

Factsheet microinsurance business model

Nepal: Endowment and Term Microinsurance Products

Nepal Life Insurance Company Limited (NepalLife)

NepalLife which was established in 2001 is the leading life insurance company in Nepal contributing 33% to the total industry premium. The company has branches in most parts of the country and distributes its policies through 12,000 active agents. NepalLife is serving the customers from 106 outlets covering 64 districts out of total 75 districts of Nepal.

Enabling policies and regulations

The microinsurance (MI) market is regulated by BeemaSamiti (Insurance Board), which issued the “Micro Insurance Directive, 2071” in 2014. This Directive had **pre-approved** the following 7 standard microinsurance 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 Directive are allowed, but would need prior approval of BeemaSamiti. In order to promote insurance for low-income people, the BeemaSamiti obliges all insurance companies to have at least **5% of their portfolio as microinsurance** effective on July 2016.

The Microinsurance Products

NepalLife enters the microinsurance market by offering Micro Endowment Life Insurance and Micro Term Life Insurance, which are pre-approved by BeemaSamiti. The products target the low-income sector.

Endowment Microinsurance is a life policy which also provides parents the opportunity to save money for the education of their children, especially when the family lives in impoverished conditions. When necessary, the policyholder can borrow from its accumulated surrender value to manage issues on family cash flow.

At present, NepalLife is providing Interim Bonus of NPR 65 per thousand per annum. Vested bonus might increase in the future subject to annual actuarial valuation.

Endowment Microinsurance Plan		
Term	Minimum : 5years; Maximum : 49years	
Sum Insured	NPR 10,000 to 100,000	
Entry Age	16 to 60 years	
Age at Maturity	65 years	
Premium	Payment Mode: Yearly, Half-yearly, Quarterly	
Surrender	Policy can be surrendered after 2 years of premium payment	
Policy Loan	Policy Loan of up to 90% of Surrender Value after 2 years of premium payment	
Claim	Normal Maturity	Sum Insured + Accrued Bonus
	Death	Sum Insured + Accrued Bonus
Example of Endowment Microinsurance Plan		
Age	30 years	
Term	15 years	
Sum insured	NPR 100,000	
Premium Amount	NPR 7,500 per year	
Payment Mode	Yearly	
Total Premium To Be Paid	NPR 112,500	
Normal Maturity	NPR 100,000 + 97,500 = NPR 197,500	
Claim	Death after 2 years	NPR 100,000 + 13,000 = NPR 113,000
	Death after 5 years	NPR 100,000 + 32,500 = NPR 132,500
	Death after 10 years	NPR 100,000 + 65,000 = NPR 165,000



This factsheet is jointly produced and published by the BeemaSamiti (Insurance Board of Nepal); the German Development Cooperation - Regulatory Framework Promotion of Pro-poor Insurance Markets in Asia (GIZ-RFPI Asia) for the MEFIN Network, a collegial body of insurance policy makers and regulators in Asia; and Nepal Life Insurance Company Limited. RFPI Asia is the Secretariat of MEFIN Network. Contact us: +63 2 353 1044-45. www.mefin.org

The **Microinsurance Term Life Plan** provides financial protection to the policy holder from permanent total disability brought about by an accident. It also covers partial disability.

Microinsurance Term Life Plan		
Age	Minimum : 1 year; Maximum : 15 years	
Entry Age	16 to 64 years	
Sum insured	NPR 10,000 to 150,000	
Premium	Payment Mode: Single	
Claim	Normal Death	Sum Insured + Funeral Expense: NPR 10,000
	Accidental Death	Sum Insured + Funeral Expense: NPR 10,000
	Permanent Disability Benefit	Maximum NPR 100,000
	Partial Disability Benefit	Minimum NPR 4,000 Maximum NPR 50,000
Example of Term Microinsurance Plan		
Term	5 years	
Age	30 years	
Sum insured	NPR 150,000	
Payment Mode	Single	
Total Premium To Be Paid	1,208	
Claim	Normal Death	NPR 150,000 + 10,000 = NPR 160,000
	Accidental Death	NPR 150,000 + 10,000 = NPR 160,000
	Permanent Disability Benefit	Maximum NPR 100,000
	Partial Disability Benefit	Minimum NPR 4,000 Maximum NPR 50,000

Challenges

Nepal is a country where almost 80% of the total population lives in the rural areas. The country covers the Himalayan range as well as fertile plains having very low access by roads.

Therefore, reaching the targeted group at remote locations is the most challenging tasks for the company.

Lack of product delivery channel is another challenge. NepalLife is reaching out for collaboration with MFIs and cooperatives in the rural areas with support from GIZ RFPI Asia. Informal insurance of MFIs and cooperatives are hindering the progress of microinsurance in rural population.

Target group

The target groups of the products are very broad. However, the best way to reach scale in a short period of time is to make use of contact details of existing policy holders. NepalLife has a collection of more than 2.1 Million existing policy holders. The potential clients could be members of MFIs and cooperatives.

Distribution

The MFIs and cooperatives will be tapped to distribute the products through their networks. NepalLife will distribute through its existing 106 outlets nationwide and its agents in the rural areas.

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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