

Press Release

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For immediate release

Promotion of Microinsurance through Reduction of NADRA Verification Cost under the National Financial Inclusion Strategy (NFIS)

ISLAMABAD, January 22: NADRA, on the recommendation of Technical Committee on Insurance, formed under the National Financial Inclusion Strategy (NFIS), has agreed to reduce the cost of its verification for microinsurance policies.

This will apply to the microinsurance policies sold through mobile, Internet, digital and/or non-digital modes. The cut in the NADRA verification cost will reduce the premium for microinsurance policies, making it affordable for the low-income segments. It is expected that this will pave the way for development of the microinsurance segment thereby achieving the objectives of the NFIS

The government of Pakistan had launched the National Financial Inclusion Strategy (NFIS) to enhance financial inclusion across all parts of the financial sector, including the banking, insurance and investments. Accordingly, the NFIS governance structure was established in the form of NFIS Council, chaired by the Finance Minister, and the NFIS Steering Committee, chaired by the State Bank governor.

In its first meeting the NFIS Steering Committee resolved to form seven technical committees to focus on dedicated areas, one of which is the Technical Committee on Insurance (NFIS-TCI), which is co-chaired by the Insurance Association of Pakistan (IAP) and Securities and Exchange Commission of Pakistan (SECP).

The committee decided to promote microinsurance segment by providing conducive operating environment. Microinsurance is the small ticket size insurance aimed at those segments that remain uncovered since the insurers are reluctant to serve them due to limited commercial viability of microinsurance products.

The cost of NADRA verification became a special concern in case of microinsurance since it is significant in proportion to the value of microinsurance policy and the premium and is eventually recovered from the end consumer, i.e. microinsurance policyholder in the form of additional premium.

Therefore, in April 2017, the NFIS Technical Committee on Insurance had taken up the matter with the NADRA to rationalize the verification cost for microinsurance policies. After extensive deliberations, the NADRA agreed to offer services at the reduced rate of Rs10 per verification.

Apart from other initiatives, the NFIS Technical Committee on Insurance (TCI) has already completed the task of development of standardized insurance glossary for the insurance sector in

Urdu for insurance policy documents and promotional activities. The SECP, on recommendation of the NFIS TCI has also rationalized the enhanced due diligence (EDD) requirements for digitally distributed insurance through issuance of directive for corporate insurance agents and technology-based distribution channels, whereby premium threshold is specified below which, the insurance policies will be subject to simplified customer due diligence (CDD) requirements only, and not the enhanced due diligence (EDD).