**Non-Life Insurance Industry Analysis**

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## List of the Merger company of Non-life insurance

In recent years, Nepal's insurance sector has experienced significant consolidation through mergers, primarily driven by regulatory mandates to increase minimum paid-up capital.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Name of Companies | Company Name (After Merged) | Action | Swap Ratio | Joint Transaction Date | Company Name |
| IME General Insurance Limited and Prudential Insurance Company Limited | [IGI Prudential Insurance Limited](https://www.sharesansar.com/company/igi) | Merger | 1:1 | 5/10/2023 | IGI |
| Ajod Insurance Limited and United Insurance Company (Nepal) Limited. | [United Ajod Insurance Limited](https://www.sharesansar.com/company/uail) | Merger | 0.8250: 1 | 5/28/2023 | UAIL |
| Sagarmatha Insurance Company Limited and Lumbini General Insurance Limited | Sagarmatha Lumbini Insurance Company Limited | Merger | 1: 0.8 | 3/13/2023 | SALICO |
| Siddhartha Insurance Limited and Premier Insurance Company (Nepal) Limited | Siddhartha Premier Insurance Limited | Merger | 1:1 | 3/1/2023 | SPIL |
| Sanima General Insurance Limited and General Insurance Company Nepal Limited. | Sanima GIC Insurance Limited | Merger | 1:1 | 10/24/2022 | SGIC |
| Everest Insurance Company Limited and Himalayan General Insurance Company Limited | [Himalayan Everest Insurance Limited](https://www.sharesansar.com/company/hei) | Merger | 85: 100 | 7/17/2022 | HEI |

Life insurance companies were required to raise paid-up capital to NPR 5 billion from the previous NPR 2.5 billion​. These mergers were largely influenced by the Nepal Insurance Authority's directive to increase the minimum paid-up capital for non-life insurance companies to NPR 2.5 billion. This regulatory change prompted companies to merge in order to meet the new capital requirements and enhance their financial stability. ​​

The consolidation is expected to lead to a more robust and competitive insurance sector in Nepal, benefiting policyholders through improved services and financial security. ​​

In addition to fixed capital hikes, regulators are moving toward risk-based solvency oversight. New Insurance Regulations 2081 (2024) introduced a requirement for insurers to maintain Risk-Based Capital (RBC) adequacy in addition to the static paid-up capital minimum. To complement RBC, the NIA issued an Own Risk and Solvency Assessment (ORSA) Directive in 2023 as a new compliance measure for insurers​. All insurers are required to fully adopt ORSA processes by 2026​

## Current Situation of the capital of Non-life insurance

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Ticker | Capital required to reach 2.5 billion | Diluted Paid up capital (in billions) | Special Reserves (in billions) | Retained Earnings (in billions) | EPS (D) |
| RBCL | 837.6% | 0.27 | 3.14 | 2.46 | 197.85 |
| SALICO |  | 2.62 | 2.55 | 0.63 | 12.81 |
| SPIL |  | 2.81 | 2.50 | 0.68 | 21.55 |
| NIL | 24.2% | 2.01 | 2.21 | 0.68 | 18.30 |
| SICL |  | 2.65 | 1.87 | 0.16 | 16.29 |
| HEI |  | 2.50 | 1.83 | 0.24 | 17.73 |
| IGI |  | 3.03 | 1.81 | 0.13 | 11.67 |
| NICL | 52.0% | 1.64 | 1.42 | 0.09 | 12.58 |
| PRIN | 73.4% | 1.44 | 1.37 | 0.29 | 18.53 |
| NLG |  | 2.50 | 1.36 | 0.11 | 6.57 |
| UAIL | 19.0% | 2.10 | 0.99 | 0.17 | 7.37 |
| SGIC | 25.0% | 2.00 | 0.70 | 0.29 | 14.48 |

Nepal Insurance Authority's directive to increase the minimum paid-up capital for non-life insurance companies to NPR 2.5 Billion. As per till date HEI, NLG, SALICO, SICL, SPIL, IGI, NIL has fulfilled the capital requirement of 2.5 Billion.

RBCL, PRIN, NICL, SGIC, UAIL still need to full the capital requirement

PRIN, NICL, SGIC, UAIL, may reached the capital within this this fiscal year.

## Special Reserve

Insurance company (Nonlife Insurance) has to transfer 50% of its Net profit to the insurance fund

If the Special Reserves is more than 2.5 arba, then the company is not liable to transfer 50% of the profit to Insurance fund.

Special Reserves (in billions)- RBCL SALICO and SPIL has special reserve above 2.5 billion hence is not liable to transfer 50% of insurance fund.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| S.N. | Ticker | Bonus (%) | Cash (%) | Total (%) | Announcement Date | Book Closure Date | Fiscal Year |
| 1 | [**NLG**](https://www.sharesansar.com/company/nlg) | 2.5 | 0.1316 | 2.6316 | 2025-05-11 | 2025-06-05 | 2080/2081 |
| 2 | [**NIL**](https://www.sharesansar.com/company/nil) | 7.00 | 0.3684 | 7.3684 | 2025-04-24 | 2025-05-13 [Closed] | 2080/2081 |
| 3 | [**SALICO**](https://www.sharesansar.com/company/salico) | 0.00 | 15.00 | 15.00 | 2025-04-11 | 2025-04-30 [Closed] | 2080/2081 |
| 4 | [**NICL**](https://www.sharesansar.com/company/nicl) | 15.00 | 0.79 | 15.79 | 2025-03-09 | 2025-03-20 [Closed] | 2080/2081 |
| 5 | [**HEI**](https://www.sharesansar.com/company/hei) |  | 8.75 | 8.75 | 2025-02-12 | 2025-02-27 [Closed] | 2080/2081 |
| 6 | [**SGIC**](https://www.sharesansar.com/company/sgic) | 7.5 | 0.3947 | 7.8947 | 2025-02-07 | 2025-03-21 [Closed] | 2080/2081 |
| 7 | [**IGI**](https://www.sharesansar.com/company/igi) |  | 9.7368 | 9.7368 | 2025-02-06 | 2025-02-24 [Closed] | 2080/2081 |
| 8 | [**SPIL**](https://www.sharesansar.com/company/spil) |  | 30.00 | 30.00 | 2025-02-04 | 2025-02-14 [Closed] | 2080/2081 |
| 9 | [**SICL**](https://www.sharesansar.com/company/sicl) | 10.00 | 0.5263 | 10.5263 | 2025-01-31 | 2025-02-12 [Closed] | 2080/2081 |

## Dividend announced till date for this Fiscal Year (2080/81)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Gross Earned Premiums | | | | Market share | | | Rank | |
|  | **2024/25** |  | **2023/24** | **2024/25** |  | **2023/24** | **2024/25** | **2023/24** |
|  | **Q3** | **Growth YOY** | **Q3** | **Q3** | **Growth YOY** | **Q3** | **Q3** | **Q3** |
| HEI | 2,861,578.81 | 32.0% | 2,167,757.68 | 11.12% | 24.5% | 8.93% | 3.00 | 5.00 |
| IGI | 2,534,362.73 | 10.9% | 2,284,611.18 | 9.85% | 4.6% | 9.41% | 5.00 | 4.00 |
| NICL | 1,279,749.53 | 7.4% | 1,191,954.80 | 4.97% | 1.3% | 4.91% | 10.00 | 10.00 |
| NIL | 2,161,425.88 | 11.7% | 1,934,169.71 | 8.40% | 5.4% | 7.97% | 6.00 | 6.00 |
| NLG | 1,876,378.84 | 7.7% | 1,742,410.35 | 7.29% | 1.6% | 7.18% | 7.00 | 8.00 |
| PRIN | 1,166,598.55 | 4.2% | 1,119,606.97 | 4.53% | -1.7% | 4.61% | 11.00 | 12.00 |
| RBCL | 1,020,957.45 | -11.6% | 1,154,712.25 | 3.97% | -16.6% | 4.76% | 12.00 | 11.00 |
| SALICO | 2,948,878.52 | -5.7% | 3,128,360.22 | 11.46% | -11.1% | 12.89% | 2.00 | 2.00 |
| SGIC | 1,685,610.45 | 10.0% | 1,532,341.83 | 6.55% | 3.8% | 6.31% | 9.00 | 9.00 |
| SICL | 3,733,858.26 | 4.5% | 3,572,006.72 | 14.51% | -1.4% | 14.71% | 1.00 | 1.00 |
| SPIL | 2,675,485.77 | 2.7% | 2,605,876.66 | 10.40% | -3.2% | 10.73% | 4.00 | 3.00 |
| UAIL | 1,792,371.33 | -2.7% | 1,841,484.05 | 6.96% | -8.2% | 7.59% | 8.00 | 7.00 |

Company whose capital has reached only announced cash dividend. This pattern may be seen till next year. However, the company which has low solvency ratio may announce bonus to increase the capital.

### Key Stats growth analysis

The non-life insurance market shows significant volatility in premium growth. Non-life insurance market shows significant competitive shifts in Q3 2024/25, with SICL maintaining market leadership (14.51% share) despite modest 4.5% growth. HEI emerges as the sector's growth leader, posting remarkable 32.0% premium growth and 24.5% market share expansion, advancing from 5th to 3rd rank.

Meanwhile, RBCL faces concerning headwinds with an 11.6% premium decline and substantial capital adequacy challenges, requiring an 837.6% increase to meet the NPR 2.5 billion regulatory threshold.

## Total revenue

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Total Revenue | | | | Market share | | | Rank | |
|  | **2024/25** |  | **2023/24** | **2024/25** |  | **2023/24** | **2024/25** | **2023/24** |
|  | **Q3** | **Growth YOY** | **Q3** | **Q3** | **Growth YOY** | **Q3** | **Q3** | **Q3** |
| HEI | 1,723,268.86 | -4.0% | 1,795,300.53 | 10.23% | 0.9% | 10.13% | 5.00 | 3.00 |
| IGI | 1,527,829.89 | -10.3% | 1,702,799.40 | 9.07% | -5.7% | 9.61% | 6.00 | 5.00 |
| NICL | 975,132.65 | -31.2% | 1,416,742.17 | 5.79% | -27.6% | 8.00% | 10.00 | 7.00 |
| NIL | 1,761,278.68 | 7.1% | 1,644,610.29 | 10.45% | 12.6% | 9.28% | 4.00 | 6.00 |
| NLG | 1,042,976.06 | 14.9% | 908,019.74 | 6.19% | 20.7% | 5.13% | 8.00 | 12.00 |
| PRIN | 726,140.32 | -33.6% | 1,092,939.74 | 4.31% | -30.2% | 6.17% | 12.00 | 9.00 |
| RBCL | 852,814.42 | -8.2% | 928,609.09 | 5.06% | -3.5% | 5.24% | 11.00 | 11.00 |
| SALICO | 2,091,308.62 | 1.5% | 2,059,453.33 | 12.41% | 6.7% | 11.63% | 2.00 | 2.00 |
| SGIC | 1,026,466.47 | 8.3% | 947,728.40 | 6.09% | 13.9% | 5.35% | 9.00 | 10.00 |
| SICL | 1,859,183.67 | 4.2% | 1,785,078.41 | 11.03% | 9.5% | 10.08% | 3.00 | 4.00 |
| SPIL | 2,157,875.96 | 0.1% | 2,156,197.04 | 12.80% | 5.2% | 12.17% | 1.00 | 1.00 |
| UAIL | 1,108,050.48 | -13.3% | 1,278,207.58 | 6.58% | -8.9% | 7.22% | 7.00 | 8.00 |

Total Revenue Consist of Net Earned Premiums, Commission Income, Other Direct Income, Income from, Investments and Loans, Net Gains/ (Losses) on Fair Value Changes, Net Realized Gains/ (Losses), Other Income.

The table contains data on Total Revenue, market share, and rankings for non-life insurance companies over two fiscal years (2023/24 Q3 and 2024/25 Q3).

SPIL maintaining market leadership (12.80% share) despite minimal growth (0.1%). SALICO and SICL follow with 12.41% and 11.03% market shares respectively. NLG demonstrates remarkable revenue growth at 14.9%, improving its ranking from 12th to 8th position. NIL shows strong performance with 7.1% revenue growth and 12.6% market share expansion.

Concerning trends emerge for several players, with PRIN experiencing the steepest revenue decline (-33.6%), followed by NICL (-31.2%), significantly eroding their market positions.

## Revenue Sources

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Ticker | Net Earned Premiums/Total Revenue | Commission Income/Total Revenue | Other Direct Income/Total Revenue | Income from Investments and Loans/Total Revenue | Net Gains/ (Losses) on Fair Value Changes/Total Revenue | Net Realized Gains/ (Losses)/Total Revenue | Other Income/Total Revenue |
| HEI | 71.97% | 18.49% | 0.00% | 9.32% | 0.00% | 0.09% | 0.13% |
| IGI | 60.82% | 23.84% | 0.00% | 13.73% | 0.00% | 1.57% | 0.04% |
| NICL | 60.75% | 16.96% | 0.00% | 21.79% | 0.00% | 0.00% | 0.50% |
| NIL | 69.72% | 14.48% | 0.70% | 12.80% | 0.00% | 1.93% | 0.38% |
| NLG | 63.84% | 22.10% | 1.20% | 12.87% | 0.00% | 0.00% | 0.00% |
| PRIN | 65.59% | 19.60% | 0.38% | 13.76% | 0.00% | 0.00% | 0.67% |
| RBCL | 19.56% | 20.29% | 0.00% | 60.09% | 0.00% | 0.00% | 0.07% |
| SALICO | 61.80% | 18.76% | 0.82% | 13.88% | 0.00% | 4.66% | 0.08% |
| SGIC | 48.25% | 26.33% | 1.23% | 13.22% | 0.00% | 10.78% | 0.19% |
| SICL | 64.99% | 21.52% | 0.00% | 11.29% | 0.00% | 0.84% | 1.35% |
| SPIL | 63.51% | 17.44% | 1.29% | 16.91% | 0.00% | 0.46% | 0.40% |
| UAIL | 65.02% | 18.14% | 0.94% | 15.90% | 0.00% | 0.00% | 0.00% |
|  |  |  |  |  |  |  |  |
| Industry Average | **61.63%** | **19.52%** | **0.57%** | **16.21%** | **0.00%** | **1.74%** | **0.34%** |

*Note: T.R. = Total Revenue*

The table provides insights into the revenue sources for Q3, highlighting variations in how insurance companies generate their income.

Nepal's non-life insurance sector displays varied revenue diversification strategies across companies. HEI maintains the highest dependence on core underwriting with 71.97% of revenue from net earned premiums, well above the industry average of 61.63%. In stark contrast, RBCL shows revenue model with only 19.56% from premiums while deriving a remarkable 60.09% from investments and loans, reflecting a distinctive investment-focused approach. Commission income represents a significant secondary revenue stream industry-wide (19.52% average), with SGIC leveraging this channel most effectively at 26.33%. Several insurers demonstrate specialized revenue generation capabilities, with SGIC capturing 10.78% from net realized gains—significantly outperforming peers—while SPIL shows above-average investment income (16.91%).

This revenue composition analysis reveals fundamentally different business models across the sector, with traditional underwriting-focused insurers (HEI, NIL) contrasting with investment-oriented performers (RBCL) and those pursuing more balanced approaches through commission and realized gains (SGIC, SALICO).

## Net profit

|  |  |  |  |
| --- | --- | --- | --- |
| Ticker | Q3 | Q3 | Growth YOY |
| **NET PROFIT (000) 2024/25Q3** | **NET PROFIT (000) 2023/24Q3** |
| SGIC | 233,557.69 | 200,977.70 | 16.2% |
| PRIN | 200,288.98 | 391,465.15 | -48.8% |
| SICL | 357,054.41 | 390,273.78 | -8.5% |
| HEI | 332,379.50 | 606,548.03 | -45.2% |
| NLG | 123,342.26 | 136,712.71 | -9.8% |
| RBCL | 395,663.33 | 516,336.75 | -23.4% |
| IGI | 265,101.77 | 467,629.89 | -43.3% |
| NIL | 369,328.53 | 377,496.25 | -2.2% |
| SPIL | 453,604.62 | 597,103.17 | -24.0% |
| UAIL | 116,122.38 | 274,224.22 | -57.7% |
| SALICO | 251,949.11 | 475,406.67 | -47.0% |
| NICL | 178,450.77 | 614,427.75 | -71.0% |
| Total | **3,276,843.33** | **5,048,602.07** | **-35.1%** |
| Industry Average | **273,070.28** | **420,716.84** |

The table highlights net profit performance across insurance companies for Q3 of fiscal years 2024/25 and 2023/24, along with YOY growth trends. The Q3 net profit analysis reveals significant disparities in performance across the insurance sector.

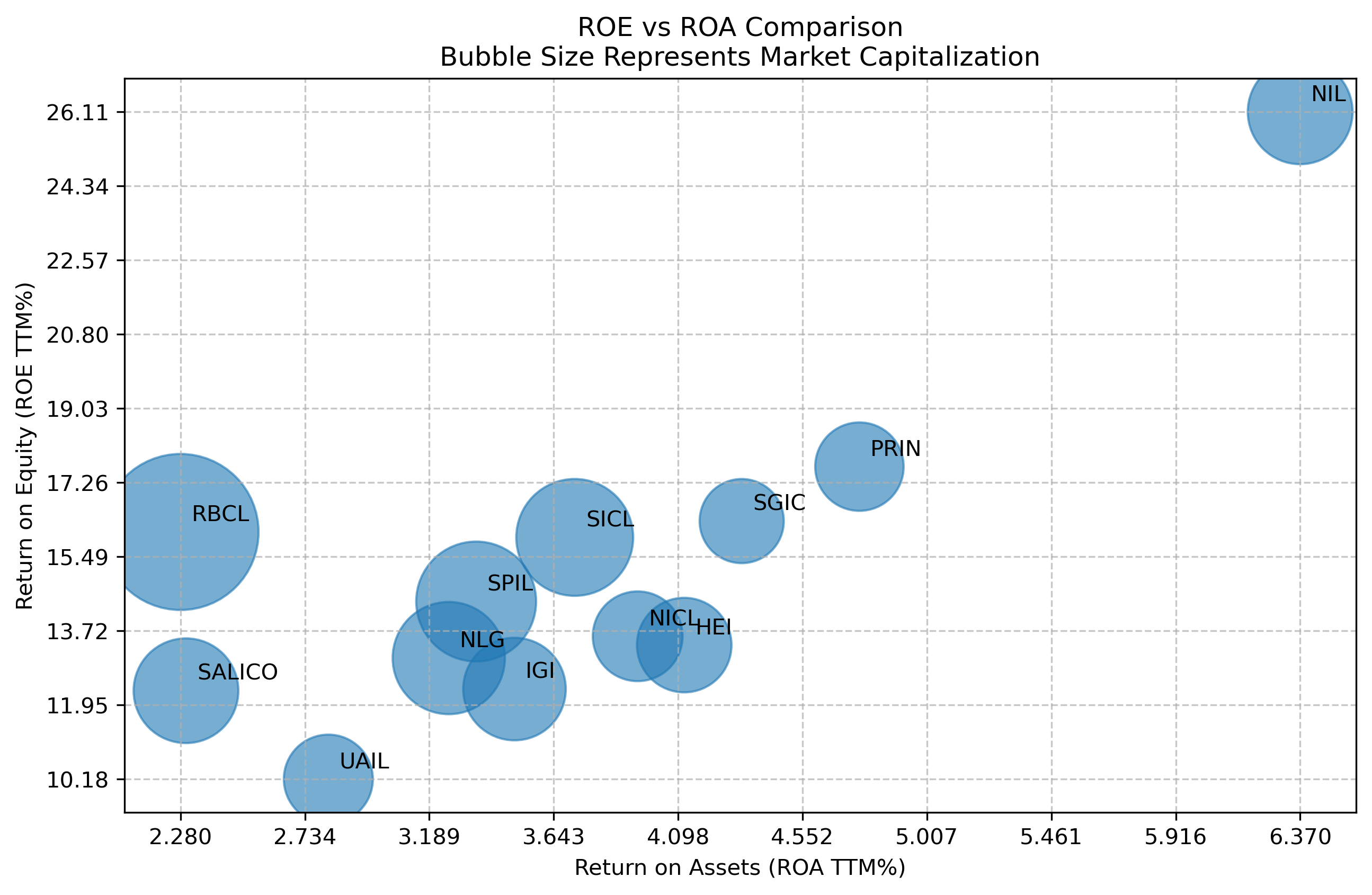
The Q3 2024/25 data reveals a concerning profitability trend across Nepal's non-life insurance sector, with industry-wide net profits declining by 35.1% year-over-year. SPIL maintains the highest absolute profit (NPR 453.6 million) despite experiencing a 24.0% decline from the previous year.

NIL demonstrates notable resilience with only a minimal 2.2% profit reduction, significantly outperforming the industry average. This widespread yield compression likely contributes significantly to the sector's overall profitability decline

|  |  |  |  |
| --- | --- | --- | --- |
| Ticker | Total investment 2024/25Q3 Growth% | Total investment 2023/24Q4 Growth% | Total investment 2021/22Q4 Growth% |
| RBCL | 2.51% | -12.61% | 225.11% |
| SPIL | -4.51% | -1.14% | 109.61% |
| NIL | 5.18% | 31.05% | 13.70% |
| SALICO | 5.70% | 3.02% | 80.06% |
| IGI | -10.31% | 15.28% | 143.05% |
| SICL | 5.94% | 10.06% | 5.01% |
| NICL | 5.81% | 24.14% | 2.50% |
| HEI | -8.11% | 7.78% | 25.79% |
| UAIL | 0.14% | -1.31% | 97.74% |
| SGIC | 3.79% | 13.73% | 88.61% |
| NLG | 13.35% | 22.02% | 3.52% |
| PRIN | 6.67% | 35.01% | 37.91% |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Ticker | Investment Yield (annualized) as of 2024/25Q3 | Investment Yield (annualized) as of 2023/24Q4 | Investment Yield (annualized) as of 2022/23Q4 | Investment Yield (annualized) as of 2021/22Q4 |
| SICL | 5.83% | 7.24% | 8.97% | 7.02% |
| NLG | 5.19% | 7.40% | 8.48% | 8.97% |
| UAIL | 5.46% | 7.67% | 4.98% | 7.38% |
| SALICO | 5.70% | 7.37% | 6.28% | 9.73% |
| NICL | 6.10% | 17.60% | 8.94% | 6.59% |
| IGI | 5.50% | 10.14% | 4.46% | 7.01% |
| SPIL | 5.46% | 7.44% | 5.27% | 5.85% |
| SGIC | 5.19% | 7.71% | 8.40% | 7.40% |
| HEI | 4.87% | 6.89% | 7.28% | 11.01% |
| RBCL | 3.57% | 4.39% | 4.38% | 7.74% |
| NIL | 4.28% | 6.38% | 8.96% | 7.89% |
| PRIN | 4.82% | 5.06% | 5.45% | 8.23% |
| Industry Average | 5.16% | 7.94% | 6.82% | 7.90% |
| Industry Median | 5.33% | 7.38% | 6.78% | 7.57% |

Nepal's non-life insurance sector has experienced a significant investment yield compression, with the industry average falling to 5.16% in Q3 2024/25 from 7.94% in Q4 2023/24—a substantial 278 basis point decline. NICL shows the most dramatic yield reduction, plummeting from an exceptional 17.60% to 6.10%, though still maintaining the sector's highest current yield.



NIL and PRIN, represent potentially attractive investment opportunities given their demonstrated ability to efficiently deploy assets while delivering competitive shareholder returns.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Ticker | Loss Ratio (NET) | Expense ratio | Combine Ratio | Investment Yield (annualized) | Risk Retention | Claim Ratio |
| PRIN | 33.96% | 7.00% | 40.96% | 4.82% | 40.83% | 24.96% |
| HEI | 60.81% | 4.38% | 65.19% | 4.87% | 43.34% | 45.55% |
| NIL | 57.76% | 3.94% | 61.70% | 4.28% | 56.81% | 48.94% |
| SICL | 59.18% | 4.10% | 63.28% | 5.83% | 32.36% | 54.85% |
| SPIL | 67.83% | 2.59% | 70.43% | 5.46% | 51.22% | 65.64% |
| NLG | 67.05% | 8.60% | 75.65% | 5.19% | 35.48% | 91.16% |
| NICL | 68.35% | 3.29% | 71.63% | 6.10% | 46.29% | 42.38% |
| UAIL | 68.78% | 5.29% | 74.07% | 5.46% | 40.19% | 70.39% |
| IGI | 65.98% | 5.46% | 71.44% | 5.50% | 36.66% | 73.63% |
| RBCL | 24.86% | 6.29% | 31.15% | 3.57% | 16.34% | 25.24% |
| SGIC | 56.01% | 8.85% | 64.86% | 5.19% | 29.38% | 38.09% |
| SALICO | 88.31% | 3.95% | 92.26% | 5.70% | 43.83% | 86.39% |
| Industry Average | **59.91%** | **5.31%** | **65.22%** | **5.16%** | **39.40%** | **55.60%** |
| Industry Median | **63.39%** | **4.83%** | **67.81%** | **5.33%** | **40.51%** | **51.90%** |

## Key Insurance Ratio Analysis: Non-Life Sector

### Profitability Metrics

* PRIN with strong 40.96% combined ratio, suggesting effective risk selection and pricing
* SALICO shows alarming 92.26% combined ratio, indicating significant underwriting losses
* Industry average combined ratio of 65.22% reflects generally positive but varied underwriting results
* Five companies operate below the industry average combined ratio, indicating superior profitability

### Investment Performance

* Overall modest investment yields across sector (industry average: 5.16%)
* NICL leads with 6.10% yield, maximizing investment income contribution
* RBCL significantly underperforms at 3.57% despite heavy reliance on investment income
* Limited yield variation among mid-tier performers (5.19%-5.83%)
* All companies experiencing yield compression compared to previous periods

### Risk Retention and Claims Management

* Risk retention strategies vary widely from conservative RBCL (16.34%) to aggressive NIL (56.81%)
* Industry average retention ratio of 39.40% indicates moderate risk appetite
* Claim ratios show concerning trends for NLG (91.16%) and SALICO (86.39%)
* RBCL (25.24%) and PRIN (24.96%) demonstrate superior claims management
* NIL maintains balanced approach with high retention (56.81%) and moderate claims (48.94%)
* Seven companies exceed industry average claim ratio of 55.60%

### Industry Overview

* Sector shows clear strategic clustering across different operational approaches
* Companies with balanced metrics (NIL, SICL, HEI) positioned for consistent results
* Industry median combined ratio (67.81%) slightly higher than mean (65.22%), indicating negative skew
* Four companies (SALICO, NLG, UAIL, NICL) face combined ratios above 70%, requiring strategic intervention

## Solvency Ratio:

|  |  |  |
| --- | --- | --- |
| Ticker | Solvency Margin Ratio | Description |
| SICL | 3.67 | As per the LAFS, the solvency ratio of the company is 3.67 times as per new Risk Based Capital and Solvency Directives 2022, which is above the regulatory required limit |
| HEI | 3.324 | The solvency ratio of the company is 3.324 as per the Audited Financial Statement of FY 2080-81 |
| SPIL | 3.188 | The solvency ratio of the company is 3.188 as per the Audited Financial Statement of FY 2080-81 |
| SGIC | 2.62 | The solvency ratio of the company for FY 2080-81 is 2.62 |
| RBCL | - | - |
| PRIN | 3.92 | The solvency ratio of the company is 3.92 as per the Actuary Valuation Report as on 15-07-2024 (FY 2080-81) |
| NIL | 3.84 | The solvency ratio of the company is 3.84 as per the Actuary Valuation Report of FY 2080-81 |
| IGI | 3.427 | The solvency ratio of the company is 3.427 for FY 2080-81 |
| NICL | 4.34 | The solvency ratio of the company is 4.34 based on RBC-S Valuation (FY 2080-81) |
| UAIL | 2.73 | The solvency ratio of the company is 2.73 as per the Actuary Valuation Report for FY 2080-81 |
| SALICO | 2.75 | The solvency ratio of the company is 2.75 as per the Latest Actuary Valuation Report for FY 2080-81 |
| NLG | 3.42 | The solvency ratio of the company is 3.42 as of FY 2080-81 |

## Relative Valuation using PE and PB median multiples

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Ticker | Last Close Price | EPS (D) | Bvp | PE (diluted) | PB | PE (Median) Multiple (60%) | PB (Median) Multiples (40%) | Relative valuation (PE (60%) +PB (40%) | Remarks |
| SALICO | 676.38 | 12.81 | 248.82 | 52.80 | 2.72 | 612.05 | 792.57 | 684.26 | Undervalued |
| SPIL | 818.43 | 21.55 | 263.72 | 37.98 | 3.10 | 1,029.63 | 840.03 | 953.79 | Undervalued |
| NIL | 700.91 | 18.30 | 267.40 | 38.30 | 2.62 | 874.35 | 851.75 | 865.31 | Undervalued |
| IGI | 564.91 | 11.67 | 185.30 | 48.41 | 3.05 | 557.58 | 590.24 | 570.64 | Undervalued |
| HEI | 585.68 | 17.73 | 201.46 | 33.03 | 2.91 | 847.12 | 641.71 | 764.96 | Undervalued |
| SGIC | 571.38 | 14.48 | 158.32 | 39.46 | 3.61 | 691.84 | 504.30 | 616.82 | Undervalued |
| RBCL | 14,670.03 | 197.85 | 6,321.44 | 74.15 | 2.32 | 9,453.03 | 20,135.72 | 13,726.11 | Overvalued |
| SICL | 753.31 | 16.29 | 195.81 | 46.24 | 3.85 | 778.32 | 623.71 | 716.48 | Overvalued |
| NLG | 828.71 | 6.57 | 180.32 | 126.14 | 4.60 | 313.91 | 574.37 | 418.09 | Overvalued |
| NICL | 790.81 | 12.58 | 190.91 | 62.86 | 4.14 | 601.06 | 608.11 | 603.88 | Overvalued |
| UAIL | 619.43 | 7.37 | 189.59 | 84.05 | 3.27 | 352.13 | 603.90 | 452.84 | Overvalued |
| PRIN | 873.70 | 18.53 | 234.51 | 47.15 | 3.73 | 885.34 | 746.99 | 830.00 | Overvalued |
| Industry Average | 1,871.14 | 29.64 | 719.80 | 57.55 | 3.33 |  |  |  |  |
| Industry Median | 727.11 | 15.39 | 198.64 | 47.78 | 3.19 |  |  |  |  |

The table shows the relative Valuation of companies using the diluted EPS and P/E assigning 60% weightage to the P/E median multiple and 40% weightage to the P/B median multiple. Fundamentally sound performers like NIL, SPIL, and HEI trade at compelling valuations with P/E ratios of 38.30, 37.98, and 33.03 respectively—well below the industry median of 47.78—while maintaining reasonable operational metrics.

# Overall Analysis and Conclusion

Nepal's non-life insurance sector exhibits significant polarization across operational performance, regulatory compliance, and market valuation. The industry faces substantial headwinds with a 35.1% year-over-year profit decline, compressed investment yields (5.16% average), and ongoing capital adequacy challenges for several players

All insurers are required to fully adopt ORSA processes by 2026. Which might indicate increase in capital further in the future for business expansion for RBC requirements. However, the solvency ratio shows very comfortable position.

**NIL**: It emerges as the most compelling investment opportunity. NIL demonstrates exceptional operational metrics with industry-leading ROA (6.37%) and ROE (26.11%), strong premium growth (11.7%), and consistent profitability with minimal decline (-2.2%) in a challenging environment where the industry average fell 35.1%. ROA.

**SICL**: It is a market leader maintaining its #1 rank in premium volume (NPR 3.73B) and market share (14.51%), SICL offers stability and established market dominance. The company has already fulfilled capital requirements and moderate premium growth (4.5%) and revenue expansion (4.2%), SICL maintains solid profitability metrics with a reasonable combined ratio of 63.28% and balanced underwriting approach (loss ratio: 59.18%, expense ratio: 4.10%).

**HEI**: The company demonstrates exceptional premium growth momentum (32.0% YoY), the highest in the sector, propelling it from 5th to 3rd rank with substantial market share gains (+24.5%). HEI has already fulfilled the NPR 2.5 billion capital requirement, positioning it favorably from a regulatory compliance standpoint.

**SPIL**: SPIL has special reserve above 2.5 billion hence is not liable to transfer 50% of insurance fund. The company maintains a reasonable combined ratio of 70.43%, though slightly above industry average, with the sector's lowest expense ratio (2.59%), highlighting exceptional operational efficiency. SPIL presents an attractive opportunity, trading at a favorable P/E of 37.98 (below industry median) with strong EPS (21.55)

**PRIN**: Capital requirement and for trading point of view.

*NIL, SPIL, HEI, PRIN* should be added to watchlist.

# Disclaimer:

* *This report is based on publicly available data and is intended for informational purposes only. Any decision made based on this report are solely at the viewer discretion.*