

Factsheet microinsurance business model

Nepal: Shikhar Insurance, Strengthening Nepal's Agricultural Sector through Responsive, Innovative, and Affordable Insurance Products

The Company

Shikhar Insurance Company Ltd. (SICL) is a publicly-listed general (non-life) insurance company established in 17 November 2004. It is operating in 53 branches across Nepal. It holds 14% market share of total industry premium and 16% market share of total number of policies issued in the country. SICL has 150 agents, including bank assurance relationship with large commercial banks.

80 percent of the population is based in rural areas; thus, the livelihood of Nepalese is significantly depended on farming and other agriculture-related enterprise.

Venturing to agri-insurance means reaching to majority of the populations and protecting their assets and livelihoods.

The Company has started offering agriculture insurance products in 2012, five (5) years ago, to respond to the apparent and prevalent need of the farmers to manage risks related to their agriculture business.

In 2013, the Government of Nepal (GoN) introduced the Crop, Livestock and Poultry Insurance Directive (CLID) which requires all non-life insurance companies to offer agricultural insurance. The GoN pays 75% of the premium as subsidy.

Agricultural Insurance Products

Having the goal is to be cognizant to the challenges that exist in the insurance industry, to be receptive of Nepalese clients' needs, and to provide affordable products, they currently have 15 different agricultural insurance products in the market.

	Types of Insurance Products	Insured Perils
Animal Protection Insurance		
1	Livestock (Cattle) Insurance	Fire, Lightning, Flood, Inundation, Drought Landslide, Mudslide, Storm, Hailstorm, Snowfall and Frost, External Accidental, Diseases
2	Poultry Insurance	
3	Fishery Insurance	
4	Bee Keeping Insurance	
5	Ostrich Insurance	

	Types of Insurance Products	Insured Perils
Crop Insurance		
6	Paddy Insurance	Fire, Lightning, Earthquake, Flood/Inundation, Landslide, Subsidence, Storm, Hailstorm, Snowfall, Frost, External Accidental reasons, caused by illness/disease and insects.
7	Vegetable Insurance	
8	Potato Insurance	
9	Fruits Insurance	
10	Mushroom Insurance	
11	Banana Insurance	
12	Sugarcane Insurance	
13	Seed Production Insurance	
14	Cardamom Insurance	
15	ChaiteDhan (Short Paddy) Insurance	

A Weather Index Insurance pilot programme to ensure apple farmers was also launched in Jumla in 2016. This continued in 2017, and will be expanded in 2018 to cover paddy and sugarcane. This was supported by Sakchyam, a finance initiative funded by UK Aid.

The products are complemented and/or bundled with other Microinsurance products such as Micro Personal Accident Insurance, Micro Household Insurance, etc.

The following shows increasing number of policies issued over the years:

	2014-2015	2015-2016	2016-2017
Policies Issued	1,561	2,849	4,010
Percentage Increase	268%	83%	41%

The increases in the number of agricultural insurance was brought about by increased branches of the Company in Nepal and increased in the number of agents.

The policies are issued three (3) days at most after acquisition of all the required information and documents while payments are made within three (3) weeks after acquisition of Surveyor's



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report or completion of other related information and documents.

Target Market

The target sector of these products are farmers mostly those who are individual farmers or are small and medium sized entrepreneurs.

To be able to be cost-effective and minimize operational and marketing expenses, the Company specially targets village groups, local cooperatives, livestock groups, and any groups engaged in various agriculture businesses. Priority is given farmers, located both the rural and urban areas, who are fully dependent on agricultural income, making them part of the poorer sector of the society.

The Company also reaches out to those who have taken loans from local Cooperative or MFIs to provide credit insurance.

Distribution

The Company is able to reach the farmers through their own staff appointed as agri technicians, as well as insurance agents. They also tap bank assurance partners and their partner Micro Finance Institutions (MFIs) and Cooperatives.

Challenges

There are several operational challenges that the Company faces in distributing these agri-insurance products. These include:

- “Geographical hindrances” is a factor as Nepal is a hilly and mountainous country. Agents and technicians have difficulty travelling due to cost and unavailability of convenient transportation infrastructure. The farming villages are also scattered in wide distances.
- Lack of awareness of the target sector about the benefits and features of insurance.

- No legal provisions enabling MFIs to issue policies.
- Non-ownership of land by the farmer. After the Nepal Earthquake in 2015, many people squatted, as well as farmers planting the crops in river bank, barren land or public land. The Company cannot sell to these farmers.
- Lack of capacity of technicians to accurately evaluate and value the losses resulting to possible overstatement.
- Lack of technician at the time of valuation and claim assessment.

Way forward

SICL plans to continue and expand collaboration with MFIs and Cooperatives working in rural sector as they have the reach to most of the people in target sector.

In terms of product development, the Company also plans to expand their Index-Based Insurance Products to cover more varieties of agricultural products.

The Company also believes that the government and private sectors should work together to increase insurance literacy awareness to instill its importance to farmers and other participants in the agricultural value chain.



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