PRESS RELEASE

ASIAN LIFE INSURANCE COMPANY LIMITED

August 2026

Rating

Instruments/ Facilities	Amount (NPR Mn)	Rating	Rating Action
Issuer Rating	NA	IRN A (Is)	Reaffirmed

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the issuer rating of IRN A (Is) [Single A (Issuer)]. 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 rating reaffirmation to Asian Life Insurance Company Limited (ALICL) factors in ALICL's sustained improvement in key financial and operational metrics in FY25 over FY24 as evident by ~17%, ~18%, ~14% and ~11% uptick in Gross Premium Written (GPW), Net Premium Written (NPW), tangible net worth and PAT respectively, primarily driven by renewed surge in new business premiums (~22% growth in FY25) following continuous decline across FY22-23 and continued growth in renewal premium (~15% growth during FY25) indicating ALICL's strategy for consolidating its position in the market along with attracting new customers in the market. The rating also draws strength from ALICL's growing and increasingly diversified investment portfolio, which grew by ~11% in FY25 over FY24. The rating continues to derive comfort from its long track record of operations (since 2008), experienced management team alongside strong geographical coverage with 128 offices spread across 74 districts of Nepal bolstering market penetration. The rating also factors in adequate reinsurance agreement with low risk retention of NPR 0.4 Mn/policy alongside catastrophe reinsurance mitigating exposure of ALICL towards significant claims arising from catastrophic events. Also, the rating takes into consideration ALICL's adequate policy holders funds (~NPR 52 Bn as on mid-April 2026 vis-à-vis ~NPR 47 Bn in FY25) alongside substantial catastrophic reserves (~NPR 322 Mn as on mid-April 2026 vis-à-vis ~NPR 287 Mn in FY25) which together offers adequate financial cushion to policy holders as well as ALICL's heathy solvency ratio of 1.33x in FY25 [2.19x in FY24 (under the previous regulatory framework)].

However, these rating strengths are partially offset by declining investment yield (~7.30% in FY25, 6.26% in Q3FY26 vis-à-vis 9.24% in FY24) 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 is also constrained by ALICL's elevated combined ratio of ~132% in FY25, driven by a higher loss ratio resulting from a substantial increase in maturity claims (~NPR 3,140 Mn in FY25 vs ~NPR 2,508 Mn in FY24), primarily due to the bulk maturity of 15-year endowment policies issued during the company's early years of operation, which, while significant, is a natural trend for life insurers with a maturing long term policy portfolio. The rating is further constrained from 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 and requirement to maintain a complete provision against vested bonus have created bottleneck in business operations and continuity. Going forward, the company's capability to upscale proportionally while upholding financial metrics, maintain solvency standards in increased capital base alongside generate adequate profits from its investment portfolio will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Healthy financial profile with growth in key metrics, despite dip in operating profit in FY25

ALICL has exhibited a healthy financial profile characterized by healthy growth across financial and operational metrics. ALICL reported a strong growth in GPW with the same increasing by ~17% in FY25 from FY24 (annualized growth of ~5% in Q3FY26 over FY25). Consequently, NPW have also increased by ~18% in FY24. However, despite this expansion, operating profit declined by ~10% in FY25. At the net level, PAT increased by around 11% in FY25, rising to NPR 494 Mn from NPR 445 Mn in FY24. Likewise, ALICL's new business premium increased by ~22% FY25, after years of de-growth reflecting the management's ability to attract a growing customer base and is a rating positive; additionally, the renewal premium registered a growth of ~15% over the same period, indicating the company's strategic focus on both market consolidation and customer acquisition, while management remains committed to sustaining steady growth and strengthening policyholder retention. These ratios combined have resulted in decline in operating profits of ALICL (~NPR 1,025 Mn in FY25 vis-à-vis ~NPR 1,140 Mn in FY24) as well as marginal improvement in combined ratio (~132% in FY25 vis-à-vis ~142% in FY24).

Long track record of operation with well-seasoned management team

Incorporated in 2008 AD, ALICL boasts over eighteen years of operational history, making it one of the oldest life insurance companies in Nepal. Over its long tenure, ALICL has navigated and adeptly responded to numerous shifts in the environmental, industrial, and political landscapes. Alongside long track record of operation, ALICL is backed by a team of highly skilled and experienced professionals who oversee the company's daily operations. Mr. Dinesh Lal Shrestha, the CEO, holds a Master's Degree and has over 2 decades of experience working as CEO and other various positions in various banking and insurance sectors. Mr. Hom Bahadur Shrestha, the Deputy CEO, has a Master's Degree and has over 2 decades of professional experience in insurance sectors. With their combined expertise and years of experience, the management team is expected to enhance the company's business profile in the future.

Increasing investment base amid declining yield and income ratios

ALICL has maintained a significant investment portfolio with a moderate concentration, increase from ~60% to ~65% over FY25-Q3FY26 period, in short term and long term fixed deposits with banks and financial institutions, reflecting a conservative strategy aligned with the predictable nature of cash outflows inherent to life insurance operations. This approach enables the company to efficiently manage liquidity and ensure timely settlement of policyholder obligations. The investment portfolio has demonstrated stable growth, increasing by ~11% in FY25 over FY24 and by ~11% in Q3FY26 over FY25. While the investment yield has decreased to ~7.30% in FY25, Further, it declined to ~6.26% in Q3FY26 due to a low interest rate environment driven by excess liquidity in the Nepalese financial system, a trend impacting the broader insurance sector. As a result, the investment income ratio declined to ~40.49% in FY25 from ~55.40% in FY24, and further to ~37.83% in Q3FY26, reflecting the sensitivity of returns to prevailing macroeconomic conditions. The increasing investment portfolio have been instrumental in driving operating profits, enabling ALICL to effectively meet its escalating claim obligations. ALICL continues to maintain a majority shareholding of ~72.86% in Asian Capital Limited, while also holding significant investments of ~40% in Mountain Glory Limited an ~48.19% in Orchid Holdings Limited. Additionally, the company has further diversified its portfolio through the acquisition of a ~47% stake in Yeti Airlines Limited, reflecting its strategic intent to enhance sectoral diversification and strengthen long term investment returns. These investments span diverse sectors including capital markets, investment banking, aviation and the hospitality industry, thereby enhancing risk diversification. Monitoring the profitability and performance of these investments over long term remains key rating monitorable.

Adequate reinsurance agreement with comfortable solvency position

ALICL have entered into the reinsurance agreement with SCOR SE (Singapore Branch), HANNOVER RUECK SE (Malaysian Branch), Nepal Reinsurance Co. Ltd. & Himalayan Reinsurance Ltd. The treaty shall apply to all life business underwritten by ALICL. ALICL risk retention of only NPR 0.4-0.8 Mn per policy is relatively lower than its peers which provides comfort to ALICL as reinsurer reimburses extra sum if any beyond NPR 0.4-0.8 Mn. Catastrophic reinsurance is done with Nepal Reinsurance Company Limited. Availability of catastrophe reinsurance and low risk retention (NPR 0.4-0.8 Mn per life policy and 40% for FE) relating to all other policies is a rating positive as it reduces stress on liquidity and maintains solvency position. ALICL's solvency position remains comfortable, with a solvency ratio of 1.33x in FY25, compared to 2.19x in FY24 (under the previous regulatory framework), and is marginally above the regulatory requirement of 1.3x.

Adequate policy holder funds and catastrophic reserves

ALICL have adequate policyholders' fund as of FY25 end as indicated by sufficient Life Insurance Fund/Sum Assured ratio of ~39% for participating policies. The steady increases in premium has led to increase in policyholder's fund with the same reaching ~NPR 52 Bn in Q3FY26 (~NPR 47 Bn in FY25 end). Availability of such substantial policyholder fund is crucial for insured as it shields insured from default risk and ensures adequate financial cushion to them. Moreover, the ever increasing catastrophic reserves (~NPR 322 Mn in Q3FY26 vis-à-vis ~NPR 287 Mn in FY25) also provides substantial coverage to ALICL against losses due to catastrophic events.

Key Rating Weaknesses

High combined ratio and loss ratio

In FY25, ALICL reported a significant increase in maturity claims, rising to ~NPR 3,140 Mn from ~NPR 2,508 Mn in FY24, primarily due to the concurrent maturity of a large volume of policies issued during the same period in earlier years with similar terms. Additionally, surrender and partial maturity claims increased marginally to ~NPR 1,575 Mn from NPR 1,430 Mn in FY24. The rise in early withdrawals indicates weakening policyholder retention, suggesting that more policyholders are encashing their policies prematurely, potentially due to financial constraints or non-renewals. This trend poses challenges from a liquidity management perspective, as it leads to higher and more volatile cash outflows, which may strain the insurer's financial flexibility. Despite the increase in claim outflows, the claim ratio improved slightly to around ~111.88% in FY25 from ~121.35% in FY24, resulting in an improvement in the combined ratio to ~131.76% from ~142.38%. The ability of management to manage its claim via prudent management and allocation of its resources whilst keeping the policy continuity rate high is key rating monitorable.

Intense competition

There is a significant competition in life insurance sectors in Nepal. With issuance of nine licenses of life insurance businesses in 2017 itself, the number has increased to 18. However, with regulatory requirement to increase the capital to NPR 5 Billion, companies underwent merger and at present 14 insurance companies are in existence. ALICL holds ~5% shares of GPW and NPW as of Q3FY26. With large number of insurance companies in business and existence of large corporations as result of merger, ALICL is expected to face high competition in bringing in new customers and create a challenge to retain existing customer base.

Impact of regulatory changes on industry structure and operating environment

The players in the life insurance industry have been facing frequent changes in regulatory environment, especially those related to risk cover and capital requirements. The regulatory board has mandated all LIC's to maintain a complete provision of the vested bonus. The future bonus provisioning requirement is likely to moderate the Nepalese LIC's ability to declare the returns to policy holders as well as shareholders, going forward. Also, the Insurance Board has mandated all life insurance companies to maintain a minimum paid-up capital of NPR 5 Bn. ALICL has met this requirement, with its paid-up capital standing at NPR 5,001 Mn as of mid-April 2026.

Analytical Approach: Standalone

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

Link to past rating rationale:
Asian Life Insurance Company Limited: Issuer Rating Assigned

About the Company:
Established in 2008 AD, Asian Life Insurance Company Limited (ALICL) is one of the oldest life insurance company in Nepal. ALICL is a medium-sized company with ~5-6% of the market share in terms of the life insurance industry's gross premium written in FY20-FY25. ALICL has wide geographical coverage through its 51 branches and 77 sub branches spread evenly across all seven provinces of Nepal. It has its geographical presence in 74 number of districts as of FY26. Also it has around 29,291 individual agents and 4 corporate agents. ALICL has a 51:49 promoter–public shareholding ratio. The major promoters include Rajesh Lal Shrestha, Ratna Devi Shrestha, Rukmini Basnet among others.

Financial Indicators (Standalone)

Amount in NPR million*	FY22	FY23	FY24	FY25	Q3FY26
	Audited				Unaudited
Gross Premium Written	6,913	7,017	8,051	9,408	7,402
Net Premium Written	6,737	6,841	7,777	9,204	7,266
Income from Investment and Loans	2,783	3,988	4,308	3,727	2,749
Operating Profit	636	1,012	1,140	1,025	725
Profit After Tax	403	377	445	494	347
Policy Holder Fund	31,743	37,384	42,633	47,275	51,452
Net Worth including Fair Value Reserves	4,558	3,734	4,259	4,861	6,477
Total Assets	37,483	42,744	48,810	56,395	60,603
Retention Ratio(%)	97	97	97	98	98
Combined Ratio(%)	130.03	144.19	142.38	131.76	128.74
Yield on Investment and Loan(%)	8.46	10.75	10.42	8.00	6.99
ROTA(%)	1.13	0.94	0.97	0.94	0.79
Solvency Ratio (times)	4.47#	2.21#	2.19#	1.33	-

** Classification as per Infomerics Nepal Standard*
 # As per the previous regulatory framework

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About Infomerics Credit Rating Nepal Limited:
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