# Nepal Life Insurance Company Limited: Rating upgraded to [ICRANP-IR] AA

**October 15, 2026**

## Summary of rating action

| Facility | Rated Amount | Rating Action |
|---|---|---|
| Issuer Rating | NA | [ICRANP-IR] AA; upgraded from [ICRANP-IR] AA- |

## Rating action

ICRA Nepal has upgraded the issuer rating of Nepal Life Insurance Company Limited (NLIC/the company) to [ICRANP-IR] AA (pronounced ICRA NP Issuer Rating Double A) from [ICRANP-IR] AA- (pronounced ICRA NP Issuer Rating Double A Minus) indicating high degree of safety regarding timely servicing of financial obligations. Such issuers carry very low credit risk. The sign of + (plus) or – (minus) appended to the rating symbol indicates the entity's relative position within the rating categories concerned. The rating is only an opinion on the general creditworthiness of the rated entity and not specific to any particular debt instrument.

## Rationale

The rating upgrade mainly factors in the company's improved solvency ratio of ~154% as of mid-July 2025 (~145% as of mid-July 2024[1], as against the regulatory minimum of 130%), along with its ability to diversify its investment book towards government bonds (~16% as of mid-July 2026 as against nil exposure till mid-July 2025) and thus its reduced concentration on fixed deposits (~71% as of mid-July 2026 as against ~89% as of mid-April 2025 during last rating, based on its investment book, excluding policy loans) and hence improved risk profile of investment book. This, coupled with increased proportion (almost doubled to ~6% as of mid-July 2026) towards high interest-bearing debentures and PNCPS[2] is expected to aid its declining investment yield to some extent. The rating also continues to factor in the company's long track record of operations (since 2001) with adequate geographical presence (196 branches as of mid-July 2026) and its experienced board along with seasoned management team. NLIC's continued position as a market leader in the life insurance industry with largest market share of >25% in terms of gross premium earnings (GPE), its scale advantages and hence operational efficiency, and healthy operating profitability continue to remain the positives. Despite the fluctuating first year premium, the company's sturdy renewal premium earnings have aided to maintain a progressive growth. The endowment dominated business (~99% of GPE in FY2026, remaining largely in line with industry trends) also remains a positive for the long-term growth and sustainability of the market positioning. Furthermore, NLIC's adequate reinsurance arrangement, along with the catastrophic cover, which is expected to cushion the likely impact on company arising out of recent devastating flooding events, hence remaining among the rating positives.

However, the rating remains constrained by the profitability challenges, mainly on account of the declining investment yields (~8.1%[3] in FY2026 from ~9.4% in FY2025; ~10.1% in FY2024) amid sustained low market interest rates. ICRA Nepal also takes note of the limited investment alternatives (major investment in fixed-interest bearing instruments at ~93% of total portfolio, excluding policy loans, as of mid-July 2026). This is further accentuated by the company's high growth trends in recent years (asset base CAGR of ~17% over last three years ending mid-July 2026), which might impede its ability to maintain adequate investment yield over the increasing base. The rating continues to remain constrained by the competitive industry landscape after the last round of consolidations in the industry during FY2023, that has led to

*1 As available at the time of last rating exercise*
*2 Perpetual Non-Cumulative Preference Shares*
*3 ~8.3% excluding capital gain/losses*

surge in scalability of some new life insurance companies (LICs). The industry is also exposed to regulatory risks with frequent changes in the regulatory guidelines issued by the Nepal Insurance Authority (NIA), which could impact the financial profile of all industry participants including NLIC.

Going forward, the company's ability to prevent higher than industry average dilution in investment yields, ensure continuation of prudent/controlled growth, while maintaining/improving its solvency profile and maintain adequate return indicators will remain the key rating monitorable.

## Key rating drivers

### Rating Strengths

**Strong market position, long track record and experienced management team –** Incorporated in 2001, NLIC is among the oldest players in the life insurance industry and has a strong market presence as the largest player in terms of asset base, with a market share of above 25% in terms of GPE (~27% in FY2026). This scale advantage has also translated into the operational efficiency and aided to maintain a healthy operating profitability. Moreover, its adequate geographical presence, strong agency channel, and experienced management and board members also remain the rating positives.

**Improved quality of investment and solvency profile –** NLIC's investment quality remains good with majority placed in fixed interest-bearing instruments at ~93% of total investment (excluding policyholder loans) as of mid-July 2026, out of which, ~18% was in government securities, ~76% were placed in FDs (~82% of which was in investment grade rated institutions, including ~13% in AA- or higher rated institutions), mostly in the commercial banks (at ~90%, rest being across few larger development banks at ~8% and infrastructure bank). The company also reported improved solvency of 154% as of mid-July 2025, from that of 145% as of mid-July 2024, remaining adequate vis-à-vis the minimum regulatory control level of 130%. The solvency calculations also factored in the future discretionary bonus (included in the technical provisions and were over 45% of the current bonus rates), which is likely to help avoid high deviation in future bonuses, amid the backdrop of sharply declining investment yields.

**Satisfactory reinsurance arrangements –** The company has an adequate reinsurance arrangement with Nepal Reinsurance Company Limited (NRIC, Government of Nepal undertaking, rated A-@) and Himalayan Reinsurance Limited for all regular life policies, micro insurance policies and CAT XL through NRIC. NLIC's risk retention of up to NPR 2 million per life for standard life remains moderate vis-à-vis its large net worth base, while the catastrophic cover is for NPR 550 million (subject to retention of 20 lives and retention of NPR 20 million in total). Further, the catastrophic reserve at ~NPR 1,544 million as of mid-July 2026, remains decent in relation to the scale of business, and offers additional comfort. These reinsurance measures and balance sheet strengths are expected to help the company comfortably absorb claims arising out of recent devastating flooding events, which however would remain a key monitorable

### Rating Challenges

**Profitability challenges amid moderating investment yields –** Historically, NLIC's return indicators have remained supported by its scale of operations, sizeable investment portfolio with decent investment yields, controlled operating expense and transfer of actuarial surpluses. As the company has an endowment dominated business, its future profitability profile will remain dependent on the trajectory of actuarial surpluses, which would be largely reliant on the investment returns among others. NLIC's investment yield has moderated to ~8.1% in FY2026 from ~9.4% in FY2025, in line with the industry trend, amid the increasing impact of the declining interest rates. Given the company's high investment concentration in fixed deposits (~71% of total investments excluding policy loans as of mid-July 2026) and steady growth in its assets base while with limited investment alternatives, the company's profitability indicators could

come under further pressure, as the new investment as well as the maturing FDs getting rolled over in lower rates (~22.5% of overall FDs maturing in the next three years as of mid-July 2026).

In FY2025, NLIC reported a net profit of NPR 2,294 million after actuarial surplus transfer of ~NPR 1,992 million from the life fund to the shareholder's fund, resulting in return on equity (RoE) of ~18%. Hence, the company's ability to generate adequate returns over the life insurance funds will remain crucial to maintain its competitive declared bonus rates and sustain the return indicators. However, the bonus rates on policies are not committed for entire tenure and could be modified for years of weaker returns, which provides some comfort. Incrementally, the company's ability to diversify its portfolio and generate a stable and healthy return over its growing investment portfolio remains a key monitorable.

**Competitive industry and regulatory risks –** The industry landscape has changed significantly after the fragmentation created by the licensing of new life insurance companies (LICs) in 2017 and has further intensified with a few recent consolidations that have led to emergence of larger players in the insurance sector, exerting pressures across the industry on the agency channels, the policy renewal rates[4] and undertaking of new businesses. The industry is also exposed to regulatory risks with frequent changes in the regulatory guidelines including risk-based capital requirements issued by the Nepal Insurance Authority (NIA) which could impact profitability and financial profile. Further, the impact of the proposed IFRS 17 implementation on the financial metrics would remain a key monitorable.

## Rating sensitivities

**Positive factors –** The rating could be upgraded in case of sustainable improvements in investment yields/profile, vis-a-vis the industry wide trends, along with further meaningful strengthening of solvency profile, while maintaining adequate overall profitability.

**Negative factors –** Any unanticipated deterioration in solvency, trends in renewals and claims (including surrender claims) and growth trends could create a negative pressure on the rating. The company's stance on appropriately modifying reinsurance arrangements based on final claim trends out of recent devastating floods would also remain a key monitorable.

**Analytical approach:** For arriving at the rating, ICRA Nepal has applied its rating methodology as indicated below.

**Link to the applicable criteria:**

Issuer Rating Methodology

**Link to the last rating rationale:**

Rationale_Nepal Life Insurance Company Limited_Fresh Issuer Rating September 2025

## Company Profile

Nepal Life Insurance Company Limited (NLIC) is a life insurance company (LIC), operating since May 2001, with its head office in Kamaladi, Kathmandu. NLIC is promoted by individuals from prominent Nepalese business houses. On an overall basis, its promoter: public shareholding is in the ratio of 51:49. NLIC reported a profit after tax of ~NPR 2,294 million in FY2025 on a total asset base of ~NPR 251,552 million as of mid-July 2025 compared to a net profit of NPR 2,129 million in FY2024 on a total asset base of NPR 213,496 million. The company reported net profit of NPR 465 million in FY2026[5].

*4 Number of renewed policies/ last year's total number of in-force policies of ~75% in FY2025; ~62% in FY2024*

*5 Provisional, before actuarial valuation. For comparison, provisional profit for FY2025 was NPR 603 million.*

## Key financial indicators (as per NFRS):

| Amounts in NPR million | FY2022 (Audited) | FY2023 (Audited) | FY2024 (Audited) | FY2025 (Audited) | FY2026 (Provisional) |
|---|---|---|---|---|---|
| First year premium (FYP) | 6,819 | 5,565 | 5,850 | 6,366 | 7,342 |
| Renewal premium (RP) | 28,012 | 30,496 | 32,828 | 37,221 | 40,609 |
| Single premium (SP) | 658 | 1,101 | 2,172 | 4,616 | 6,083 |
| **Total gross premium (TGP)** | 35,489 | 37,163 | 40,849 | 48,202 | 54,034 |
| Net premium | 35,036 | 36,510 | 40,173 | 47,694 | 53,454 |
| Premium on endowment policies | 35,315 | 36,631 | 40,161 | 47,623 | 53,381 |
| % share of endowment in total premium | 99.5% | 98.6% | 98.3% | 98.8% | 98.8% |
| Premium on term policies | 174 | 531 | 689 | 579 | 653 |
| % share in total premium | 0.5% | 1.4% | 1.7% | 1.2% | 1.2% |
| Total management expenses | 2,675 | 2,476 | 2,655 | 3,013 | 3,358 |
| Management expenses as a % of gross premium | 7.5% | 6.7% | 6.5% | 6.3% | 6.2% |
| Total investment (including policy loans) | 141,369 | 170,436 | 198,639 | 228,414 | 280,567 |
| Yield on investment (including capital gain/losses) | 8.7% | 10.0% | 10.1% | 9.4% | 8.1% |
| Life fund | 136,131 | 163,391 | 196,735 | 234,755 | 276,135 |
| Profit after tax | 97 | 2,011 | 2,129 | 2,294 | 465 |
| Return on equity | 1.0% | 18.7% | 17.8% | 18.2% | 3.7%* |
| Solvency margin | 2.77 | 3.22 | 1.45 | 1.54 | - |

**Low with the pending actuarial adjustments; for comparison, the same for FY2025 was 4.9% (prior to actuarial adjustments).*

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## About ICRA Nepal Limited:

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