

Reflections on monitoring performance and impact of climate and disaster risk insurance

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Outline

Exam question: How to assist the improvement of the evidence base for CDRI?

- Clarify the underlying aims and objectives by establishing the policy domain of CDRI
- Recognize that success criteria vary across stakeholders
- Select tools and indicators that allow insights on input, output, outcome and impact



Photo source: World Bank

Sounds obvious? But misunderstandings prevail, and establishing 'success' and 'impact' are inherently difficult, not just for CDRI!

Analysing CDRI: success, performance, impact

What are the benefits?

- *Proven: Speed of payout, certainty of payout,*
- *Possible: Better risk culture, enabling positive risk taking, risk ownership, changing risk behavior*

What are the impact channels?

- *Direct (usually linked to pay-outs)*
- *Indirect – co-benefits?*
- *Governance implications?*
- *Distribution of risk?*

What are the costs?

- *Premium*
- *Set-up (capitalization, operating costs etc.)*
- *Opportunity costs*
- *Moral hazard / Maladaptation*

Who pays?

- *Equity / fairness implications*

Research applications:

- **Risk governance implications**
- **Equity**
- **Adaptation/mal-adaptation**
- **Public finance**
- **Economic justification**
- **Impact assessments**

Understanding 'why'

The starting point is the problem statement - what to achieve through insurance?

Examples from a DFI – perspective:

- Development progress in country x is hampered by severe flooding and windstorms. The DFI wants to support the introduction of sovereign disaster insurance in order **to help the government to better cope with the financial impacts of those disasters.**
- The responses to drought risk are too slow in country x, leading to humanitarian as well as economic problems. The DFI wants to support the introduction of insurance in order **to offer more reliable and speedier pay-out process for those involved responding to drought risk in order to reduce humanitarian and economic impact.**
- The emerging business sector in country x is struggling with disruption and damages caused by frequent disaster. The DFI wants to support the introduction of insurance **to increase the financial resilience of businesses and enable them to grow and prosper.**

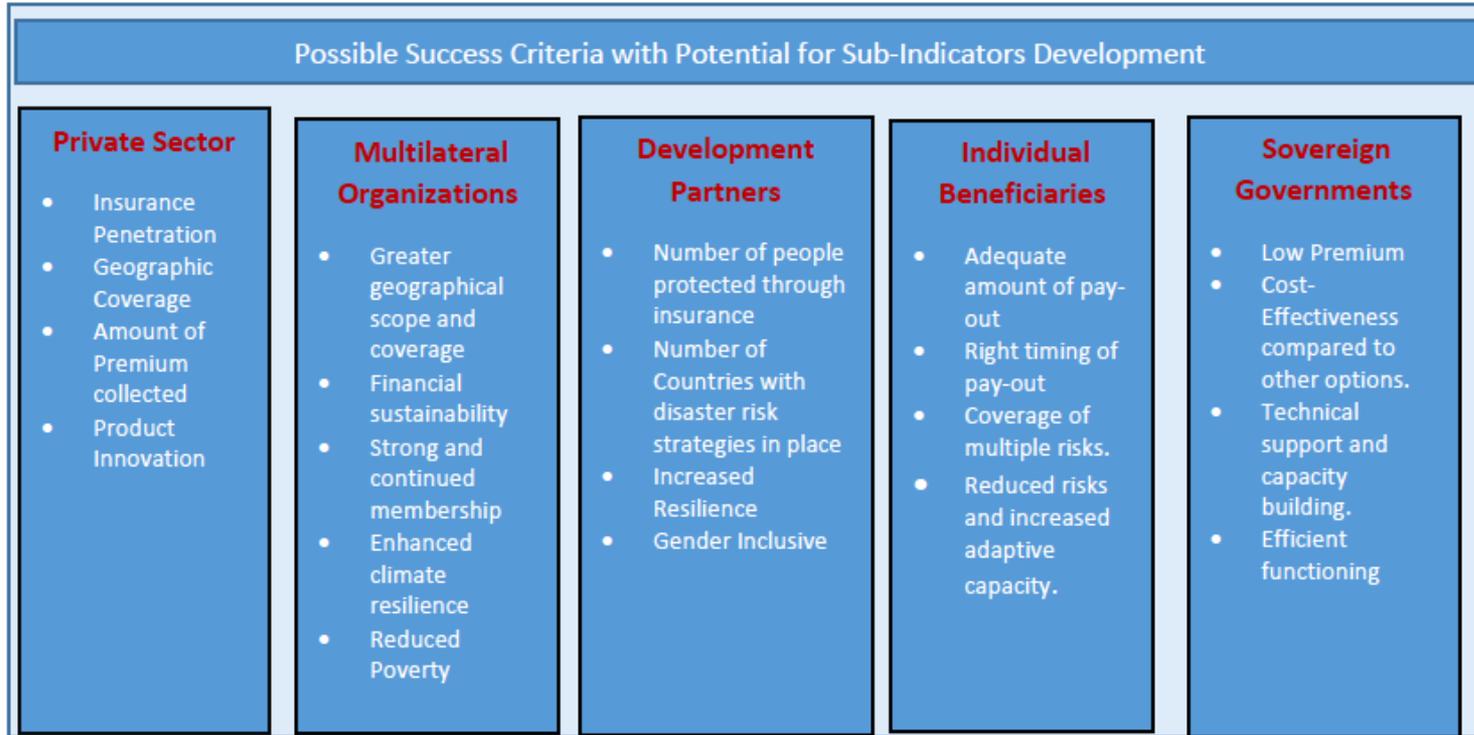
Understanding 'why' in different contexts

Figure 1: Landscape of insurance application across different domains



What does success mean and for whom ?

Figure 2: Possible Success Criteria by stakeholder

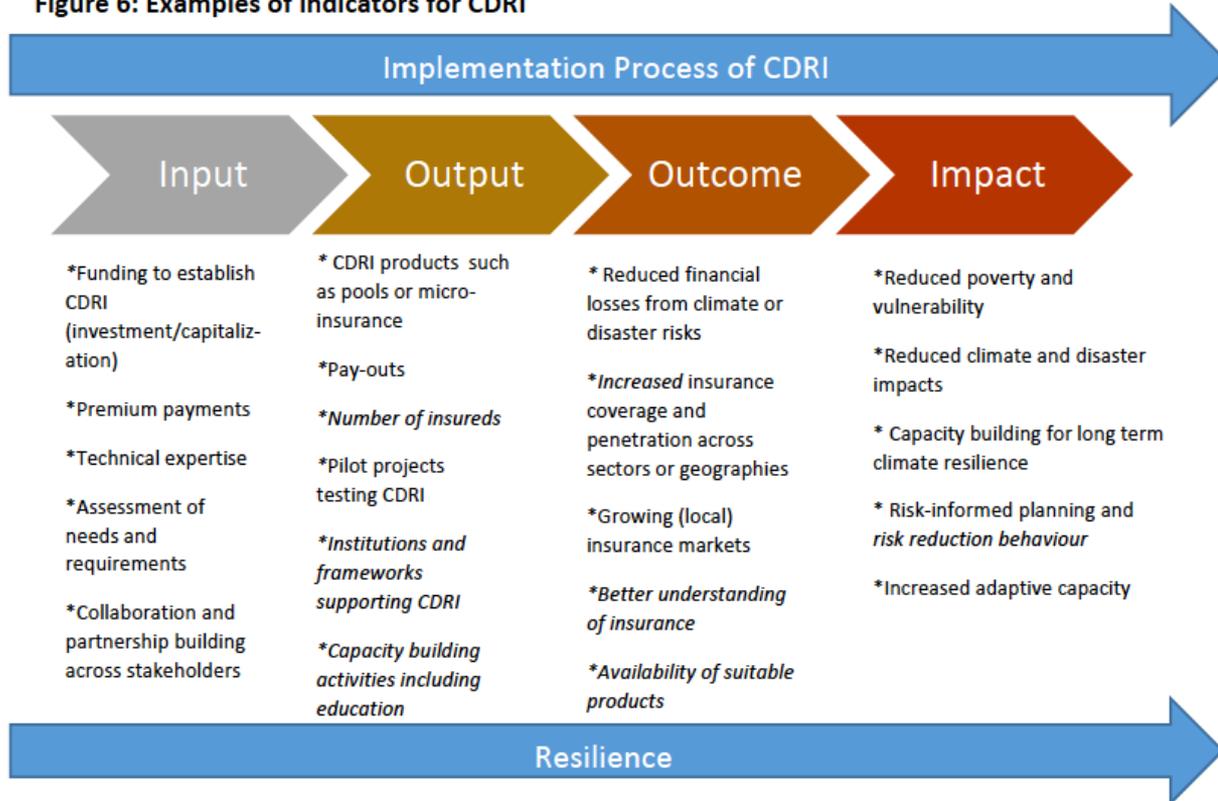


Are success criteria being met? Analysing the performance of insurance

- By looking at the demand-side dimensions, including access and affordability of CDRI, experience of 'beneficiaries'
- By looking at the supply-side dimensions, including the availability and scope of CRDI, experience of providers
- By looking at resilience impact dimensions, including whether CDRI is leading to short- and long-term resilience of the people insured

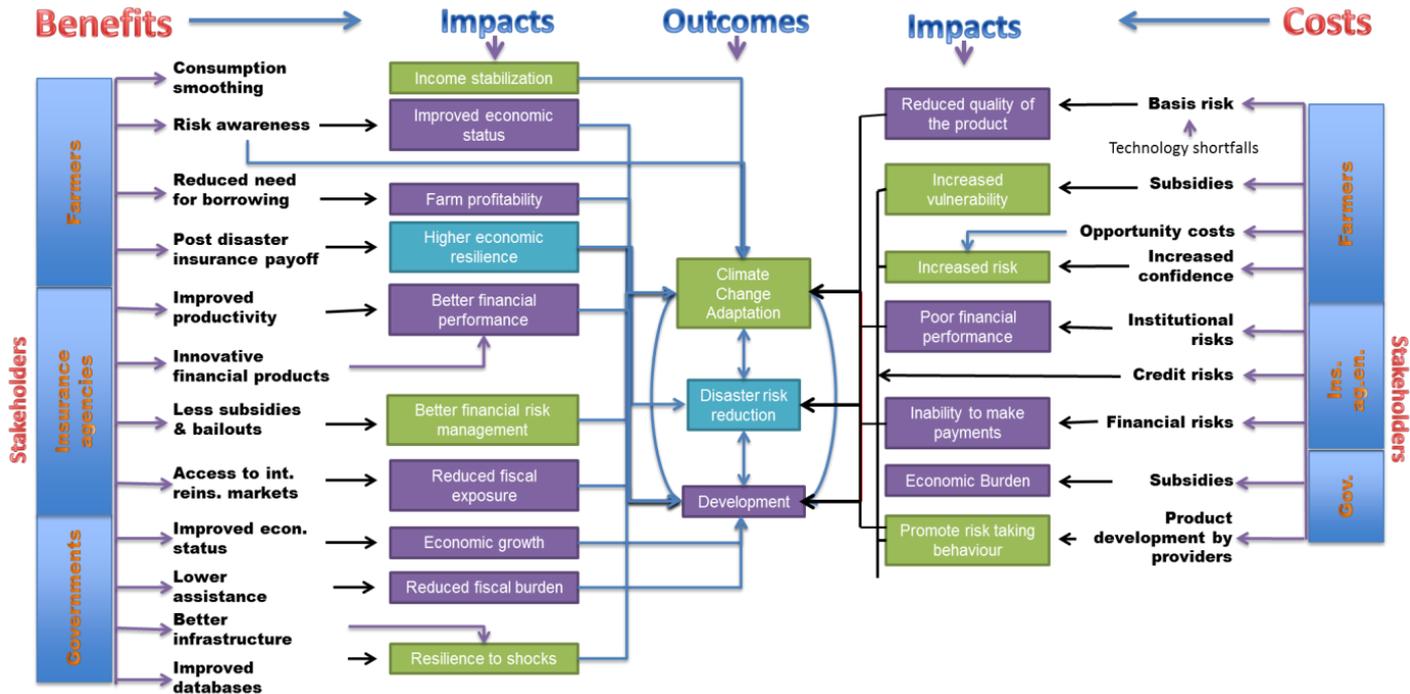
From success criteria to indicators

Figure 6: Examples of indicators for CDRI



What about causality?

Resilience operates on many systemic scales (individual, household, community, national, global) and is often said to include a transformative component. **In the context of CDRI, is it possible to prove causality for these type of systemic transformation effects?**



Categorization of methods of evaluation of CDRIs: a mix of qualitative and quantitative approaches

Outcome

Tools: Key-Informant-Interviews, Case Studies

Involves evaluation of the functioning and effectiveness of CDRIs through stakeholder engagement and considers perception and beneficiary experience.

Advantages: Enable evaluators to assess aspects that quantitative studies cannot allow studying intensively.

Disadvantages: It might not be possible to cover all indicators with all stakeholders. Difficult to track over the years.

Tools: Beneficiary Surveys, Randomized Control Trials

Takes into account measurable and quantifiable outcome indicators i.e. the number of people covered and timing of pay-out.

Advantages: Easy to measure scalable and Comparable across scales.

Disadvantages: Can overlook the consequences and impacts on the ground, not be suitable for evaluation at higher scales.

Impact

Tools: perception studies, self-reporting

Involves evaluation of the impact of the schemes on people through perception analysis i.e. poverty and community solidarity.

Advantages: can cover the impact on the ground subjectively that quantitative studies cannot allow studying. Allows behavioural analysis
Disadvantages: Hardly comparable and scalable

Tools: Household surveys, Randomised Control Trials, Cost-Benefit analysis, cost-effectiveness analysis

Evaluates the impact indicators quantitatively on the ground i.e. percentage reduction in poverty, increase in value of assets.
Advantages: Can cover impacts on the ground objectively that qualitative studies cannot allow studying. Allows comparison over time.
Disadvantages: Hard to differentiate the impacts on the ground. Requires high-level technical analysis.

Qualitative Evaluation

Quantitative Evaluation

Qualitative Evaluation

Quantitative Evaluation

Added value through subjective measures?

Characteristics of subjective approaches

- Opinion / perspective: “Please rate your agreement with the following statements: ‘I am confident that my household has enough rice to eat during the flood season’”
- Unobservable: “I am confident that the health of my family will not be affected by drought”

POTENTIAL BENEFITS

- Ground-truthing the standard objective measures
- Reduced questionnaire burden
- Prioritising the perspective of the respondent
- Gender sensitive

CHALLENGES

- Early stages of development: more work needed on predictive value
- Relies on respondent’s awareness of their risk & vulnerability
- Potentially gameable (but so are all self-report measures)

Pragmatic approach or experimental rigour?

Although experimental rigour is essential to provide the causal impact of insurance on a population, it will only ever be used in a very small number of research trials.

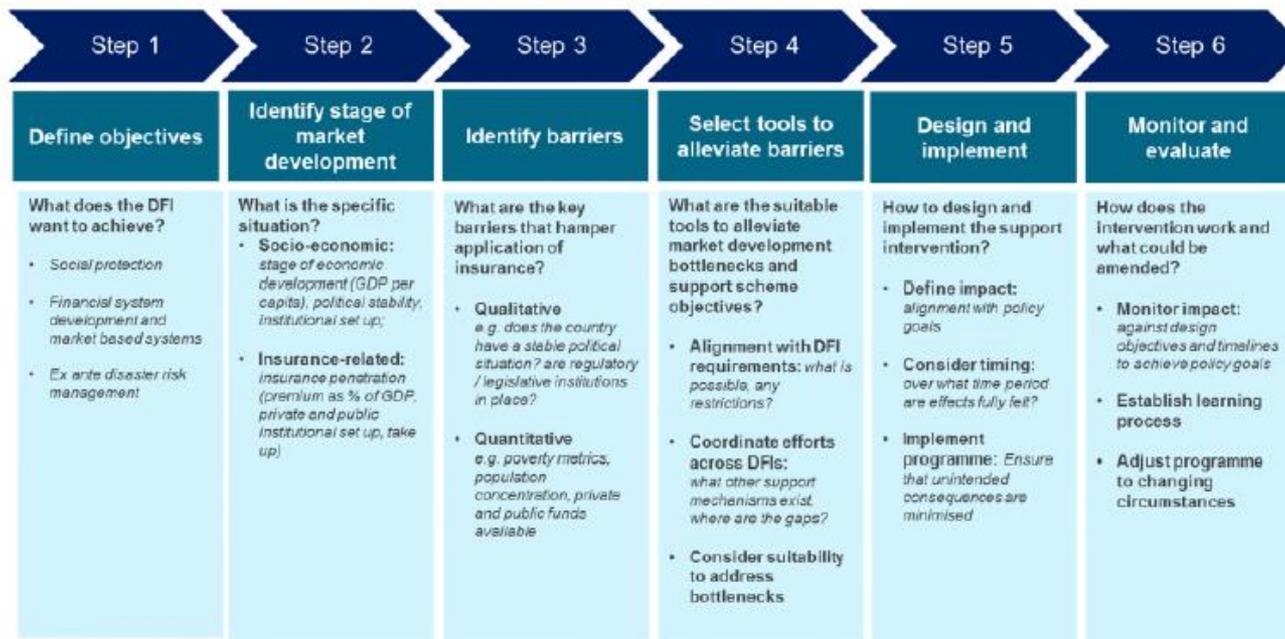
How can counterfactuals be built in the context of business development / project phasing up?

Can a principled-approach be used to develop an evaluation tool that NGOs, governments and civil society organisations can apply in practical situation



Monitoring and evaluation should not be seen as an afterthought.

Figure 1. DFI decision making framework: how to support insurance?





Many thanks!

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