PRESS RELEASE

NEPAL INSURANCE COMPANY LIMITED

July 2026

Rating

Instruments/ Facilities	Amount (NPR Mn)	Rating	Rating Action
Issuer Rating	NA	IRN A- (Is)	Reaffirmed and removed from watch with negative implications

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) reaffirmed the rating of IRN A-(Is) [Single A Minus (Issuer)] as well as removed the rating from watch with negative implications. Issuers with this rating are considered to have the adequate degree of safety regarding timely servicing of financial obligations. Such issuers carry low credit risk.

Detailed Rationale

The reaffirmation of rating along with removal from watch with negative implications reflects the improvement in NICL's operations scale, as evidenced by the increase in GPW (2,037 Mn in FY25 vis-à-vis 1,590 Mn in FY24) and NPE (1,001 Mn in FY25 vis-à-vis 710 Mn in FY24). Additionally, the underwriting surplus has strengthened significantly, rising from NPR 59 Mn in FY24 to NPR 194 Mn in FY25, indicating enhanced underwriting performance. The rating continues to derive comfort from its long track record of operations (first insurance company in Nepal), strong promoter profile with major shareholder being Nepal Bank Limited (first commercial bank of Nepal) and Asian Life Insurance Company Limited [IRN A(Is)]. The rating continues to reflect the company's higher reinsurance commission income, underpinned by a favorable claims history and a healthy profitability profile. This is further supported by a well-diversified investment portfolio, amounting to NPR 5.2 Bn in Q3FY26 (~16.57% Y-O-Y Growth). The rating also continues to factor in adequate solvency ratio (4.28x in FY25 vis-à-vis 4.34x in FY24) of NICL despite regulatory changes and higher retention ratio (~58% in FY25 and ~53% in Q3FY26) which remains above the industry average (~39% in FY25). The rating also takes positive note of presence of real estate assets having potential for capital appreciation at strategic geographical locations. Furthermore, rating also continues to factor in NICL's adequate reinsurance arrangements including catastrophic provisions which together offers adequate financial cushion to policy holders.

However, these rating strengths are constrained by NICL's continued reliance on the motor and property segments, which together accounted for ~73% of GPW and ~74% of net premium written (NPW) in FY25, indicating a concentration risk. Nevertheless, the consistently low combined ratios associated with these segments indicate sustained profitability, provides some comfort. Rating concerns also arise from increasing claim ratio of NICL (~55% in FY25 and ~74% in Q3FY26) owing to Gen-Z protest leading to higher combined ratio (~99% in Q3FY26) significantly deteriorating its underwriting profit. The rating concern also arises from decreasing investment yield in Q3FY26 (~4.34% in Q3FY26 against ~6.12% in FY25) and corresponding investment/NPE ratio owing to backdrop of a low interest rate environment in FY25, driven by excess liquidity in the Nepalese financial system, affecting all insurance industries across Nepal. The rating also remains constrained by intense competition within the industry and uncertainties surrounding changes in insurance laws and regulations mandated by the Nepal Insurance Authority (NIA), which could impact profitability.
Going forward, the company's ability to scale its operations proportionately while maintaining key financial metrics and regulatory solvency standards, along with prudent investment allocation aimed at enhancing yield to support underwriting profitability, will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Long track record of operation and strong promoter profile with well-seasoned management team

Established in 1947 AD, NICL boasts over seven decades of operational history, making it the oldest insurance company in Nepal. Over its long tenure, NICL has navigated and adeptly responded to numerous shifts in the environmental, industrial, and political landscapes. Similarly, NICL have strong promoter profile with Nepal Bank Limited and Asian Life Insurance Company Limited being top promoters of the company. Nepal Bank Limited being the oldest commercial bank brings in decades of experience with it and alongside other institutional and natural promoters provide strong backing in operations of NICL. Alongside strong promoter group, NICL have well- seasoned and experienced management team led by its board of directors (BOD). BOD is chaired by Mr. Chandra Singh Saud, brings in decades' worth of experience in insurance sectors. He is well supported by other directors and management personnel. The management team is led by Mr. Bir Krishna Maharjan, CEO having more than 27 years of experience in insurance sectors and Mr. Ishwar Pokhrel, the Deputy CEO, having more than 25 years of professional experience in banking and insurance sectors. The management is further supported by group of well experienced and qualified personnel.

Adequate solvency and high retention ratio

On the solvency front, NICL's solvency margin as of mid-July 2025 (Actuary Report based), calculated as per the regulatory directive, stood at ~4.29 times (versus a regulatory minimum of 1.5 times) against ~4.34 times as of mid-July 2024, moderation in solvency ratio caused by increase in requirements of minimum paid up capital for non-life insurance businesses to NPR 2.5 Bn from NPR 1 Bn. Retention ratio has been on higher side compared to other general insurance companies, stood at ~40% as of mid-July 2024 and ~58% as of Mid-July 2025 compared to industry average of ~39% as of mid-July 2025.

Increasing scale of operations and stable profitability albeit lowered in FY26 due to protest related claims

NICL's profitability improved in FY25, with PAT increasing by ~11% to NPR 338 Mn from NPR 304 Mn in FY24. This growth was primarily driven by an expansion in the scale of operations and higher retention levels, which contributed to lower combined ratios and a consequent rise in underwriting surplus. The company's investment portfolio also recorded healthy year-on-year growth of around 3%, reaching ~NPR 4.4 Bn in FY25 from NPR 4.3 Bn in FY24. However, investment yield moderated to 6.12% in FY25 from 8.02% in FY24, mainly due to excess liquidity in the Nepalese economy. Profitability, however, declined in FY26, largely due to a surge in claims arising from protest-related events. The claims ratio increased to around 74%, driven by significant losses in the property and motor segments due to damage to assets and inventories during the Gen-Z protests. As a result, the combined ratio rose to ~99%. Despite the elevated combined ratio, the company managed to report a marginal underwriting surplus of around NPR 7 Mn as of Q3FY26. The situation was further impacted by a decline in investment returns, with the investment income ratio dropping to around 4%, leading to a moderated PAT of NPR 106 Mn as of Q3FY26.

Adequate fixed asset base measured at Historical Cost; fair value much higher resulting in potential for larger reserves and ultimately heightened security

NICL has adopted historical cost model for valuation of its fixed assets. These assets constitute of land located at strategic locations such as Newroad, Kamaladi, Birgunj and Bharatpur; however, the lands are valued as per historical cost convention as such lands were acquired many years back. These land have faced significant capital appreciation and its fair value as measured by Broadway International Private Limited ranges at around NPR 692 Mn as on FY22 end. Were the assets revalued the asset base and ultimately reserves would increase upwards by more than NPR 690 Mn providing more security to investors. The strategic positioning of these land assets, coupled with their potential for continued capital appreciation, underscores their importance as a key strength for NICL.

Key Rating Weaknesses

Portfolio concentration in motor and property segment
NICL operates across the eight insurance segments, with a notable absence in the Air-Flight segment. Micro segment and Cattle Crop (~1%). Engineering (~6% of NPE) and Marine (~6% of NPE) segment as of FY25. The portfolio remains highly concentrated in the Motor segment, which accounts for ~57% of Net Premium Earned (NPE) and 44% of Gross Premium Written (GPW) as of FY25 (compared to ~52% of NPE and ~37% of GPW at FY24-end). The Property segment is the second-largest contributor, representing ~17% of NPE and ~30% of GPW. Together, the Motor and Property segments contribute ~73% of GPW and ~74% of NPE (~72% of GPW and ~78% of NPE at FY24-end), underscoring portfolio concentration risk. NICL's liquidity position is significantly dependent on premium retention in these key segments, with retention levels at ~60-70% for Motor and ~30-40% for Property. The high retention in the Motor segment results in a lower commission income ratio (~8%) and an elevated claim ratio (~59%) as of FY25. This portfolio composition and retention strategy highlight NICL's exposure to segment-specific risks, particularly in Motor, which could impact overall profitability and liquidity.

Impact of regulatory changes on industry structure and operating environment
In recent years, the insurance industry has encountered a series of regulatory adjustments, significantly impacting its operational landscape. These changes include alterations in tariffs, risk coverage, capital requirements, and competitive dynamics. The licensing of numerous general insurers in FY18 reshaped the industry's competitive landscape. The recent revision in minimum paid-up capital requirements has further impacted the operating environment, leading to mergers among some companies and others seeking fresh equity infusion. Although regulatory changes aim to enhance insurance sector penetration and industry growth, they concurrently pose challenges for players, including NICL. Navigating these changes demands strategic agility and adaptability to sustain profitability and ensure long-term viability in the dynamic insurance landscape.

Fragmented market with intense competition
In Nepal's non-life insurance sector, the competitive landscape presents significant challenges for companies, particularly in retaining customers and ensuring profitability. The market is crowded with numerous insurance companies with growth opportunities being limited, leading to intense competition. Companies are aggressively striving to retain their existing customer base, resulting in pricing pressures and difficulties in distinguishing their products. Moreover, since the motor segment serves as a primary revenue source for non-life insurers in Nepal, any slowdown in the automobile industry or changes in vehicle financing regulations could hinder growth prospects. Currently, there are 14 insurance companies in Nepal, down from 20. These companies collectively generated a Gross Premium Written (GPW) of ~NPR 45,337 Mn during FY25, with NICL holding ~4% of the total GPW, indicative of a stable position in the industry.

Analytical Approach: Standalone

Applicable Criteria:
Issuer Rating Methodology & Insurance Company Credit Rating Methodology

Link to past rating rationale:
Nepal Insurance Company Limited: Issuer Rating Assigned
Credit watch

About the Company:
Established in 1947 AD, Nepal Insurance Company Limited (NICL) is the oldest general insurer in Nepal. NICL is a medium-sized company with ~4-5% of the market share in terms of the general insurance industry's gross premium written in FY20-FY25. As of mid-April 2026, the company is in operation with 60 branches spread across the nation for procuring business and extending after-sales services. NICL has a 51:49 promoter–public shareholding ratio. The major shareholders as on mid-

April 2026 include Nepal Bank Limited (15.04%), Asian Life Insurance Company Limited (14.97%) and United Distributors Nepal Private Limited (6.97%) among others.

Financial Indicators (Standalone)

Amount in NPR Mn	FY22	FY23	FY24	FY25	Q3FY26
	Audited				Unaudited
Gross Premium Written (GPW)	1,580	1,586	1,590	2,037	1,460
Net Premium Written (NPW)	669	797	632	1,183	769
Retention	42%	50%	40%	58%	53%
Net Premium Earned (NPE)	683	728	710	1,001	769
Underwriting Surplus	283	236	59	194	7
Net Claims Incurred / NPE (Claims Ratio)	29%	34%	52%	55%	74%
Management Expenses / NPE (Expense Ratio)	60%	60%	67%	47%	43%
Net Commission Expenses / NPE	-31%	-26%	-28%	-21%	-18%
Combined Ratio (A)	59%	68%	92%	81%	99%
Investment Income / NPW	34%	40%	50%	23%	20%
PAT/ Total Asset Base	8%	9%	6%	6%	2%
PAT/ Reported Net Worth	13%	13%	9%	9%	3%
Profit After Tax	332	373	304	338	106

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About Infomerics Credit Rating Nepal Limited:
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