

# Pujan Dhungel


Session Topic: Insurance and Re-insurance in Energy Sector of Nepal - Regulatory Perspective

Ms. Pujan Dhungel Adhikari is a distinguished insurance professional with over 17 years of dedicated service at the Nepal Insurance Authority. Her pivotal role in shaping the country's insurance landscape encompasses expertise in product development, actuarial valuation, insurance tariff, microinsurance, and agriculture insurance, driving innovation and regulatory excellence.

Throughout her tenure, Pujan has demonstrated exceptional leadership and technical proficiency, contributing significantly to the growth and stability of Nepal's insurance market. Her approach to product development and regulatory oversight ensures consumer protection and promotes insurer integrity, fostering a more developed and credible industry.



Ms. Pujan Dhungel (Adhikari)  
Director, Nepal Insurance Authority

A photograph of a large, complex metal scaffolding structure against a sunset sky. The sky is a mix of blue and orange, with some clouds. The scaffolding is made of many vertical and horizontal bars, creating a grid-like pattern. The structure is silhouetted against the bright sky.

# Insurance And Reinsurance in energy sector-The Regulatory perspective

**PUJAN DHUNGEL ADHIKARI**

DIRECTOR  
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# Overview of Regulatory Mechanism of insurance Sector

- Insurance Market of Nepal is regulated by Nepal Insurance Authority (Former Beema Samiti) as per the power conferred by Insurance Act 2022
- The major Roles are Licensing, Regulation and Supervision of insurers
- protection of policyholders is a major objective of NIA.
- NIA is also holds semi judiciary power and acts as first case of dispute between insured and insurer in claim settlement
- Formulates plan and policies to ensure healthy and well-functioning insurance and reinsurance market





**LEGAL FRAMEWORK**

# **Legal Framework**

## **Insurance Policy 2024**

- **INSURANCE ACT 2022**
- **INSURANCE REGULATION 1992**
- **VARIOUS DIRECTIVES ISSUED BY NIA**

# Rights Duties and Power of NIA

- To Act as an advisor to Government of Nepal.
- To Formulate insurance Policy and recommend to Government of Nepal.
- To give approval to establish the insurance company in Nepal and to revoke the licence.
- To formulate necessary Bylaws and Directives.
- To minimize risk associated with insurance business(To adopt risk based approach)
- issue and renew the license to the insurance intermediaries
- To make insurance business Regulated and complete.
- To Act as a semi judiciary Authority and decide upon the complaint filed by the insured in case the insured is not satisfied in claim settlement.
- To Promote Microinsurance low income and vulnerable communities.
- Regulation and Supervision of insurance business.
- To Extend international Relations with international regulatory bodies and other organizations.





## Overview of Insurance Sector of Nepal

- 14 life, 14 Non Life, 2 Reinsurers and 7 microinsurers
- Reinsurance Brokers 14
- Insurance surveyers: 1200 (approx.)
- Agents: 2 Lakhs 70 thousands (approx.)

# Major indicators

## Gross premium

**Life: 142.57 Billion**

**Non- Life: 40.34 Billion**

## Claim paid

**Life: 58.98 Billion**

**Non – Life: 23.52 Billion**

**Insurance Penetration 44%**

**Contribution on GDP 3.4**

## Hydropower sector:

**Total Premium : 1.25 Billion**

**Total Claim : 2.63 Billion**



# Risks in the perspective of Regulators

**Underwriting risks:** assessing and pricing risks accurately

**Market risks:** volatility in insurance markets and reinsurance capacity

**Operational risks:** governance, compliance, and operational efficiency

**Systemic risks:** interconnectedness with financial markets and macroeconomic factors



# Common risks associated with Infrastructure sector

**Natural  
disasters  
(floods,  
earthquakes)**

**Construction  
delays and  
cost overruns**

**Equipment  
failure and  
operational  
risks**

**Environmental  
and regulatory  
risks**

# Importance of Insurance and Reinsurance

**Risk Mitigation:** Insurance provides financial protection against natural disasters, accidents and other risks, allowing energy companies to operate with more confidence and stability.

**Financial Stability:** Insurance and Reinsurance help mitigate financial risks by providing coverage for potential losses, enhancing the financial stability of energy companies and investors.

**Risk Transfer:** Reinsurance allows primary insurers to transfer a portion of their risks to reinsurers.

**Insurers' Capacity enhancement:** Reinsurance enables insurers to underwrite larger policies and handle catastrophic events without risking insolvency.

**Market stability:** In the energy sector, where risks can be significant, reinsurance plays a vital role in maintaining market stability by spreading and managing risk effectively.



# Mitigating risks associated with infrastructure through Insurance

1

## Property insurance

protection against physical damage to infrastructure



2

## Construction all-risk insurance

coverage for construction delays and cost overruns



3

## Business interruption insurance

financial protection during operational downtime

4

## Equipment breakdown insurance

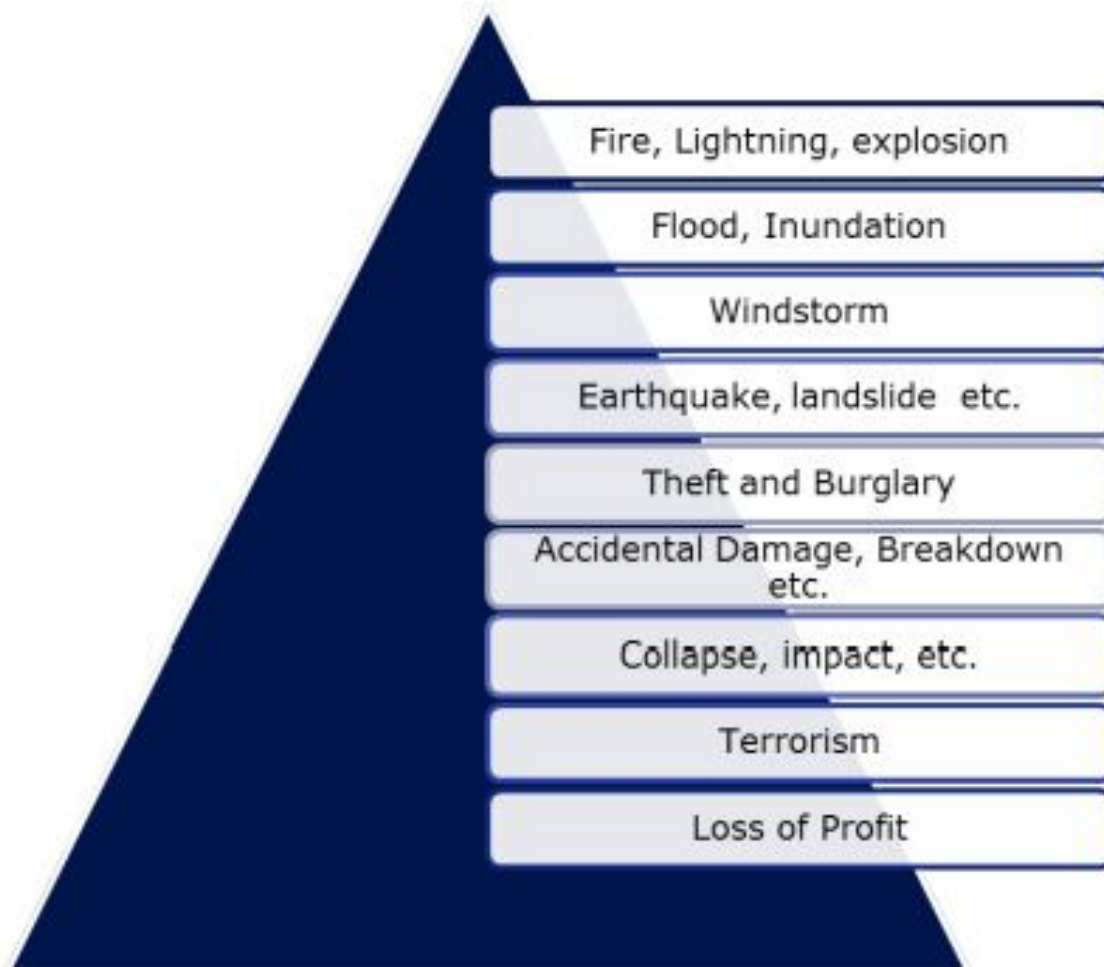
protection against unexpected failures

5

## Liability insurance

coverage for accidents and environmental damage

## Risks covered under Insurance in Nepal HPPs



# Risks covered

# Pre Completion Phase (During Construction)

1. Contractor's All risk Insurance
2. Erection All Risk Insurance
3. Contractor's Plant and Machinery Insurance

**Add ons :** Professional Indemnity  
Loss of Profit

Covers construction risks, environmental, political risks



# Post Completion Phase (Operation Phase)

1. Property Insurance
2. Machinery Breakdown Insurance

**Add ons :** Loss of Profit

Covers operational risks, environmental, political, commercial(non-payment)

## During Entire life of Project

Covers Risk such as Political Risks and natural disasters.



# Importance of Insurance in addressing Environmental and Climate Risks

- Protection against extreme weather events (storms, floods)
- Reduce catastrophic impact of disaster.
- Contribute to sustainable climate resilient development.
- Support climate risk management by mapping, analyzing, prioritizing and pricing risk.



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## **Jhimruk Hydropower Project - (12 MW)**

Located in Pyuthan District

Fully owned and operated by Butwal Power Company

Project has obtained coverage for following risks:

Fire and Lightning

Earthquake

Flood and Inundation

Riot and Strike Damage

Malicious Damage

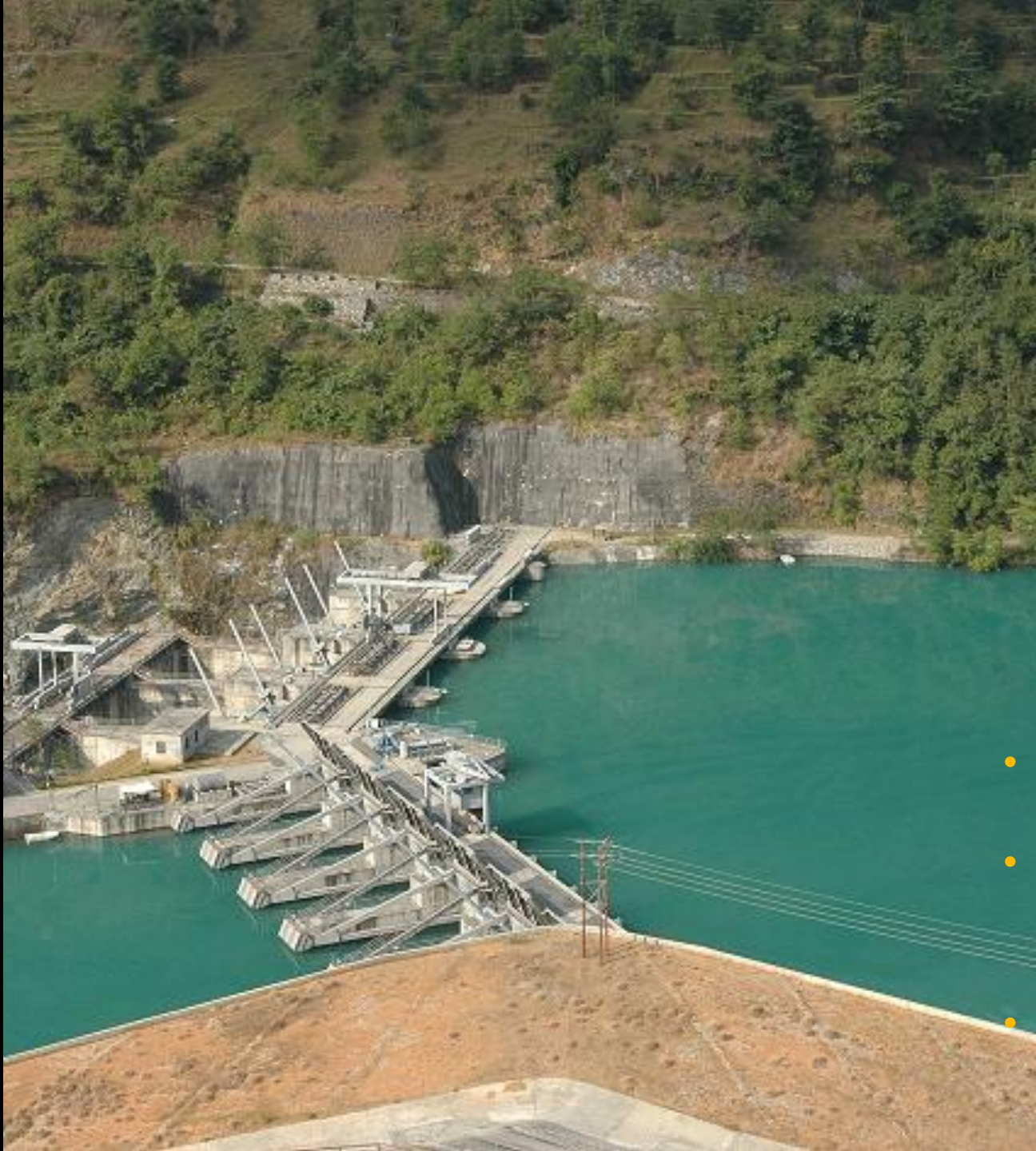
Terrorism

Landslide

Loss of Profit

Equipment Damage

Third party Liability, burglary



## **Andhikhola Hydropower Project (9.4 MW, upgraded from 5.1 MW)**

- In operation since 1991
- Andhikhola's insurance premiums is approximately 1.5% of total project cost.
- The project obtained coverage for various risks

# Sagarmatha Insurance Paid Rs.123mn Claim to Madi Power



- For loss against damage caused to one of its hydropower project in the western Nepal.
- The damage was caused due to flood and landslide to the 25 mw Madi hydro electricity project situated in Kaski district.





# Madhya Bhotekoshi Hydropower Receives Rs.1.34 billion Against Insurance Claim – **from IGI Prudential Insurance**

## **Erection All risk Insurance Coverage**



entire structure of the project was damaged due to  
oods

received a net claim of One Billion Thirty Four  
ore Seventy-nine Lakh Forty-six Thousand  
pees.

total of 95 percent of the claim amount has been  
ceived from foreign reinsurance companies alone.

he rest of the claims were paid by Nepal

# Regulatory Challenges

**Lack of Awareness:** Low level of public awareness about insurance.

**Protection Gap:** Most of the projects are not insured or underinsured.

**Complexity of risks:** assessing and pricing complex infrastructure risks

**Market dynamics:** responding to changes in market conditions and demand

**Lack of risk models:** The catastrophic models like earth and flood models are lacking, making difficult to price the products effectively.

**Lack of technical expertise:** The lack of technical expertise like actuaries in Nepal poses challenge in developing suitable products and effective pricing.

**Data availability and quality:** Accessing reliable data for risk assessment and pricing

**Consumer protection:** ensuring affordability and accessibility of insurance products



# Importance of collaboration between different stakeholders

01. **Dialogue and consultation:** Stakeholders consultation while formulating the policies .
02. **Information sharing:** sharing data and insights to enhance risk assessment and pricing
03. **Capacity building:** building Regulatory and industry capacity to manage pricing risks effectively



# Regulatory Responses

## Risk management requirements:

- Implementation of risk management Guidelines
- Implementation of Climate risk Directive,
- Implementation of Risk based capital and solvency directive on transitional basis.
- Implementation of risk based pricing framework.

## Supervisory oversight:

- monitoring and reviewing pricing practices
- Ensuring market conduct through compliance based and risk based supervision.

## Market interventions:

- promoting competition and market efficiency
- ensuring compliance with the Regulatory requirements.

## Consumer education and empowerment:

- enhancing consumer understanding of insurance
- series of awareness campaigns with different stakeholders
- Interaction with provincial Governments





# Way forward

Collaboration between insurers, project developers, and governments

Development of customized insurance products and risk management strategies

Integration of emerging technologies (e.g. data analytics) for risk assessment and monitoring)

# Summary

- insurance and reinsurance are very important tools in safeguarding investments and mitigating risks in the energy sector
- energy companies should prioritize risk management strategies that include robust insurance and reinsurance coverage
- The collaboration between different stakeholders is very important to fill the protection gap in energy sector.





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Thank  
You