

NEPAL

INDEX-BASED INSURANCE FOR FLOOD-PRONE COMMUNITIES IN KARNALI



Agriculture in Nepal, in particular, is highly fragile and sensitive to water-induced hazards, which cause flash floods and high monetary damages particularly in central and eastern parts of the lowland (Terai). To cover these losses, Nepal only has conventional indemnity-based insurance covering agricultural input costs. Poor, land-dependent and indigenous peoples living in flood-prone areas with few tangible assets and excluded from post-disaster government support, are left highly vulnerable. Thus, an index-based insurance product is being developed and piloted with two layers against floods to increase resilience against the effects of flood and in-land flood with the lowest possible basis risk. This project is implemented in tandem with the ongoing Flood Resilience Programme of Practical Action contributing to wider flood resilience-building efforts.



PRODUCT CHARACTERISTICS

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|------------------------|---|
| Target group | Smallholder farmers cultivating paddy rice |
| Target region | Province 5 and Province 7, Western Nepal, Karnali river basin |
| Insured asset | Agricultural production (yield losses) |
| Insured peril / hazard | Flood |
| Insurance type | Micro- and meso-scheme Development of new index-based flood insurance solution |
| Own contribution | 50 % (of total ISF project costs) |

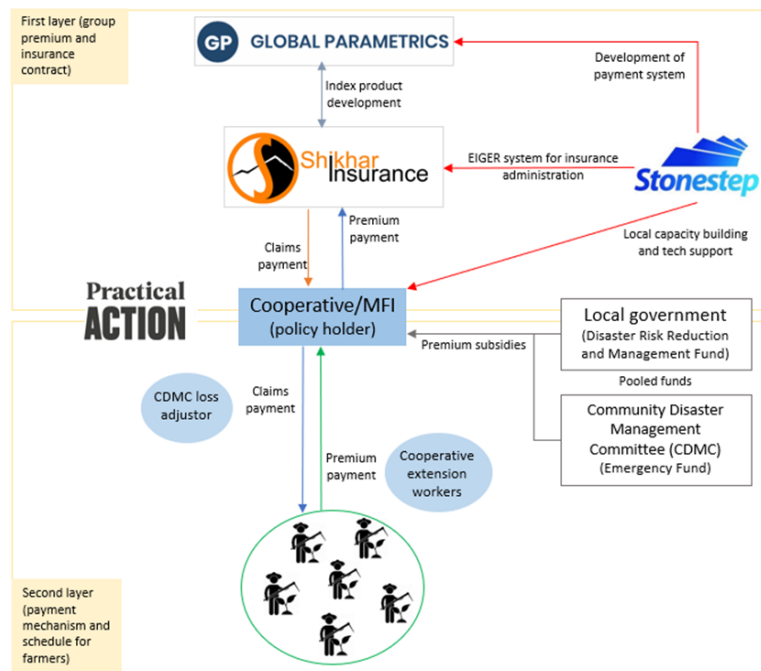


PRODUCT DEVELOPMENT ACTIVITIES SUPPORTED

- Household data collection
- Community resource and capacity analysis
- Flood risk modelling
- Insurance product design
- Legal structuring
- Development of appropriate distribution channels
- IT solutions
- Capacity building and education
- Investment in infrastructure (i.e., simple flood gauges, automatic rainfall stations)



PROJECT SET-UP






PROJECT PARTNERS

Demand Side

Supply Side

- Practical Action, UK / NGO
- Stonestep TFD Private Limited, Singapore / InsurTech
- Global Parametrics Limited, UK / Risk modelling
- Shikhar Insurance Company Limited, Nepal / Insurance company

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|--|---|
|  <p>EXPECTED IMPACTS</p> | <ul style="list-style-type: none"> • Increased resilience of smallholder farmers against climate and disaster risk • Strengthened capacities of local authorities to enhance their local disaster and climate resilience plans and policies |
|  <p>EXPECTED BENEFICIARIES¹</p> | <p>267,000 by 2025 (100 % poor and vulnerable)</p> |
|  <p>IMPLEMENTATION PERIOD</p> | <p>24/03/2021 – 21/04/2023</p> |

¹ Based on submission documents requiring use of IGP M&E Methodology.