

Microinsurance Regulation in Nepal: Fostering Access and Impact



Authors:

Pujan Dhungel Adhikari (NIA)

Martina Wiedmaier-Pfister

With support from the Microinsurance Master

November 2025

Microinsurance Regulation in Nepal: Fostering Access and Impact

Confidential - for internal use in NIA; can be shared with insurers

November 2025

Authors:

Pujan Dhungel Adhikari

Director, Nepal Insurance Authority

Martina Wiedmaier-Pfister

Consultant Inclusive Insurance Regulation

With support from the Microinsurance Master (MIM)

Acknowledgement

This report intends to present a current status of **Microinsurance Regulation in Nepal and its Impact in the insurance sector**. The report has been prepared a part of Microinsurance **Master program 2025**, organized by the **Microinsurance Master** including in person program in Kenya, Nairobi from **March (3-15) 2025- and six-months** virtual mentorship sessions. I would like to extend my gratitude to **Nepal Insurance Authority** and **Access to insurance initiative A2ii** for the opportunity and kind support to participate in Microinsurance Master program. My deep thanks to Bert Opdebeeck, founder and CEO of Microinsurance *Master* and other team members of Microinsurance *Master* for organizing such a comprehensive, insightful, and impactful program. My sincere gratitude to my mentor and co-author of this report, Martina Wiedmaier-Pfister for her guidance and support throughout the mentorship session.

This report is prepared as a part of study under Microinsurance Master program as the purpose of the program is to bring positive change in the insurance sector of the participant's country. This report has been prepared through interview and online survey of the insurance companies in order to present fact-based report so that it can be utilized the Authority and the industry for the development of microinsurance.

I thank my entire team members from Research Division for supporting me in conducting the interviews and survey and for preparing and analysing the data and the report.

Thank you all for your support.

Pujan Dhungel Adhikari

Director

Contents

Acknowledgement	iii
1. Background and objective of paper	1
2. Current legal and market situation	2
2.1 Legal background	2
2.2 Market situation	4
3. Industry Perspective: Regulatory challenges in microinsurance	5
(1) Fairness and competition of providers in microinsurance	5
(2) Product development issues	6
(3) Composite license and partnerships	6
(4) Proportionality of fees	7
(5) Innovation	7
(6) Definition and guidance for pricing	7
(7) Lack of clarity of the MI-Directive	7
Summary of industry suggestions from the survey	8
4. International examples	9
5. Challenges from a NIA perspective	10
6. Conclusions and recommendations	10
6.1 Conclusions	10
6.2 Recommendations to the industry	11
6.3 Recommendations to NIA	12
Attachment	13
Annex 1 - References	13
Annex 2 – Abbreviations used	14
Annex 3 – Questionnaire for the industry	15
Annex 4 – Micro life insurance data, conventional insurers and MICs (mid June 2025)	20
Annex 5 – Micro non-life insurance data; conventional insurers and MICs (mid-June 2025)	22

1. Background and objective of paper

Ten years of microinsurance regulation in Nepal. The concept of microinsurance (MI) in Nepal started when the first Microinsurance Directive was introduced in 2014. The Directive established the first regulatory framework for the issuance of various microinsurance products, including Family, Health, Personal Accident, Livestock, Crop, Term Life, and Endowment Microinsurance policies and was amended in 2023 (see chapter 2.1). The first report on microinsurance was published in collaboration with the UKaid-sakshyam access to finance program ("The study on microinsurance industry in Nepal" 2018)¹ and highlighted the efforts made by the Government, industry, insurer's association and also the challenges to implement microinsurance in Nepal to date. At that time, microinsurance business was done by conventional insurers and there were no standalone microinsurers. Microinsurance business started to flourish after the issuance of the 2014 Directive, yet the insurers still struggled a lot to meet the target set by the Government that each company must have 10 per cent (as defined in a policy document of the Government in 2018)² of the total business to be microinsurance.

Stand-alone microinsurance companies (MICs) are allowed since 2023. After the enactment of insurance Act 2022, the provision was introduced to licence standalone micro insurers. Subsequently, based on a new set of regulations, seven standalone microinsurers have been licenced and are operating actively in Nepal (as of June 2025), see also chapters 2.1 and 2.2.

About the paper. This paper intends to shed light to the current challenges regarding the licencing, product development and supervision of the microinsurers. It also aims to identify the challenges faced by the conventional insurers to continue doing the microinsurance business that they were doing before the standalone MICs were licenced. It became clear that the introduction of the new legal form "standalone microinsurers" did create opportunities but also new challenges in the sector. The legal side of this situation is in the focus of this paper.

Methodology. Recognizing the need for continuous innovation and development in Nepal's microinsurance sector, and for the purpose of this paper, NIA conducted interviews and a survey (see chapter 3) with insurance providers, including both microinsurance companies and conventional companies. In June 2025, NIA started with in-person interviews with key staff of nine companies to gather first insights.

Subsequently, NIA conducted an online survey titled "Current Status of Micro Insurance Industry in Nepal" in June 2025. The summary report shared in this paper presents key insights from industry participants – both conventional insurers as well as microinsurers – regarding awareness, clarity, challenges, and recommendations related to the current Microinsurance Directive.

The observations in this report are based on the responses from 13 participants of the online survey: 5 from microinsurance companies, 5 from three life insurers, and 3 from two non-life insurers. These 13 respondents represent 37 per cent of the total 35 retail insurers engaged in providing microinsurance in Nepal.

While chapter 2 sets out the legal and market situation, Chapter 3 draws on these findings to highlight the key challenges faced by microinsurance providers. Additionally, the study was supplemented by desk research (see Annex 1 – References). Chapter 4 presents international examples of microinsurers, chapter 5 discusses the challenges from a NIA perspective, and chapter 6 provides conclusions and recommendations.

1 <https://www.rfilc.org/library/study-on-the-microinsurance-industry-in-nepal/>

2 (Ministry of Finance Nepal, 2018) Budget Speech 2018/19 Finance Minister: "All insurance companies will be required to extend the limit of micro-insurance transaction of up to 10 percent of their total insurance transaction at minimum within the next two years."

2. Current legal and market situation

2.1 Legal background

National Insurance Policy 2023³ has focused on increasing insurance uptake and integrated microinsurance with the Nepal Government's policy on sustainable development and poverty alleviation. The policy emphasizes on alternative distribution channels, innovation, digitization, and providing subsidies for low-income populations.

Insurance Act 2022 includes provisions for MI, including the establishment of stand-alone microinsurance companies. It mandates that all insurers engage in microinsurance activities specifically targeting low-income groups and underserved regions. The Act empowers the Nepal Insurance Authority (NIA) to grant licenses for companies dedicated solely for microinsurance, thereby allowing the creation of stand-alone microinsurers. Additionally, it stipulates that claims under microinsurance must be settled within 21 days of receiving the necessary documentation. The Act also sets a regulatory fee for microinsurers, requiring them to pay 0.5 per cent of their annual microinsurance premium income to the NIA, which is lower than for the conventional insurers required to pay 0.75 per cent of the premium earned as regulation fees to NIA.

Microinsurance (MI) Directive 2023 on MI business. This Directive was issued on 27th March 2023 and regulates microinsurance business in Nepal, replacing the MI Directive of 2014⁴. The key provisions are:

- a. **Definition of microinsurance** as an insurance business agreement issued in accordance with this Directive, targeting individuals of low-income groups.
- b. **"Microinsurance policy"** has been defined as a written contractual agreement between the insurer and the insured that outlines the terms, conditions, obligations, and entitlements related to microinsurance.
- c. **Microinsurance business** has been termed as the business that is done targeting the poor, low-income groups, residents of underserved regions, and marginalized communities within Nepal. For the purpose of this clause, the terms "poor," "low-income groups," "residents of underserved regions," and "marginalized communities" shall be interpreted as per the definitions provided by the prevailing laws or as defined by the competent authority.
- d. The **maximum sum insured** in non-life microinsurance business had been limited to 5 million NPR (36,217 USD ⁴) while the maximum sum insured in life is 0.5 million NPR (3,621 USD).
- e. The insurer may carry out microinsurance **either directly or through** an individual or institutional microinsurance agent.
- f. The entities that can work as **institutional agents** are non-governmental organizations (NGOs), self-help groups, microfinance finance institutions (MFIs), cooperatives and other institutions registered under prevailing laws.
- g. Insurers may **collaborate with organized institutions** such as telecom companies, internet service providers, payment service providers, and retail stores/hotels to issue microinsurance.
- h. **A license** must be obtained from NIA in order to work as a microinsurance agent.

³ In December 2023, the Government of Nepal issued a document formally titled "National Insurance Policy 2023", aiming to expand insurance access and improve insurance penetration across the country. The policy was approved by the Council of Ministers and took effect immediately upon approval. <https://english.insurancekhabar.com/2023/12/119308/>

⁴ <https://www.oanda.com/currency-converter/de/?from=NPR&to=USD&amount=5000000> Accessed on 8.7.2025

Directive for licencing MI companies (2023) on stand-alone microinsurers. The Licensing Directive for microinsurers requires that any company intending to operate as a microinsurer must be established as a public limited company. Furthermore, such a company must obtain prior approval from the NIA before registering as a public limited company. The company's objective must include providing services in urban, rural, and geographically challenging areas, with a focus on low-income and vulnerable communities, including cooperatives and MFIs. The Directive also outlines the required share structure and necessary documentation for establishing a microinsurance company, along with the approval process.

Investment Directive for all companies including for life and non-life MI companies (2023, amended in 2024). A separate Investment Directive for microinsurers has been prescribed, outlining the sectors of investment for microinsurers, which are limited in comparison to conventional life and non-life and insurance companies. Investment limits for non-life and reinsurance are different for some investment sectors, when compared to life, micro life and micro non-life. For all (re)insurers, prior approval should be taken in case of investment in subsidiaries. No direction has been provided explicitly for micro-life and micro non-life insurers regarding the type of companies, which shall be held as subsidiaries. However, prior approval from NIA is required in order for the micro-life and micro non-life companies to invest in subsidiaries.

Property Insurance Directive 2023 prescribes the premium rates and policy wording of property insurance on the basis of risk categories. The risks are classified in seven different classes from very low risk to highly hazardous and the premium rate is prescribed on the basis of risk class and the premium ranges from NPR 0.5 per thousand to NPR 9 per thousand. However, for microinsurers, the package policy⁵ has been developed for property insurance with a flat rate of NPR 1.5 (USD 0,01047⁶) per thousand for the prescribed list of properties but the premium rate for the property other than those on the list of the Property insurance Directive 2023.

Insurance Regulation 2025 has prescribed the documents to be submitted for claim settlement under microinsurance, as well as the minimum paid-up capital for the microinsurance life and non-life companies, which is considerably lower than the capital requirement for conventional insurance companies. The new regulation has also mandated the insurers including MICs to apply for the preapproval of licence with prescribed documents, with a preapproval fee and a licence fee depending on the type of insurers. The preapproval fees are returned back within 7 days if it is decided that the insurer will not get the preapproval. Table 1 sets out the detailed amounts.

Table 1: Proportionate requirements depending on the type of insurer⁷

Insurer type	Conventional insurers (NPR)		MICs (NPR)
	Life	Non-life	MI-life and non-life
Minimum paid-up capital	5 billion (USD36.217 million)	2.5 billion	750 million (USD 5.4 million)
Preapproval fee	0.5 million	0.25 million	0.1 million
Licensing fee	50 million (USD 362,172)	25 million	5 million

Role of NIA and other rule makers. The above legal and regulatory dispensations were adopted by different bodies (see Box 1), and they are the guiding documents for NIA in order to regulate and supervise the insurance market of Nepal.

5 The policy has been developed by a committee that constitute the representatives from microinsurers, Central bank and NIA. It was issued through the circular.

6 <https://www.oanda.com/currency-converter/de/?from=NPR&to=USD&amount=1.5> accessed on 4.11.2025

7 <https://www.oanda.com/currency-converter/de/?from=NPR&to=USD&amount=75000000> accessed on 8.7.25 in NPR

In the current fiscal year, NIA adopted an annual policy and program for the coming financial year, which is emphasising – among others – the need for innovation. The Research Department within NIA is in charge of conducting different research to explore the areas of innovations in the insurance sector. The major focus has been made on product development research and development, digitization and awareness.

Box 1: Powers and responsibilities of the different bodies

- Insurance Act - Supreme law approved by Parliament of Nepal
- Insurance Regulation - Approved by Cabinet of Ministers
- Directives and guidelines - Approved by the Board of NIA

Open question regarding 10 per cent obligation. As of August 2025, it is not clear if the obligation (Ministry of Finance 2018) for insurers to provide 10 per cent of their written premium in microinsurance is still valid.

NIA Second Strategic Plan (2023-2027): In order to systematize, regularize, develop, and make the insurance business reliable, NIA has developed its Second Strategic Plan for the years 2023–2027. This plan takes recognition and implementation of the new Insurance Act (2022) as well as the requirement to consistently align with NIA's vision for insurance sector development. The 8th Strategic Pillar, i.e. Insurance Access and Inclusion, includes the objective of promoting microinsurance, agriculture, livestock and herbs insurance through developing and implementing microinsurance and other need-based insurance frameworks.

In summary, the following rules and policies or strategies are in force for microinsurance business and providers (for the business line and for the microinsurers), see Table 2:

Table 2: Legal and strategic provisions and policies for MI business and providers

National Insurance Policy 2023			
Insurance Act 2022			
Government Budget speech 2018-19 from honourable Finance Minister (unclear if valid)			
MI Directive 2023	Licensing Directive 2023	Investment Directive 2023 amended 2024 Investment Directive for MICs	Property Insurance Directive 2023
NIA Second Strategic Plan (Five Year Strategy 2023-27)			
NIA Annual Strategy (2025-26)			
Government's National Insurance Strategy 2023			

2.2 Market situation

Insurance companies. As of June 2025, there are currently 37 insurance companies operating in Nepal, comprising 14 life insurers, 14 non-life insurers, 7 microinsurers, and 2 reinsurers. Insurance coverage has reached 47.95 per cent of the total population, while 52.05 per cent remain outside the reach of insurance services.

Insurance sector data. As of the same period, the total number of in-force life insurance policies was 15,498,701, while the total number on issued non-life insurance policies was 2,926,529. Compared to the previous fiscal year, premiums from life insurers increased by 16.00 per cent, reaching USD 1.12 billion.

Premiums from non-life insurers increased by 9.06 per cent, amounting to USD 0.28 billion. Overall, the total insurance premium collection amounted to USD 1.40 billion, reflecting a 14.51 per cent growth compared to the previous fiscal year's figures (see Annexes 4 and 5).

Life insurance products. Among life insurance products, endowment policies are the most popular ones, primarily due to the inclusion of a financial incentive in the form of a bonus that is published in national newspapers annually. Other offerings include term life and whole life insurance. Insurance coverage for migrant workers, which is mandatory under government regulations, significantly contributes to the overall penetration of life insurance.

Non-life insurance products. In the non-life segment, most of the business falls under regulated tariffs, including property, motor, and marine insurance. As a result, insurers have limited flexibility to introduce innovative products. Third-party motor insurance, being mandatory by law, has high public awareness. Other common non-life products include health insurance, travel medical insurance, weather index-based insurance, and yield index-based insurance.

NEW: Market share of microinsurance between conventional and MICs. Conventional and Microinsurer market shares are presented in Table 1, showing that the MICs are quite strong players in non-life insurance holding 96 per cent in terms of number of non-life policies (see Annexes 4 and 5 for more details). In terms of sum insured of micro life insurance, conventional players hold 80.85 percent and MIC 19.15; while in non-life sums insured are 9.72 for the conventional insurers and 90.28 for the MICs.

Table 1: Number of in-force policies written by conventional insurers and MIC (June 2025)

Insurers	LIFE No. of in-force policies	LIFE Percentage market share	NON-LIFE No. of in-force policies	NON-LIFE Percentage market share
Conventional insurers from all 14 conventional life insurance companies	3,410,489	67.23	11,826	3.37
MI companies (3 in life and 4 in non-life)	1,662,326	32.76	339,214	96.63
Total sector	5,072,815	100	351,040	100

3. Industry Perspective: Regulatory challenges in microinsurance

(1) Fairness and competition of providers in microinsurance

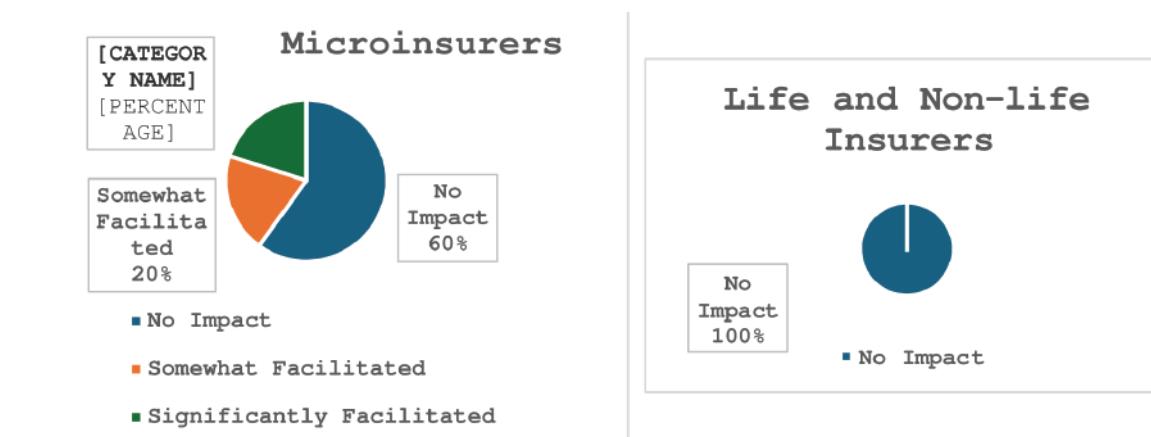
Ambiguity from the perspective of conventional insurers. The licencing of the standalone MICs has been a milestone in the history of microinsurance, however there is still some ambiguity on the role of MICs versus conventional insurers. With the new players in the market, the current Microinsurance Directive (2023) has not clearly stated the products that can be offered by conventional insurers. There is lack of clarity on whether conventional insurers can continue offering the same products they had on the market since long time. Other challenges conventional insurers report include the high cost for product design and actuarial valuation, considering that microinsurers are subject to lighter requirements. The Microinsurance Directive (2023) defines the allowable sum insured and types of products that can be offered. Conventional insurers are also permitted to operate in the microinsurance space and – with the MICs now in the markets – these insurers complain about minimal differentiation between the MICs, particularly in terms of tariffs.

Conventional insurers feel they are disincentivized by the new Directive and the existence of MICs because of the lack of regulatory differentiation in areas such as product scope, pricing, and compliance requirements. The uniform application of tariffs (e.g., for motor microinsurance) removes pricing as a competitive lever, while the ambiguity regarding whether they can continue offering pre-existing microinsurance products creates strategic uncertainty. This has led conventional insurers to perceive the regulatory framework as skewed - where despite their larger compliance responsibilities and capital requirements, they are expected to compete on equal footing with microinsurers who are exempt from many of the same obligations. This perceived imbalance discourages long-term investment in microinsurance innovation by conventional players, potentially undermining broader financial inclusion goals in underserved rural and low-income communities.

The perspective of the microinsurers. One of the primary challenges faced by MICs is the competition with conventional insurers. As new entrants to the market, microinsurers typically have less brand recognition compared to established insurers that already hold significant market influence. The current regulatory changes like the introduction of the Risk-based Capital and Solvency Directive and risk informed pricing mechanism have posed challenges to the microinsurers that are operating with low capital and limited resources. Proportionate regulatory requirements, ranging from capital requirement to licensing fees, provide them with a greater leverage than conventional insurers. Furthermore, the new legal framework has supported microinsurers by easing the qualification requirements for actuaries, making it easier for them to appoint the necessary professionals. There is a high level committee within NIA with representation from microinsurers and the Terms of Reference of the committee is to develop standardized products for non-life microinsurers, which help them to reduce product development costs.

(2) Product development issues

The survey also aimed to assess whether the MI Directive had facilitated product development. All eight respondents from conventional life and non-life insurance companies reported that the Directive had no positive impact on product development. Likewise, three out of five respondents from MICs expressed the same viewpoint. This lack of facilitation and impact on product development (see figures below) suggests a gap between regulatory intent and practical applicability. Despite the overall lack of clarity and facilitation, the survey found that two microinsurers and one non-life insurer had managed to introduce new products under the current Directive.



(3) Composite license and partnerships

MICs stated they would prefer a composite licence as in some other countries (for example in Rwanda)⁸ to be able to offer life and non-life microinsurance products; however, this is not a feasible option in the

Nepalese market because a composite license framework would require a change of the insurance law. Partnerships are a more realistic option.

The survey also examined how insurers are reaching clients for microinsurance products. Participants identified key distribution and client aggregation channels as financial institutions, payment partners, e-insurance platforms, and corporate agents. These partners appear to play a central role in connecting insurers with potential customers, especially in rural and underserved areas. Reportedly, the MI Directive does not give sufficient guidance on the type of partnerships and the modality. Respondents felt that alternative distribution partnerships are not encouraged.

(4) Proportionality of fees

The Insurance Regulation 2025 has introduced an increased corporate agent registration fee that has disincentivized corporate agents. Registration and licensing fees are proportionate for MICs (see chapter 2.1). However, other fees are not made proportionate as implemented in the case of the Philippines (see chapter 4), where sanctions are also made proportional. However, in the case of Nepal, there is no difference in sanctions for conventional insurers and microinsurers as per the Insurance Act 2022.

(5) Innovation

According to the responses, the MI Directive lacks clarity and incentives on the support for innovation by NIA. Many respondents stated that the Directive does not explicitly support the development or piloting of new products, nor does it offer mechanisms such as regulatory sandboxes, fast-track approvals, or pilot program allowances.

This absence of innovation-enabling policies may limit the ability of the sector to evolve and respond to the diverse needs of the underserved.

(6) Definition and guidance for pricing

A major challenge reported was the ambiguity in definitions and classifications regarding the sum insured for microinsurance as respondents felt that the cap of 500,000 NPR (3,621 USD) is not flexible enough for the different product types. Examples from other markets suggest that definitions were amended such as in the case of the Philippines (see chapter 4). In addition, there is an absence of clear pricing guidelines as observed by the industry.

(7) Lack of clarity of the MI-Directive

Keeping the Microinsurance Directive (2023) as the central focus of the survey, the questionnaire mainly focused on the respondents' clarity on the provisions of the Directive. A significant observation was that most respondents lacked clear understanding of the directive's provisions. Only two respondents, one from a micro life insurer and one from a life insurer indicated that they were very clear about the Directive (see figure below). In summary of the above, the lack of clarity refers to topics such as definition, pricing, partnerships and products and the lack of consideration of innovation.



To explore further, participants were asked whether they were aware of the roles of insurers and microinsurers as stated in the Directive. Responses indicated a similar trend, with most participants being either unclear or only somewhat clear. Furthermore, regarding the types of products allowed under the Directive, all microinsurance respondents stated they were only somewhat clear on the provisions.

Summary of industry suggestions from the survey

Relevance as motivating factor. In general, survey responses outlined the meaningful impact of microinsurance on underserved and low-income communities. Insurance was viewed as a critical tool for providing financial protection, enabling income generation, and fostering financial literacy and empowerment. Many respondents shared that witnessing the positive outcomes - such as helping individuals recover from setbacks and protecting their futures was a key motivator in their work. Microinsurance was described to reduce the protection gap and provide dignity and security to marginalized communities.

Respondents were suggesting the following improvements for the MI Directive:

- **Products:** Support research and development and assist the industry to introduce new innovative products (for e.g., including participating and short-term covers, enabling co-insurance and bundling with non-life products) and ease the product approval process. Need for stronger regulatory support and clearer product development guidelines. NIA should allow the life insurers to sell broader types of riders including hospitalization benefit riders, which NIA has already allowed to conventional insurers.
- **Definition:** Increasing the cap on property microinsurance by ten times, e.g. to NPR 5 million (36,217 USD).
- **Riders:** The cap on the sum insured for the riders of life insurance policies should be higher than the limit of the basic sum insured and cap of microinsurance (3,621 USD).
- **Tariffs:** Update the tariff rate in a timely manner for example according to conventional insurers, the tariff rate should be as per the Property Insurance Directive for all the insurers including microinsurers.
- **Health microinsurance:** NIA should collaborate with health care providers for effective inclusive insurance regarding this line, as NIA regulates the private health insurance market.
- **Distribution channels:** Resume Bancassurance as a key cost-effective channel; promote cross-agency models, co-insurance, and partnerships with diverse organisations. Encourage a corporate agency model for better sales quality and servicing.
- **Agent qualification.** Revise agent qualification requirements prescribed in the Act and allow lower qualification for the agents in remote areas (e.g. the current requirement is to be qualified as an insurance agent is passing the 12th grade).
- **Digitization** should be encouraged across the insurance industry to deliver more effective and prompt services to the customers in order to reduce the turnaround time and paper works.
- **Promote direct business models** for low-ticket-size insurance clients to reduce unnecessary distribution costs, agent commission and also to reduce the turnaround time.

Research needs. The final section of the survey explored key areas for future research in microinsurance. Survey respondents provided the following suggestions:

- Develop diminishing sum assured **pricing models** especially relevant for small enterprises and rural segments

- Evaluate the inclusion of **spouse coverage** along with coverage for loanee members, as this often reflects a genuine insurable interest in the microinsurance sector.
- Explore **product bundling** with non-life insurance.
- Work to develop products for individuals having certain **lifestyle diseases**, other micro-level **agricultural insurance** models that are practiced in other markets.

4. International examples

For the licensing and supervision of microinsurance companies, the proportionality principle is a broad guideline for their treatment. However, in practice this principle cuts across many aspects of dedicated MI providers of both types, stand-alone and conventional. The following approaches in other markets may be relevant for the regulatory and market situation in Nepal with a special lens on stand-alone microinsurance providers:

South Africa (SA)⁹: As of end August 2025, there are 18 licensed MI providers in South Africa. However, the two authorities in charge, Financial Sector Conduct Authority (FSCA) and Prudential Authority (PA), observe a low number of applications for a microinsurance licence from funeral parlours due to licence requirements. Some challenges in the SA market in respect of the microinsurance regulatory framework for dedicated MI providers have been identified: Some prudential requirements are a challenge for small enterprises, e.g. the audit requirements; Microinsurers cannot provide cover for commercial lines of business; and access to capital/funding.

Philippines – various regulatory and market development approaches:

- **Partnerships:** As of August 2025, the Insurance Commission (IC) has licenced 27 Microinsurance Mutual Benefit Associations (MI-MBA) under the microinsurance regulation of 2006 and subsequent rules, that allows them to sell life products. General insurance can only be sold in partnership with a general insurer. In this regard, CARD MBA has partnered with Pioneer Insurance, forming the joint venture CARD Pioneer Microinsurance, Inc., the first dedicated non-life microinsurance company in the Philippines.¹⁰ The collaboration is mission-aligned, as CARD MBA brings deep grassroots presence and trust among low-income communities, while Pioneer contributes insurance expertise and infrastructure. This socially-driven yet professionally sustainable microinsurance model ensures that vulnerable groups receive relevant, affordable, and responsive protection when they need it most.
- **Fees, charges and penalties** are proportionate i.e. lower for MI-MBAs (Circular Letter 2014-15).¹¹
- **Performance Standards for Microinsurance** (SEGURO) were introduced for the microinsurance industry as benchmarks for assessing and evaluating the operations of all microinsurance providers beginning calendar year 2011 with Circular Letter 5-2011.¹² This work was undertaken in close collaboration with the insurance industry by a Technical Working Group set-up for this purpose.
- **Definition:** After an initially lower amount (Circular Letter 9-2006: approximately 3,300 USD) the cap for premium and maximum cover was increased by the Insurance Law (Republic Act No. 10607) in 2013 to a new amount that is also tied to the daily minimum wage, which is around 0.82/ USD per day and an amount of 10,900 USD (as of August 2025).¹³

9 Based on information from Jacky Huma, FSCA, Head Micro and Access Product Institutions Supervision

10 <https://www.insurance.gov.ph/wp-content/uploads/2022/04/Article123.pdf>

11 https://www.insurance.gov.ph/wp-content/uploads/2022/11/CL2014_15.pdf

12 https://www.insurance.gov.ph/wp-content/uploads/2022/11/CL2014_15.pdf

13 Up-dated from: <https://www.milliman.com/en/insight/regulatory-impact-assessment-microinsurance-philippines>

- o The MI-MBAs founded an **association**, the RIMANSI Microinsurance MBA Association of the Philippines, which today represents 20 of the total of 27 MI-MBAs and 29.9 million insured.¹⁴

5. Challenges from a NIA perspective

The insights from interviews and survey in the Nepalese markets, as well as considerations of international practices, led to the following conclusions:

Generally, market players in Nepal are not taking an innovative approach to reach out to the low-income, vulnerable and underserved segments. For example:

- o There is a need to develop innovative products tailored to the risks and needs of the target segments, as prescribed in general in the Microinsurance Directive of 2023. However, Insurance companies are not prioritizing market research during product innovation.
- o The potential of partnerships of risk carriers and traditional and alternative distribution partners is fully not explored yet.
- o In the past, NIA had no clear mandate regarding the fostering of innovations. However, in the future this will change with the NIA Annual Policy Document that gives NIA a mandate namely to "foster research-based products and innovation".
- o NIA's data collection about microinsurance can still be improved. Data collection on microinsurance is working well and insurers are submitting the data in the prescribed format; however, there is no gender-disaggregated reporting yet. After discussion with the industry, NIA will mandate such reporting and make it mandatory next year.
- o There is no separate data reporting format for microinsurance business and all the insurers are submitting the data on the format similar to conventional business. So, NIA need to focus on separate data reporting format for the microinsurers and for microinsurance in general.

6. Conclusions and recommendations

6.1 Conclusions

A more level playing field is needed. The study clearly shows that all insurers and microinsurers are struggling over the same slice of cake rather than focusing on innovation and effective distribution in order to reach the underserved communities. Conventional insurance companies were the sole provider of microinsurance as up until 2024, since the first MI Directive was issued in 2014. From 2018 onwards, they were also bound to comply with the Government policy of 10 per cent of their business volume in microinsurance, although it was very challenging for them to reach the target. Since the microinsurers were licensed in 2023, it became difficult for them to continue their service to the target market because there were different requirements for the MICs and from their perspective, there was a perceived leverage in regulation for the standalone microinsurers.

The microinsurers are encounter significant challenges to penetrate the market segment where there was already the existence of conventional insurers. As new entrants, these also struggle to build trust and credibility among potential clients. In conclusions, the success of MICs depends largely on their ability to overcome structural barriers such as limited public awareness of their role, low trust levels, and high operational costs.

Fostering innovation regarding products and distribution. Innovation is essential for designing contextually appropriate microinsurance products including index-based insurance, bundled products

14 <https://rimansi.org/>

and mobile-based solutions. Regulatory support and flexibility are very essential for both types of insurers engaged in microinsurance who are experimenting with new business models or delivery mechanisms tailored to low-income and remote populations.

Clearer regulatory orientation to ease compliance. The absence of an appropriate definition for example regarding the caps that could be more flexible and should – for example - consider different product types and the lack of guidance on pricing makes compliance difficult for microinsurers. In addition, for all insurers providing microinsurance, the lack of clarity regarding the validity of the 10 per cent obligation clause is another difficulty. As the gaps of the MI Directive 2023 are now becoming clearer, there is a need for regulatory action to close these gaps in an effective manner. Prescribing clear data reporting standards with separate metrics for microinsurance can do justice to the case of this business line, including separate data on women in inclusive insurance. This could generate more transparency on microinsurance performance generally, as well as on gender-disaggregated business performance and impact.

Regular dialogues with the industry are necessary. The survey raised critical regulatory concerns, as most respondents indicated a lack of clarity regarding the provisions of the Microinsurance Directive 2023. Such gaps in understanding can significantly hinder the effective implementation and growth of inclusive insurance in Nepal. However, the constructive recommendations and practical suggestions provided by insurers demonstrate a strong willingness within the industry to enhance and modernize the regulatory framework, with emphasis on the MI Directive. At the same time, certain other legal provisions may also hinder compliance and sustainable business practices, warranting further examination. To move forward, it is essential that NIA initiates open and inclusive dialogues with all industry stakeholders. Collaborative discussions based on these survey findings will help clarify and refine the existing regulatory framework

6.2 Recommendations to the industry

- (1) Prioritize comprehensive human centric and customer focussed market research to identify the actual needs of low-income populations before designing microinsurance products by focusing on creating solutions tailored to the needs of those people.
- (2) Shift the emphasis from traditional offerings and simply down-sized conventional products to new forms of small ticket microinsurance products with low premiums and simplified benefits, by identifying the target segment and their particular insurance needs as well as through a human-centric product design approach (or human-centric design).
- (3) Implement a systematic review of existing microinsurance products regularly to ensure they remain relevant, effective and aligned with evolving risks along with the customer needs and market conditions.
- (4) Collaborate with alternative distribution channels and service providers, among them digital platforms, fintech companies, local groups and member-based organisations as well as with micro, small, and medium-sized enterprises (MSMEs) to expand outreach, improve distribution, and enhance service delivery.
- (5) Use clear, local language and visual aids to improve understanding of the products.
- (6) Ensure that claims processes are fast, transparent, and require minimal paperwork.
- (7) Invest in community-based awareness and financial literacy campaigns to build trust, promote insurance culture, and increase product uptake, especially in rural and underserved areas.
- (8) Build systems to monitor social impact and gather customer feedback for continuous product and service improvement. Create feedback loops by collecting customer satisfaction data and social

impact metrics regularly. Use this data to improve products, adjust communication, and enhance user experience.

- (9) Build internal capacity by training staff on inclusive insurance principles, consumer protection, behavioral insights, and digital innovations relevant to the microinsurance space.
- (10) Promote gender-inclusive insurance practices by designing products and services tailored to the needs of women and ensuring outreach and distribution strategies are gender-sensitive.

6.3 Recommendations to NIA

Recommendation for strategic changes (medium term)

- (1) Revise the legal definition of microinsurance in the MI Directive to prevent regulatory arbitrage and ensure that the definition reflects the broader social protection objectives of microinsurance
- (2) Clarify the distinction between the roles and responsibilities of conventional insurers and licensed microinsurers in order to ensure that the regulatory framework encourages fair competition, avoids overlapping mandates, and accounts for the structural differences in their business models as an on-going task.
- (3) Product rules. NIA should encourage all industry players to develop innovative customer-centric products and NIA should incorporate the provision to mandate all the insurers to have at least one customer centric microinsurance product . NIA should also facilitate the insurers in product development, by emphasising on bundled products and standardized microinsurance products.
- (4) NIA should introduce a formal test-and-learn strategy and create a space for innovation. A regulatory sandbox or test-and-learn environment allows insurers and other stakeholders to pilot new products, distribution models, or technologies under regulatory oversight, with flexibility and support in order to foster innovation while safeguarding the interest of the consumers.

NIA should foster partnerships and introduce formal guidance on partnerships, especially for: Distribution arrangements with digital platforms, cooperatives, and MSMEs and technical Service Providers (TSPs). A template of a partnership agreement should be developed which contains partnership protocols, and reporting obligations for better supervision and governance, among others. Recommendation for immediate action

- (5) Reporting requirements: NIA should improve data reporting requirements for microinsurers by developing a new reporting template in consultation with the industry. This should include gender-disaggregated and impact-focused indicators and standardized reporting on claims settlement timeframes, client outreach, and geographic coverage.
- (6) NIA should provide ongoing regulatory guidance and capacity-building through circulars, FAQs, workshops, and helpdesks to ensure both existing and new players understand their obligations under the MI Directive and other legal provisions.
- (7) NIA should strengthen enforcement and consumer protection mechanisms, including:
 - a. Monitoring compliance with microinsurance-specific provisions
 - b. Ensuring that insurers provide adequate disclosures and treat customers fairly
 - c. Facilitating grievance redressal for microinsurance customers

Attachment

Annex 1 - References

<https://www.rfilc.org/library/study-on-the-microinsurance-industry-in-nepal/>

<https://rimansi.org/>

<https://www.insurance.gov.ph/wp-content/uploads/2022/04/Article123.pdf>

https://www.insurance.gov.ph/wp-content/uploads/2022/11/CL2014_15.pdf

https://www.insurance.gov.ph/wp-content/uploads/2022/11/CL2014_15.pdf

<https://www.milliman.com/en/insight/regulatory-impact-assessment-microinsurance-philippines>

Bank of Rwanda. (2018). Official Gazette: Microinsurance Regulation 2100/2018.

Ministry of Finance Nepal. (2018). Budget Speech 29.5.2018.

Annex 2 – Abbreviations used

NIA	Nepal Insurance Authority
MIC	Microinsurance Companies
MSMEs	Micro small and medium enterprises

Annex 3 – Questionnaire for the industry

Nepal Insurance Authority

Questionnaires for the Insurance Companies

The following questionnaire has been developed to study on the current status of Inclusive insurance/microinsurance in Nepal. This questionnaire is used for conducting interviews with the selected insurers licensed by the Nepal Insurance Authority.

Section A: General Information

I. Organization

1. Name of the Insurer: _____
2. Location and business area
3. Type:
 - a. Life insurance
 - b. Nonlife insurance

II. Respondent

4. Name: _____
5. Designation: _____
6. Contact Email: _____
7. Mobile number: _____

Section B: Directive

1. What is the level of clarity of the provisions mentioned in microinsurance Directive issued by Nepal Insurance Authority?
 - Very Clear
 - Somewhat Clear
2. How would you rate the clarity of the guidelines in the directive regarding the following provisions?
 - Role of insurers and micro insurers: Clear, somewhat clear, Unclear
 - Types of products: Clear, somewhat clear, Unclear
 - Maximum premium: Clear, somewhat clear, Unclear

3. To what extent has the current microinsurance directive facilitated innovation in product development?
 - Significantly facilitated
 - Somewhat facilitated
 - No impact
 - Please specify why or why not

SEQUENCE: NOW question 2

4. Has your organization introduced new products under the current microinsurance directive?
 - Yes
 - No

If yes, how many? _____
5. Has your company engaged in any business partnership for client aggregation, distribution or out-sourcing?
 - If yes, which ones?
 - If not, why not?
 - Are you planning to do?
 - Has this facilitated business?
6. What are the major challenges your organization has faced in complying with the directive? (Select all that apply)
 - Ambiguity in definitions or classifications
 - No clarity in maximum and minimum sum insured
 - Lack of pricing guidelines
 - Difficulty meeting actuarial valuation requirement
 - Difficulty in appointing the actuary
 - Limited space for innovation
 - Others (please specify): _____

Section C: Feedback and recommendations

7. What would you recommend to NIA to improve the current status of inclusive insurance/microinsurance in Nepal?

8. What support from the NIA would help your company to develop inclusive insurance/microinsurance products and partnerships in Nepal?
9. Please share any additional feedback or insights regarding the product development and implementation.
10. Please give your feedback regarding the current distribution channel and the ways to improve them.
11. What are the most important challenges that you are facing since you are involved in inclusive insurance/microinsurance?
12. What is the motivating factor you have experienced till date while being involved in inclusive insurance/Microinsurance.
13. Please suggest the area of inclusive insurance/microinsurance where there is need for research.
14. Other comments:

Nepal Insurance Authority

Questionnaires for the Microinsurance Companies

The following questionnaire has been developed to study on the current status of Inclusive insurance/ microinsurance in Nepal. This questionnaire is used for conducting interviews with the selected micro insurers licensed by the Nepal Insurance Authority.

Section A: General Information

I. Organization

8. Name of the Micro Insurer: _____
9. Location and business area
10. Type:
 - c. Life Microinsurance
 - d. Nonlife Microinsurance

II. Respondent

11. Name: _____
12. Designation: _____
13. Contact Email: _____
14. Mobile number: _____

Section B: Directive

15. What is the level of clarity of the provisions mentioned in microinsurance Directive issued by Nepal Insurance Authority?
 - Very Clear
 - Somewhat Clear
16. How would you rate the clarity of the guidelines in the directive regarding the following provisions?
 - Role of insurers and micro insurers: Clear, somewhat clear, Unclear
 - Types of products: Clear, somewhat clear, Unclear
 - Maximum premium: Clear, somewhat clear, Unclear
17. To what extent has the current microinsurance directive facilitated innovation in product development?
 - Significantly facilitated
 - Somewhat facilitated
 - No impact
 - Please specify why or why not

SEQUENCE: NOW question 2

18. Has your organization introduced new products under the current microinsurance directive?
 - Yes
 - No

If yes, how many? _____
19. Has your company engaged in any business partnership for client aggregation or distribution?
 - If yes, which ones?
 - If not, why not?
 - Are you planning to do?
 - Has this facilitated business?
20. What are the major challenges your organization has faced in complying with the directive? (Select all that apply)
 - Ambiguity in definitions or classifications
 - No clarity in maximum and minimum sum insured
 - Lack of pricing guidelines
 - Difficulty meeting actuarial valuation requirement
 - Difficulty in appointing the actuary
 - Limited space for innovation
 - Others (please specify): _____

Section C: Feedback and recommendations

21. What would you recommend to NIA to improve the current status of inclusive insurance/microinsurance in Nepal?
22. What support from the NIA would help your company to develop inclusive insurance/microinsurance products and partnerships in Nepal?
23. Please share any additional feedback or insights regarding the product development and implementation.
24. Please give your feedback regarding the current distribution channel and the ways to improve them.
25. What are the most important challenges that you are facing since you are involved in inclusive insurance/microinsurance?
26. What is the motivating factor you have experienced till date while being involved in inclusive insurance/Microinsurance.
27. Please suggest the area of inclusive insurance/microinsurance where there is need for research.
28. Other comments:

Annex 4 – Micro life insurance data, conventional insurers and MICs (mid June 2025)

Portfolio of conventional insurers and Micro Life Insurers ()

Micro Insurance In-force Policies (life)

Insurers	No. of In-force Policies	Percentage Market Share
Conventional insurers from all 14 conventional life insurance companies	3,410,489	67.23
Micro insurers		
Guardian Micro Life Insurance Ltd.	1,120,685	22.09
Crest Micro Life Insurance	394,401	7.77
Liberty Micro Life Insurance Limited	147,240	2.90
Total MI companies	1,662,326	32.76
Total sector	5,072,815	100

1. Micro Insurance Premium Collection (life)

Insurers	Premium Collection (In USD Million)	Percentage
Conventional insurers from all 14 conventional life insurance companies	14.91	74.98
Micro insurers		
Guardian Micro Life Insurance Ltd.	1.96	9.87
Crest Micro Life Insurance	1.84	9.24
Liberty Micro Life Insurance Limited	1.17	5.90
Total MI companies	4.97	25.01
Total sector	19.88	100

2. Micro Insurance Sum Insured (life)

Insurers	Sum Insured (In USD Million)	Percentage
Conventional insurers from all 14 conventional life insurance companies	3,104.38	80.85
Micro insurers		
Guardian Micro Life Insurance Ltd.	397.07	10.34
Crest Micro Life Insurance	180.25	4.69
Liberty Micro Life Insurance Limited	158.22	4.12
Total MI companies	735.54	19.15
Total sector	3,839.92	100

3. Micro Insurance Claim Details (life)

Insurers	No. of Claim Paid	Amount of Claim Paid (In USD Million)	No. of Outstanding	Amount of Outstanding (In USD Million)
Conventional insurers from all 14 conventional life insurance companies	12,304	13.26	123	0.12
Micro insurers				
Guardian Micro Life Insurance Ltd.	954	0.53		
Crest Micro Life Insurance	519	0.61		
Liberty Micro Life Insurance Limited	145	0.14	4	0.01
Total MI companies	1618	1.28	4	0.01
Total sector	13,922	14.54	127	0.13

Note: Amounts are Based on US Dollar selling exchange rate published by NRB at the Mid. June 2025.

Annex 5 – Micro non-life insurance data; conventional insurers and MICs (mid-June 2025)

1. Micro Insurance No. of Policies

Insurers	No. of As on Issued Policies	Percentage
Conventional insurers from all 14 conventional life insurance companies	11,826	3.37
Micro insurers		
Nepal Micro Insurance Company Ltd.	92,762	26.42
Protective Micro Insurance Ltd	87,599	24.95
Star Micro Insurance Company Limited	91,189	25.98
Trust Micro Insurance Limited	67,664	19.28
Total MI companies	339,214	96.63
Total sector	351,040	100

2. Micro Insurance Premium Collection

Insurers	Premium Collection (In USD Million)	Percentage
Conventional insurers from all 14 conventional life insurance companies	0.11	1.76
Microinsurers		
Nepal Micro Insurance Company Ltd.	1.72	27.52
Protective Micro Insurance Ltd	1.60	25.56
Star Micro Insurance Company Limited	1.46	23.33
Trust Micro Insurance Limited	1.37	21.83
Total MI companies	6.15	98.24
Total sector	6.27	100

3. Micro Insurance Sum Insured

Insurers	Sum Insured (In USD Million)	Percentage
Conventional insurers from all 17 conventional life insurance companies	68.71	9.72
Micro insurers		
Nepal Micro Insurance Company Ltd.	111.26	15.73
Protective Micro Insurance Ltd	173.27	24.50
Star Micro Insurance Company Limited	216.35	30.59
Trust Micro Insurance Limited	137.59	19.46
Total MI companies	638.47	90.28
Total sector	707.19	100

4. Micro Insurance Claim Details

Insurers	No. of Claim Paid	Amount of Claim Paid (In USD Million)	No. of Outstanding	Amount of Outstanding (In USD Million)
Conventional insurers from all 17 conventional life insurance companies	88	0.06	54938	37.4
Micro insurers				
Nepal Micro Insurance Company Ltd.	595	0.31	537	0.36
Protective Micro Insurance Ltd	444	0.28	367	0.29
Star Micro Insurance Company Limited	33	0.02		
Trust Micro Insurance Limited	229	0.2	145	0.22
Total MI companies	1301	0.81	1049	0.87
Total sector	1,389	0.88	55,987	38.27

