set by the 3-D Tool. Relevant insight on how to increase client value may still have been uncovered by the 3-D analysis.

Step 5: Formulating Recommendations

Objectives

Formulating meaningful recommendations to address gaps identified and increase client value.

RESOURCES:

The 3-D Report Template provides a framework to present findings and recommendations

Formulating Recommendations to increase client value

Formulate hypothesis: A 3-D Analysis helps highlight gaps and strengths in product design, distribution or delivery. Ultimately, this analysis should inform product improvements and increase client value. Indicators where the product obtains poor or average scores indicate areas where action should be taken to ensure that the product brings value to clients. Often, the information obtained through interviews or additional research provides relevant elements to formulate hypothesis on product improvements.

Share results and collect feedback: The 3-D Analysis should be conducted in close cooperation with insurers and partners. Once the scoring has been obtained, it is useful to discuss it with the different stakeholders involved, and make adjustments if relevant. The hypothesis developed should also be discussed: in some cases, the solutions proposed may already have been tested in the past, may not be feasible or relevant. Additional discussions should help refine hypothesis and obtain buy-in.

Final recommendations: Final recommendations should address the gaps identified in the analysis, rely on information obtained through interviews and research, and fit the product and context. Once the 3-D Analysis is finalized, the insurer and partners may need to prioritize the implementation of recommendations based on scores obtained (starting with “poor” scores) and resources available.

Final report: Having a written record of the analysis conducted is important to keep track of issues identified and monitor improvements. A written summary or report may also be used as material to communicate the results of the analysis and obtain the necessary support and resources to implement the recommended changes. The 3-D Report Template can be used as a framework to present findings and results.