

Factsheet microinsurance business model

Nepal: Implementing Microinsurance Standard Products

Shikhar Insurance Company Ltd. (SICL)

SICL is a publicly-listed general insurance company established in 2004. It is operating in 32 branches across the country. It holds 14% market share of total industry premium and 18% market share of total number of policies. SICL has 57 agents, including banc assurance relationship with large commercial banks.

Enabling policies and regulations

The microinsurance (MI) market is regulated by Beema Samiti (Insurance Board), which issued the “Micro Insurance Directives, 2071” in 2014. These Directives had **pre-approved** the following 7 standard microinsurance (MI) products with prescribed maximum premiums rates, sums assured, and commissions.

1. Micro Household Insurance	5. Micro Crop Insurance
2. Micro Health Insurance	6. Micro Term Life Insurance
3. Micro Accident Insurance	7. Micro Endowment Life Insurance
4. Micro Livestock Insurance	

Other MI products not included in the Directives are allowed, but would need prior approval of Beema Samiti. In order to promote insurance for the low-income people, the Beema Samiti obliges all insurance companies to have at least **5% of their portfolio as microinsurance** effective on July 2016.

SICL Microinsurance Products

SICL is already offering livestock, poultry and crop insurance under the agriculture insurance line of business. These products are enjoying up to 75% subsidy on premium from the government.

In 2015 and 2016 fiscal period, SICL had written a cumulative 2,890 agriculture insurance policies, 89% of which was for cattle, 7% for crop and the rest were for poultry and fish. Claims ratio in the same period was 110.7% compared to only 89.7% loss ratio in 2014-2015 periods with 1,561 written policies.

To reach the 5% quota on MI business, SICL is currently offering two other standard MI products, namely: Micro Household Insurance and Micro Accident Insurance.

The **Micro Household Insurance** covers house and its contents against fire, earthquake and other natural catastrophes such as flood, storm and landslide.

Micro Household Insurance	
Premium rate	0.25% of sum assured
Maximum benefit limit	NPR 200,000 per house
Eligibility requirements	Any kind of residential house including interior construction and thatch roof.
Terms and conditions	1 year coverage
	Risks covered are fire, earthquake, flood, storm, landslide, riot, strike, and terrorism.
	Household contents can also be insured (within the limit of NPR 200,000)
	Deductible Excess is NPR 500 in each claim.



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The **Micro Accident Insurance** on the other hand provides compensation for death and disability of the insured brought about by an accident. It also pays for medical expenses caused by an accident.

Micro Accident Insurance	
Premium	0.1% of sum assured
Maximum benefit limit	NPR 150,000 per person
Eligibility requirements	18-65 years old
Terms and conditions	1 year coverage
	100% of sum assured in case of death within 365 days of injury
	100% of sum assured in case of complete and irrecoverable loss of eye sight of both eyes or both hands or both legs
	50% of sum assured, in case of complete and irrecoverable loss of one eye or one hand or one leg.
	25% of maximum benefit limit for medical expenses caused by accident

Target group

The main target group of the products are farmers and their families who are policy holders of Shikhar's agriculture insurance.

A second target group would consist of owners and employees of Small and Medium Enterprises (SMEs) who are already clients of a bank where Shikhar has an existing banc assurance arrangement.

The target area is the Kathmandu area and remote communities outside of Kathmandu which have big potential

for microinsurance. Awareness program have been initiated already in these areas.

Distribution

Aside from direct marketing, the following distribution channels shall be used;

- Cooperatives, MFIs, various community-based organizations like farmers' group and mothers' group.
- Government offices of agriculture and livestock in the rural areas.
- Other organizations such as International NGOs and local NGOs.

Efforts in convincing the MFIs to partner with insurance companies to formalize its informal insurance activities are not very encouraging so far. Cooperatives though are showing more interest to become distribution channel.

People still have to buy separate insurance policies for personal accident and for house insurance. A bundled insurance product, if allowed by the regulator, would be more responsive and efficient.

Claims management

The same principles of microinsurance are applied to ensure simple and efficient process of claims verification and approval, but at the same time having prudent procedures to avoid fraud.



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