ANNEX 4: PROJECT RESULTS GUIDELINE AND METHODOLOGIES FOR BENEFICIARY COUNTING

This document explains **how to create a project results matrix** for climate risk insurance projects. Thisinstruction provides guidelines for setting project objectives and assigning indicators to serve as benchmarks. It also provides support when creating a project results matrix for planned climate risk insurance projects as part of the InsuResilience Solutions Fund grant-based co-funding programme under Pillar III. The diversity of projects in the field of insurance means there is **no general set of indicators**. Climate risk insurance projects may differ significantly from one another in terms of their specific goals, the type of insurance product (e.g. the type of risk, contractual conditions), the payout conditions (index- or indemnity-based), the manner in which the target group is supported (directly or indirectly), the project partner or implementing agencies(insurance companies, microfinance institutions (MFIs), fund companies, or public institutions), or their degree of professionalism.

To cover the entire spectrum of the cause and effect chain, the structure of your Project Results Matrix should be as follows:

Level 1 – goal (overall objective): Higher objective to which the project contributes – at a national or sectoral level (providing a direct link to the InsuResilience goals).[1]

Level 2 – (at least one) outcome: The outcome level describes anticipated direct impact of the project respectively the likely or achieved short-term and medium-term effects of the project's outputs. The outcome indicators selected depend on the specific objectives and the impact channels in the individual project approach.

Level 3 – (at least three) outputs: The output level describes services and capacities that result from the direct use of the resources and that will be provided by the project. It is possible to have several outputs per project.

Level 4 – inputs (key activities): The input level describes the partnership's main activities that are necessary to reach the defined outputs.

To select sensible project objectives and indicators, the project's cause and effect chain and its intended activities must be clearly formulated. It is the applicant's responsibility to select suitable objectives and indicators for the project in question. In case it is very difficult to find indicators that directly reflect the success of a specific objective, an attempt should be made to find suitable proxy indicators.

[1] Benchmarks cannot be assigned to the overarching impact on account of the data situation in the insurance sector. This information is not collected in insurance operations at this time. For this reason, the indicators available at macro-level should be used, reflecting the project's overall context at the very least, e.g. the increase in insurance coverage or the prevalence and depth of the insurance system.

All indicators should be "SMART":

- **S**pecific: should be a single factual statement, precisely formulated and one-dimensional.
- **M**easurable: should have baseline and target indicators; change should be expressed through absolute numbers or percentages; the effort to control indicator should correspond to its relevance and the total project volume.
- **A**chievable: the changes captured by the indicator can be achieved and require reasonable resources.
- **R**elevant: should measure the central dimension(s) of the project objective / result.
- **T**ime-bound: a specific point in time for achieving the target should be indicated.

It is important to note that the indicators "Number of beneficiaries" and "Number of vulnerable beneficiaries"[2] must always be defined as central indicators for all climate-related insurance projects in order to measure the degree of contribution to the G7 commitment under the climate insurance initiative InsuResilience. The calculation of the number of beneficiaries varies depending on whether poor and vulnerable households are reached directly (i.e. individuals are policyholders) or indirectly (i.e. intermediaries are policyholders and households benefit indirectly).

The following explains how to count beneficiaries currently reached and how to estimate beneficiaries of climate risk insurance schemes.

The InsuResilience target group is defined as follows (based on MCII framework)[3] and valid for all InsuResilience approaches:

Beneficiaries are defined as vulnerable people earning below USD 15 PPP/ day, who are covered by direct or indirect insurance schemes supported under InsuResilience.

The following methodologies shall apply for counting the potential beneficiaries of all insurance schemes supported under InsuResilience. For the time being all potential beneficiaries reached through either direct or indirect coverage provided by schemes supported with public financing under InsuResilience shall be attributed to InsuResilience. The policyholders of insurance schemes under InsuResilience can either be individuals (direct insurance), member- or non-member based intermediaries, or governments (indirect insurance).

[2] The target group for InsuResilience projects is "vulnerable beneficiaries" earning less than USD 15 PPP/ day. A distinction is made between direct and indirect beneficiaries; see following pages. 5 beneficiary members of household per policyholder, if no specific household size is available.
[3] MCII: Climate Risk Insurance for the Poor and Vulnerable. How to effectively implement the pro-poor focus of InsuReslilience. Bonn, 2016, p.13 & 35ff. (Link)

A) FOR MICRO-LEVEL / DIRECT APPROACH

(in case the policyholder is an individual who pays the premium)

- Number of insurance policies
  X
  average household size [4]
  =
  Total number of beneficiaries

B) FOR MESO-LEVEL / INDIRECT APPROACH

(in case the intended end-beneficiaries do not pay for insurance premium, but rather a collective body, e.g. organisation that supports a collective of farmers or members)

- Number of members or costumers of the collective / organisation
  X
  average household size (of the member or costumer)
  =
  Total number of beneficiaries (per policyholder)

- Total number of beneficiaries = Sum of beneficiaries of all collectives / organisations (policyholders)

The number of members or customers covered under a meso-level indirect insurance scheme shall be based on reliable information provided by the party offering the coverage or the covered institution, e.g. through latest business plan projections.

[4] The household size shall reflect the number of people benefiting from a payout. InsuResilience acknowledges that not only the policyholder but moreover all household members of the policy holder benefit from a payout. However, household sizes vary significantly in different countries and / or by insurance schemes; therefore, the household size should be plausibly adapted to the country or the scheme where the policy covers the insured risk. If no specific household size is available, the average household size for InsuResilience is assumed to be 5. When reporting, please clearly state which household size you are calculating with.

C) FOR MACRO-LEVEL / INDIRECT / (SUB-)SOVEREIGN APPROACH

(in case the policyholder is a public entity which pays for an insurance premium on behalf of vulnerable population)

Method A

- Number of **vulnerable** beneficiaries per policyholder = $\frac{\text{Total insurance coverage (limit)}}{\text{Response cost per person reached for one month}^{5} \text{ in case of a payout}}$
- Total number of beneficiaries = Sum of beneficiaries of all policyholders

OR

Method B

- All **vulnerable** households in the insured geographical area benefiting from the insurance cover (directly or indirectly)
  X
  average household size (of the member or costumer)
  =
  Total number of beneficiaries (per policyholder)

The numbers shall be calculated annually. The current number of beneficiaries reached is based on the calculation of the current year, current policies sold, and response costs or household size applicable.

Important: The current or expected number of policyholders at a given date (e.g. December 2025) is relevant for the ISF and not the aggregated sum of policies issued over a given period of time!

[5] This in effect says that while a particular government may choose to target fewer people for longer, the total population potentially benefitting is reasonably approximated to the number that could be reached for one month.

EXAMPLES FOR THE CHOICE OF INDICATORS, OUTCOMES AND OUTPUTS

Goal (=Higher objective to which the project contributes – at a national or sectoral level) Example: Increase the capacity of smallholder farmers in Vietnam to adapt to climate change through the introduction and use of climate risk insurance products		
	Mandatory indicators	**Sources of verification and assumptions**
	1. Number of all beneficiaries Base value [status at start of project]: X beneficiaries Target value mid-term[6] [months X after project start]: X beneficiaries Target value [months X after project start]: X beneficiaries	Assumptions on household size, pick-up rates, etc.
	Supplementary for micro level / direct approach (= in case the policyholder is an individual who pays the premium) 2a. Number of vulnerable beneficiaries[7] (= # insurance policies x average household size) Base value [status at start of project]: X vulnerable beneficiaries Target value mid-term [months X after project start]: X vulnerable beneficiaries Target value [months X after project start]: X vulnerable beneficiaries 3a. Number of insurance policies (= individual policyholders) Base value [status at start of project]: X policyholders Target value mid-term [months X after project start]: X policyholders Target value [months X after project start]: X policyholders	

[6] Mid-term target values have only to be filled in, if the project duration is more than 18 months.
[7] The target group for InsuResilience projects is "vulnerable beneficiaries" living on less than USD 15 PPP/ day. A distinction is made between direct and indirect beneficiaries; see details at the beginning of this document, 5 beneficiary members of the household per policyholder, if no specific household size is available.

	Supplementary for meso-level / indirect approach (= in case the intended end-beneficiaries do not pay the insurance premium, but rather a collective body on behalf of vulnerable population, e.g. organisation that supports a collective of farmers or members) 2b. Number of vulnerable beneficiaries per policyholder (= # members or costumers x average household size) Base value [status at start of project]: X vulnerable beneficiaries Target value mid-term [months X after project start]: X vulnerable beneficiaries Target value [months X after project start]: X vulnerable beneficiaries 3b. Number of policyholders (e.g. 3 MFIs, 2 group policies for collectives, etc.) Base value [status at start of project]: X policyholders Target value mid-term [months X after project start]: X policyholders Target value [months X after project start]: X policyholders 4. Number of vulnerable beneficiaries of all policyholders Base value [status at start of project]: X vulnerable beneficiaries Target value mid-term [months X after project start]: X vulnerable beneficiaries Target value [months X after project start]: X vulnerable beneficiaries	Assumptions on pick-up rates
Outcome (= Purpose; describes the likely or achieved short-term and medium-term effects of the project's outputs; expected benefits)		
Example A: Improved access to climate risk insurance for smallholder farmers in Vietnam		
	Sample Indicators (these are example indicators, which are not mandatory and do not fit all projects)	

	1. A comprehensive analysis of the risk, the target group and the local context is carried out, incorporating all the relevant stakeholders in the product development process.[8] Base value [status at start of project]: Target value [months X after project start]: 2. Number of insurance products offered by your partnership (member) (e.g. drought, flooding, cyclones, earthquakes; index-based product, different risk amounts Base value [status at start of project]: Target value mid-term [months X after project start]: Target value [months X after project start]: 3. Coverage amount Base value [status at start of project]: EUR X Target value [months X after project start]: EUR X 4. Total premium income Base value [status at start of project]: EUR X Target value [months X after project start]: EUR X
	Supplementary for products with contractual conditions 5.1 Contractually agreed preventive measures for minimising and avoiding risks (e.g. investments in construction measures) are applied Base value [status at start of project]: Target value [months X after project start]: 5.2 Contractually agreed measures (e.g. developing adequate contingency/emergency plans in the event of a catastrophe) are applied Base value [status at start of project]: Target value [months X after project start]:

[8] Analysis approaches for establishing and safeguarding the client value include the PACE method (http://www.impactinsurance.org/tools/PACE) or the Safe Minimum Standard (SMS) method (http://basis.ucdavis.edu/projects/i4-index-info/optimal-design-of-contracts/).

	Sample Indicators

6. Key performance indicators (If product figures already exist or if empirical values can be applied)

6.1. The product's claims ratio/loss ratio:

$$\frac{\text{Total damage payments}}{\text{Total premiums}}$$

6.2. The product's incurred expense ratio:

$$\frac{\text{Total expenses inc.commission}}{\text{Total premiums}}$$

6.3. The product's combined ratio:

$$\frac{\text{Total expenses inc.commission + damage payments}}{\text{Total premiums}}$$

Base value: X% [baseline prior to project appraisal]
Target value: X% [anticipated values, specify time frame/date]

6.4. The product's net income ratio:

$$\frac{\text{Total net income}}{\text{Total premiums}}$$

7. Other characteristics

7.1. Renewal ratio:

$$\frac{\text{Total contract renewals}}{\text{Total contracts in previous period}}$$

7.2. Basis risk (=The extent to which the policyholder fails to receive insurance payouts in the event of damages.)

For indemnity-based products[9]

7.3. Claims rejection ratio:

$$\frac{\text{Total number of rejected claim requests}}{\text{Total number of claim requests submitted}}$$

7.4. The product's net income ratio:

Base value: X [baseline prior to project appraisal]
Target value: X [anticipated values, specify time frame/date]

[9] For the case of index-based products, additional information regarding the actual damages incurred is required; insurance companies tend not to collect this information for index-based products. However, it is important that the implementing partner identifies the basis risk for this product in particular when developing and enhancing products. As well as simply identifying the basis risk (correlation between damages and payouts), the indicators "probability of catastrophic basis risk" and "catastrophic performance ratio" also cover both the upside and downside basis risk and the production-specific basis risk (see Morsink et al. 2016, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2811392).

In the case of insurance projects with premium subsidies

8.1. Total subsidies paid directly (broken down for different target/income groups if possible)

8.2. Total subsidies paid indirectly (e.g. by financing product development costs, establishing insurance systems) (broken down for different target/ income groups if possible)

8.3. Proportion of subsidies to premiums (% of premium volume) (broken down for different target/income groups if possible)

8.4. Number of subsidised insurance policies (broken down for different target/income groups if possible)

Other Sample Indicators

9. An efficient monitoring and evaluation system is established that collates product figures (primarily loss ratio, incurred expense ratio, net income ratio) which are used for active product management and development on a regular basis (specify time frame/date, e.g. quarterly).
   Base value: *[description of the current situation, e.g. figures were only collected on a company level in the past]*
   Target value: *[description of the anticipated situation, e.g. figures are collected at product level and are assessed quarterly/annually and used to enhance the products]*

10. An efficient complaints and damages management system is established, enabling information about notices of loss, rejections and complaints to be collected on an ongoing basis for the purpose of product management (including identifying the basis risk).
    Base value: *[description of the current situation, e.g. no system currently established for collecting information]*
    Target value: *[description of the anticipated situation, e.g. figures are collected and assessed quarterly/annually; specify time frame/date]*

11. Adopted risks are reassessed on a regular basis and used as the basis for the retained risk and the transfer of risk to third parties.
    Base value: *[description of the current situation, e.g. risks/use of reinsurers assessed irregularly/inadequately]*
    Target value: *[description of the improvement in relation to risk analysis and management, e.g. collecting offers from different reinsurers; specify time frame/date]*

12. Quality standards for investing premiums are established and embedded in the corporate governance guidelines.
    Base value: *[description of the current situation]*
    Target value: *[description of the anticipated situation, e.g. an indicator system is developed for investing premium income, which includes social performance indicators; specify time frame/date]*

Output (=desired results; services and capacities that result from the direct use of the resources and that will be provided by the project.)		
Sample outputs	**Sample indicators** Output indicators will be used to determine if the results (outputs) have been delivered.	**Sample inputs (key activities)** The input level describes the partnership's main activities that are necessary to reach the defined output
1. Enhanced resolution of existing flood model	e.g. Indicator: Flood model resolution Base value (09/2019): The flood model is based on 500m resolution Target value: The flood model resolution has been improved by at least 50%	e.g. Develop inflow and raster grids for hydraulic modelling Validation of probabilistic model
2. A distribution and marketing strategy adapted to the target group's needs is developed and applied.	Specify individual measures (community base stakeholder interviews, etc.) Base value: Target value: X stakeholder interviews	
3. A reliable set of data is collected (or developed) for analysing and evaluating the risks to be insured.	Specify individual measures (e.g. data procurement, installation of weather stations, etc.) Base value: Target value: installation of X weather stations	
4. Consultancy and training services [specify if necessary, e.g. training for actuaries] are provided.	Specify individual measures (e.g. number of consultancy/training sessions) Base value: Target value: *[specify time frame/date]* (if this cannot be predicted: "Number is determined on the basis of identified demand.")	
5.1. Suitable incentive-oriented contracts are drawn up. 5.2 Suitable disaster plans are developed for cases of damages.	Specify individual measures (e.g. holistic risk management analysis for developing suitable premium subsidies, implementation of activities that minimise/avoid risks.) Base value: Target value: contingency plans are in place	