

Crest Micro Life Insurance Limited: Rating reaffirmed

August 14, 2025

Summary of rating action

Facility/Instrument	Rated Amount	Rating Action
Issuer Rating	NA	[ICRANP-IR] BB; reaffirmed

Rating action

ICRA Nepal has reaffirmed the issuer rating of [ICRANP-IR] BB (pronounced ICRA NP Issuer Rating double B) to Crest Micro Life Insurance Limited (Crest or the company). Issuers with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations. 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 reaffirmation factors in presence of institutional promoter (Himalayan Reinsurance Limited with ~15% stake, albeit with no representation in board) in the company, along with its adequate branch network for a new industry entrant (23 branches), and adequate capitalization profile (following the IPO in March 2025).

However, the rating remains constrained by Crest's low scale of operations (despite the scale-ups in recent years) and operational track record (since April 2023). In addition to three micro life players established around similar timeframe, Crest competes with 14 mainstream life insurers that are also involved in small-ticket life insurance business. Adequately scaling up in the intensely competitive industry thus remains a major challenge for Crest over the medium term. Moreover, domination of term business in Crest's product portfolio (~71% of gross premium from term policies in 9MFY2025), coupled with the impact of current low-interest rate scenario on incremental investments raise further concerns, until scalability is achieved. ICRA Nepal also notes the regulation capping micro-insurance companies to sum assured of up to NPR 5 lakhs, which could result in a relatively marginal customer profile for the company.

Over the near to medium term, the management's ability to achieve scalability amid the intense competition, and improve profitability, while managing the recent growth in claims ratio will remain the key rating monitorable.

Key rating drivers

Rating strengths

Presence of institutional promoter, scaling operations and adequate branch network – Himalayan Reinsurance Limited, with ~15% shareholding (diluted from ~21% after the IPO), is the largest promoter of Crest. Further, Crest's branch network (~23 network points across the country) can be considered adequate, given its business concentration towards institutional/credit linked policies (~68% of first year premium in FY2025). Additionally, its growing agency channel (~1,400 agents as of mid-July 2025) and increasing tie-ups with microfinance and cooperatives for wholesale business, has supported growth in recent years and also remains a positive for future growth prospects.

Adequate capitalization profile and good quality of investment – Given the early years of operations with limited business vis-à-vis the capital base, Crest's capitalization profile remains adequate, with regulatory solvency ratio of 1.97 times as of mid-July 2024, as against the regulatory minimum of 1.5 times. However, trends in Crest's solvency margin will remain key monitorable, until the risk-based solvency calculation regulation comes into effect for micro life insurance players from FY2028. As of mid-April 2025, Crest had an investment portfolio of ~NPR 747 million, which were mostly

placed in fixed deposits of class-A banks. While the investment yield still remained healthy at ~8.4% in 9MFY2025 (~9.5% in FY2024), on account of initial equity locked at high yielding instruments with moderate tenure, sustained softening of interest rates would impact new/renewal investments and hence remains an area of concern.

Rating challenges

Limited track record and scalability challenges – Crest’s operational and financial track record remains limited given its status as one of the three micro life insurance companies that were licensed towards the end of FY2023. Although there are limited micro life players in the industry, majority of the 14 mainstream life insurance players are also involved in small-ticket life insurance business, in addition to large sized tickets, which exposes Crest to competitive intensity in a fragmented industry. Thus, the company’s ability to meaningfully scale up will remain critical for sustainable and profitable operations.

High proportion of term business – Given its high reliance so far, on institutions like microfinance and cooperatives to source bulk business (relating to insurance of their borrowers/members), Crest has high proportion of term (protection) business (~71% share in 9MFY2025’s gross premium written of ~NPR 236 million) compared to most mainstream life insurers in Nepal, whose business remain dominated by endowment products. Amid the early stages of operations, limited scale and untested underwriting control, this strategy could elevate customer claims, potentially limiting the company’s capability to grow its capital base. In addition, Crest’s relatively high reliance on institutional customers for its business growth (~68% share of credit linked/institutional products in first year premium in FY2025) further raises the long-term stability and diversification concerns. Although ICRA Nepal notes Crest’s adequate reinsurance arrangement for its current low scale, its adequacy, especially considering the growth plans of the management and its term-business-dominated portfolio remains untested and will remain a monitorable going forward.

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

Link to the applicable criteria:

[Issuer Rating Methodology](#)

Link to the last rating rationale:

[Rationale Crest Micro Life Insurance Limited Fresh Issuer Rating August 2024](#)

Company Profile

Crest Micro Life Insurance Company Limited was licensed by the Nepal Insurance Authority in April 2023 and has been operating since then. The company’s registered office is located at Surkhet and the corporate office is located in Sanepa, Lalitpur. As of mid-April 2025, the company had paid-up capital of NPR 750 million with major shareholding from Himalayan Reinsurance Limited (~15% stake), Metro Capital Pvt. Ltd. (~12%), Mr. Kishan Lal Dugar (~5%), K.R.S Investment Pvt. Ltd. (~5%), Ms. Sangeeta Devi More (~3%), among others. Crest reported a profit after tax of ~NPR 13 million for FY2024 over a total asset base of ~NPR 614 million as of mid-July 2024. The company generated a profit of ~NPR 11 million during 9MFY2025 over a total asset base of ~NPR 942 million as of mid-April 2025.

Key financial indicators:

Amounts in NPR million	FY2024 (Audited)	9MFY2025 (Provisional)
Number of months in operation	12	9
First year premium (FYP)	98	232
Renewal premium (RP)	-	4
Single premium (SP)	-	-

Amounts in NPR million	FY2024 (Audited)	9MFY2025 (Provisional)
Number of months in operation	12	9
Total gross premium (TGP)	98	236
Net premium	84	194
% share of term policies in total premium	70%	71%
Total management expenses	64	62
Management expenses as a % of gross premium	65%	26%
Total investment (including policy loans)	543	747
Yield on investment	9.5%	8.4%
Life fund	48	150
Profit after tax	13	11
Return on equity	2.4%	2.1%
Solvency margin	1.97	NA

Source: Company Data

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