



American Life Insurance Company

18th Year

**Audited
Financial Statements**

Fiscal Year - 2075/76 (2018-19)

Directors Report

A. General Information about Insurer:

1. Date of Incorporation: 2058/04/18 (August 02, 2001)
2. Date of receiving insurer registration certificate: 2058/04/18 (August 02, 2001)
3. Type & category of insurance license received by the insurer: Life Insurance
4. Date of starting business: 2058/10/17 (30 January 2002)
5. Other information, as insurer finds important: ALICO is registered as a branch of foreign company with Office of the Company Registrar on 2062/02/23 (June 05, 2005).

B. Insurer's Board of Director Reports.

1. Company license is properly renewed vide Insurance Board's letter no. Ka.Sa. 80 (075/76) Cha. No. 5484 dated 2076/03/12 (02 July, 2019) & is valid for doing insurance business till the end of Chaitra 2076 (12 April 2020). The company has submitted a request letter for renewal of company's license to Insurance Board on Chaitra 3, 2076 (16 March 2020).
2. Service fee payable of amount NPR. 42,195,144 to Insurance Board and withholding tax payable of NPR. 2,941,870 related to F.Y 2018-19 at the Balance Sheet date has been paid on respective due dates.
3. American Life Insurance Company Nepal is a branch of American Life Insurance Company which is incorporated under the laws of the United State of America. The branch does not have any share capital.
4. Company is compliant with the requirement of Solvency Margin Directive and maintains 327% solvency margin as of 2076 Ashad end (16 July 2019).
5. A. Value of assets included in the insurer's financial statement on the date of balance sheet is not above the realizable/market value of the assets.
B. Investments are valued as per method given in financial directives of Insurance Board.
6. Company has made all its investment within the provisions of the existing laws.
7. Company has adequate re-insurance arrangement for insurance risks, and other situational risks are being closely monitored. Required actions are being taken in consultation with RO/HO.
8. American Life Insurance Company, Nepal is an independent branch and it does not have to share any part of risk arising from the business operated in other territories. ALICO is a subsidiary of MetLife Inc, HO/RO and offices operated in different countries are as under:

ALICO – HO	China	Jordan and PNA	Serbia
Wilmington, USA	Colombia	Kuwait	Slovakia
	Cyprus	Korea	Spain
Regional Office	Czech Republic	Lebanon	Turkey
Hong Kong	Egypt	Mexico	Ukraine
Other MetLife Operations	France	Malaysia	United Arab Emirates
Argentina	Greece	Oman	United Kingdom
Australia	Hungary	Poland	Uruguay
Bahrain	Hong Kong	Portugal	Unites State of America
Bangladesh	Ireland	Qatar	Vietnam
Brazil	India	Romania	
Bulgaria	Italy	Russia	
Chile	Japan	Saudi Arabia	

9. Total number of paid claim is 5527. Detail of total outstanding claims number is as follows.

Fiscal Year	2070/71	2071/72	2072/73	2073/74	2074/75	2075/76
Par Product	76	100	39	34	3	7
Term Product	412	585	242	206	135	167

10. The financial statements are prepared in accordance with generally accepted accounting practices in Nepal, The Insurance Act, 2049 BS, The Insurance Regulations 2049 BS and guidelines issued by the Insurance Board and unless otherwise stated, is based on historical cost convention and accrual basis of accounting. The financial statements present transactions of Nepal branch only. Additional financial statement has been separately prepared based on Nepal Financial Reporting Standards (NFRS).
11. a. In preparing the financial statements the appropriate financial policies are applied and uniformity is maintained which has been tested and appropriateness is found.
b. The financial statement gives true & fair picture of all the financial conditions of the Company including profit and loss as of balance sheet date.
12. It is declared that the control mechanism and processes are in place which is sufficient and effective to safeguard the Company's assets and to control the fraud and misappropriations.
13. Financial statements are prepared in accordance with 'going concern basis'.
14. Company has strong, effective, reliable and independent internal audit unit at Local and RO/HO level which is conducting internal audit periodically on regular basis. It has been found quite effective as a controlling mechanism for normal operation of the business activities.
15. Company has not done business with any person, firm, company, and with its director or institution having interest of the directors which is against the existing Insurance Act, 2049, Company Act, 2063 and regulations, orders and directives under it.
16. Company is compliant with Anti money laundering Act 2064 and its directive, rules, by-laws and policies.
17. The company received approval of its actuarial valuation report for 2075-76 (2018-19) on 5 March 2020 (Falgun 22, 2076). Shareholders' portion of Profit (before allocation for proposed dividend) for the year arising from the actuarial valuation together with Profits from non-participating portfolio amounts to NPR. 385,246,623. Out of this distributable profit, the company has proposed cash dividend of NPR 170,000,000/- for the year. The balance profit of NPR 215,246,623 has been transferred to reserve & surplus in the financial statement.

Insurance Board in its letter Bi.Bi.Sha 239/ (2072/73) dispatch no. 3087 dated 2 April 2016, advised the company to create catastrophic reserve equal to 10% of amount available for appropriation. Accordingly NPR 55,209,464 has been transferred to catastrophic reserve account.

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To
VP and General Manager
American Life Insurance Company-Nepal Branch

Auditor's Report on the financial statements for the year ended 31st Ashad 2076 (July 16, 2019)

We had audited the financial statements of American Life Insurance Company-Nepal Branch for the year ended July 16, 2019 (Ashad 31, 2076) and had issued our audit opinion on January 10, 2020. In response to the request for approval of the financial statements, Reema Samiti provided in-principle approval of the financial statements for actuarial valuation purposes vide letter dated 2076/06/15 (October 2, 2019). Upon submission of the actuarial valuation report by the company, Beema Samiti, provided approval for allocation of actuarial valuation surplus to the shareholders' fund and bonus to the insured vide letter dated 2076/11/22 (March 5, 2020). The attached financial statements for the year ending July 16, 2019 have been updated adjusting the proposed dividend from NPR 180,779,571 to NPR 170,000,000 in order to maintain minimum assigned capital as per requirement of section 8 of Insurer's Registration and Insurance Business Directive, 2073.

Changes in the financial statements due to the adjustments mentioned above do not have material impact on the true and fair view of the financial position of the company as of July 16, 2019 (Ashad 31, 2076) and its financial performance and cash flows for the year then ended. Hence, those changes do not require any change in our audit opinion issued on January 10, 2020.

Date: April 29, 2020
Place: Kathmandu


Jitendra Kumar Mishra
Partner



American Life Insurance Company

Balance Sheet as on 31st Ashad 2076 (16 July, 2019)

Amount in NPR.

SN	Particulars	Anx.	This Year	Last Year
<u>SOURCES</u>				
1	Paid-up Capital	16	-	-
2	Reserve and Surplus	17	2,142,119,896	1,809,136,593
3	Life Insurance Fund	11	16,283,445,176	14,866,331,214
4	Catastrophe Reserve	18	207,442,187	152,232,723
5	Long Term loans and Borrowings	19	-	-
	Total Sources		18,633,007,259	16,827,700,530
<u>USES</u>				
6	Fixed Assets (Net)	20	51,671,959	47,790,429
7	Long Term Investments	21	2,735,525,000	1,761,325,036
8	Policy Loans	3	903,226,195	886,045,002
9	Other Long Term Loans	23	1,888,680	2,517,074
	<u>Current Assets, Loans and Advances</u>			
10	Cash & Bank Balances	22	121,348,153	8,402,334
11	Short Term Investments	21	15,904,082,044	14,738,947,100
12	Other Short Term Loans	23	-	-
13	Other Assets	24	702,768,730	577,821,364
	Total (A) (10+11+12+13)		16,728,198,927	15,325,170,798
	<u>Current Liabilities and Provisions:</u>			
14	Current Liabilities	25	286,097,609	216,648,732
15	Provision for Unexpired Risks	26	407,841,489	305,405,928
16	Claims Payable	9	394,855,526	222,208,146
17	Other Provisions	26A	699,468,139	455,214,308
	Total (B) (14+15+16+17)		1,788,262,763	1,199,477,114
18	Net Current Assets (C)= A-B		14,939,936,164	14,125,693,684
19	Miscellaneous Expenses (To the extent not Written off)	27	759,261	4,329,305
20	Loss Transferred from P&L Account			
	Total Uses (6+7+8+9+18+19+20)		18,633,007,259	16,827,700,530
Contingent liabilities and annexure 3, 9, 11 and 16 to 29 are integral part of this.				
<u>Contingent Liabilities</u>				
SN	Particular		This Year	Last Year
1	Investment remaining for settlement		-	-
2	Underwriting Commitment		-	-
3	Claim other than insurance business not accepted by the company		-	-
4	Guarantee issued by insured or on behalf of insured.		-	-
5	Others		-	-
	Total		-	-

As per our report of even date

.....
Rajiv Kumar Pathak
Chief Financial Officer

.....
Nirmal Kajee Shrestha
VP and General Manager

.....
Jitendra Kumar Mishra
Partner
CSC & Co.
Chartered Accountants

Date: 29 April 2020
Place: Lalitpur, Nepal

American Life Insurance Company

Profit & Loss Account for the Fiscal Year 2075/76 (2018-19)

Amount in NPR.

SN	Particulars	Anx.	This Year	Last Year
INCOME				
1	Transferred from Revenue A/c	10	232,982,665	221,906,717
2	Transferred from Life Fund	11	300,211,959	341,456,162
3	Income from Investment, Loan and Others	2	188,933,397	128,332,499
4	Written Back Provision	12	-	-
5	Other Income		-	-
Total Income (A)			722,128,021	691,695,378
EXPENSE				
6	Management Expense	7	43,535,410	36,560,657
7	Written off Expense	13	-	-
8	Share Issue Expense	13A	-	-
9	Other Expense	14	400,093	-
10	Provision for Loss	15	-	-
11	Provision for Housing Fund	26A	-	-
12	Provision for Staff Bonus	26A	67,819,252	59,557,702
13	Adjusted Income Tax (A)	8		
14	B) Income tax		27,639,717	16,723,369
15	C) Deferred Tax Assets / (Liabilities)		(6,098,127)	20,522,803
16	Transfer to Life Fund	11	30,638,909	-
Total Expense (B)			163,935,254	133,364,531
17	Net Profit / (Loss) (C) = A-B		558,192,767	558,330,847
18	Expenses Related with Last Years		-	-
19	Profit/(Loss) Transferred from Last Year		815,369,208	406,067,092
Amount for Allocation			1,373,561,975	964,397,939
20	A) Deferred Tax Reserve	17	6,098,127	(20,522,803)
	B) Capital Reserve	17	-	-
	C) Special Reserve	17	-	-
	D) Other Reserve - (Capital Fund)	17	111,638,553	111,666,169
	E) Proposed Dividend			-
	a) Bonus Share	17	-	-
	b) Cash Dividend	26A	170,000,000	-
F) Catastrophe Reserve	18	55,209,464	57,885,365	
22	Profit/(Loss) Transferred to Balance Sheet		1,030,615,831	815,369,208

Annexure 2,7,8 & 10 to 15, 17 & 18 are integral part of this.

As per our report of even date.

.....
Rajiv Kumar Pathak
Chief Financial Officer

.....
Nirmal Kajee Shrestha
VP and General Manager

.....
Jitendra Kumar Mishra
Partner
CSC & Co.
Chartered Accountants

Date: 29 April 2020
Place: Lalitpur, Nepal

American Life Insurance Company

Consolidated Revenue Account for the Fiscal Year 2075/76 (2018-19)

Amount in NPR.

SN	Particulars	Anx.	This Year	Last Year
INCOME				
1	Premium (Net)	1	4,071,224,476	3,542,869,818
2	Re-insurance Commission Income		85,327,014	48,584,242
3	Investment, Loan and Other Income	2	1,535,700,022	1,350,331,645
4	Income from Policy Loan	3	110,728,480	102,920,470
5	Other Direct Income		4,373,593	4,398,968
6	Provision for Outstanding Claim at the Beginning of the Fiscal Year		222,208,146	170,290,275
7	Provision for Unexpired Risks at the Beginning of the Fiscal Year		305,405,928	265,591,470
	Total Income (A)		6,334,967,659	5,484,986,888
EXPENDITURE				
8	Claim Payment (Net)	4	2,526,788,586	1,467,039,569
9	Agent Commission	5	430,762,253	363,386,204
10	Medical Examination Fee		3,587,914	3,072,595
11	Re-insurance Commission Expenses		-	-
12	Service Fee (Net)	6	42,195,144	36,271,603
13	Other Direct Expenses		-	-
14	Management Expenses	7	391,818,692	329,045,915
15	Income Tax	8	217,448,378	186,698,222
16	Provision for Outstanding Claim at the End of the Fiscal Year	9	394,855,526	222,208,146
17	Provision for Unexpired Risks at the End of the Fiscal Year		407,841,489	305,405,928
	Total Expenditure (B)		4,415,297,982	2,913,128,182
18	Surplus Transferred to Life Insurance Fund		1,686,687,012	2,349,951,989
19	Surplus (Loss) Transferred to Profit & Loss A/c		232,982,665	221,906,717

Annexure 1-9 are integral part of this.

As per our report of even date.

.....
Rajiv Kumar Pathak
Chief Financial Officer

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Nirmal Kajee Shrestha
VP and General Manager

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Jitendra Kumar Mishra
Partner
CSC & Co.
Chartered Accountants

Date: 29 April 2020
Place: Lalitpur, Nepal

American Life Insurance Company

Revenue Account of Anticipated Endowment Policy for the Fiscal Year 2075/76 (2018-19)

Amount in NPR.

SN	Particulars	Anx	This Year	Last Year
INCOME				
1	Premium (Net)	1	515,226,259	595,621,047
2	Re-insurance Commission Income		311,768	6,951,197
3	Investment, Loan and Other Income	2	362,946,847	371,581,484
4	Income from Policy Loan	3	35,306,108	60,228,446
5	Other Direct Income		3,619,246	3,660,097
6	Provision for Outstanding Claim at the Beginning of the Fiscal Year		77,491,560	34,632,906
7	Provision for Unexpired Risks at the Beginning of the Fiscal Year		-	-
	Total Income (A)		994,901,788	1,072,675,177
EXPENDITURE				
8	Claim Payment (Net)	4	1,215,585,865	727,821,439
9	Agent Commission	5	15,313,315	17,736,429
10	Medical Examination Fee		91,842	592,979
11	Re-insurance Commission Expense		-	-
12	Service Fee (Net)	6	5,171,854	6,072,083
13	Other Direct Expense		-	-
14	Management Expense	7	51,941,436	59,425,312
15	Income Tax	8	59,121,187	56,883,493
16	Provision for Outstanding Claim at the End of the Fiscal Year	9	128,934,729	77,491,560
17	Provision for Unexpired Risks at the End of the Fiscal Year		-	-
	Total Expenditure (B)		1,476,160,228	946,023,295
18	Surplus Transferred to Life Insurance Fund		(481,258,440)	126,651,882
19	Surplus (Loss) Transferred to Profit & Loss A/c		-	-

Annexure 1-9 are integral part of this.

As per our report of even date.

.....
Rajiv Kumar Pathak
Chief Financial Officer

.....
Nirmal Kajee Shrestha
VP and General Manager

.....
Jitendra Kumar Mishra
Partner
CSC & Co.
Chartered Accountants

Date: 29 April 2020
Place: Lalitpur, Nepal

American Life Insurance Company

Revenue Account of Endowment Policy for the Fiscal Year 2075/76 (2018-19)

Amount in NPR.

SN	Particulars	Anx	This Year	Last Year
INCOME				
1	Premium (Net)	1	740,443,867	718,950,752
2	Re-insurance Commission Income		103,590	8,390,517
3	Investment, Loan and Other Income	2	625,193,301	608,653,904
4	Income from Policy Loan	3	59,120,378	34,959,170
5	Other Direct Income		740,982	736,176
6	Provision for Outstanding Claim at the Beginning of the Fiscal Year		98,435,975	105,215,846
7	Provision for Unexpired Risks at the Beginning of the Fiscal Year		-	-
	Total Income (A)		1,524,038,093	1,476,906,365
EXPENDITURE				
8	Claim Payment (Net)	4	923,154,109	473,906,701
9	Agent Commission	5	54,204,434	49,130,774
10	Medical Examination Fee		379,298	715,762
11	Re-insurance Commission Expense		-	-
12	Service Fee (Net)	6	7,418,455	7,329,373
13	Other Direct Expense		-	-
14	Management Expense	7	71,141,429	68,932,476
15	Income Tax	8	105,323,584	98,352,181
16	Provision for Outstanding Claim at the End of the Fiscal Year	9	170,159,725	98,435,975
17	Provision for Unexpired Risks at the End of the Fiscal Year		-	-
	Total Expenditure (B)		1,331,781,034	796,803,242
18	Surplus Transferred to Life Insurance Fund		192,257,059	680,103,123
19	Surplus (Loss) Transferred to Profit & Loss A/c		-	-

Annexure 1-9 are integral part of this.

As per our report of even date.

.....
Rajiv Kumar Pathak
Chief Financial Officer

.....
Nirmal Kajee Shrestha
VP and General Manager

.....
Jitendra Kumar Mishra
Partner
CSC & Co.
Chartered Accountants

Date: 29 April 2020
Place: Lalitpur, Nepal

American Life Insurance Company

Revenue Account of Other Policy (Future Care-DPS) for the Fiscal Year 2075/76 (2018-19)

Amount in NPR.

SN	Particulars	Anx	This Year	Last Year
INCOME				
1	Premium (Net)	1	2,174,720,019	1,771,710,666
2	Re-insurance Commission Income		67,263,566	20,676,754
3	Investment, Loan and Other Income	2	477,861,885	316,954,185
4	Income from Policy Loan	3	16,301,994	7,732,854
5	Other Direct Income		11,950	1,119
6	Provision for Outstanding Claim at the Beginning of the Fiscal Year		10,738,495	6,149,440
7	Provision for Unexpired Risks at the Beginning of the Fiscal Year		-	-
	Total Income (A)		2,746,897,909	2,123,225,018
EXPENDITURE				
8	Claim Payment (Net)	4	152,187,304	103,427,700
9	Agent Commission	5	315,005,655	260,902,340
10	Medical Examination Fee		2,729,475	1,763,853
11	Re-insurance Commission Expense		-	-
12	Service Fee (Net)	6	22,848,663	18,061,778
13	Other Direct Expense		-	-
14	Management Expense	7	203,626,244	155,759,787
15	Income Tax	8	52,131,365	29,374,080
16	Provision for Outstanding Claim at the End of the Fiscal Year	9	22,680,810	10,738,495
17	Provision for Unexpired Risks at the End of the Fiscal Year		-	-
	Total Expenditure (B)		771,209,516	580,028,033
18	Surplus Transferred to Life Insurance Fund		1,975,688,393	1,543,196,985
19	Surplus (Loss) Transferred to Profit & Loss A/c		-	-

Annexure 1-9 are integral part of this.

As per our report of even date.

.....
Rajiv Kumar Pathak
Chief Financial Officer

.....
Nirmal Kajee Shrestha
VP and General Manager

.....
Jitendra Kumar Mishra
Partner
CSC & Co.
Chartered Accountants

Date: 29 April 2020
Place: Lalitpur, Nepal

American Life Insurance Company

Revenue Account of Micro Insurance Policy for the Fiscal Year 2075/76 (2018-19)

Amount in NPR.

SN	Particulars	Anx	This Year	Last Year
INCOME				
1	Premium (Net)	1	368,020,109	247,247,146
2	Re-insurance Commission Income		-	-
3	Investment, Loan and Other Income	2	37,534,581	19,304,109
4	Income from Policy Loan	3	-	-
5	Other Direct Income		-	-
6	Provision for Outstanding Claim at the Beginning of the Fiscal Year		719,268	-
7	Provision for Unexpired Risks at the Beginning of the Fiscal Year		182,415,711	-
	Total Income (A)		588,689,669	266,551,255
EXPENDITURE				
8	Claim Payment (Net)	4	134,352,586	19,491,250
9	Agent Commission	5	30,705,923	23,775,187
10	Medical Examination Fee		-	-
11	Re-insurance Commission Expense		-	-
12	Service Fee (Net)	6	3,680,201	2,472,471
13	Other Direct Expense		-	-
14	Management Expense	7	34,916,848	22,551,139
15	Income Tax	8	497,623	-
16	Provision for Outstanding Claim at the End of the Fiscal Year	9	46,849,187	719,268
17	Provision for Unexpired Risks at the End of the Fiscal Year		247,690,774	182,415,711
	Total Expenditure (B)		498,693,142	251,425,026
18	Surplus Transferred to Life Insurance Fund		-	-
19	Surplus (Loss) Transferred to Profit & Loss A/c		89,996,527	15,126,229

Annexure 1-9 are integral part of this.

As per our report of even date.

.....
Rajiv Kumar Pathak
Chief Financial Officer

.....
Nirmal Kajee Shrestha
VP and General Manager

.....
Jitendra Kumar Mishra
Partner
CSC & Co.
Chartered Accountants

Date: 29 April 2020
Place: Lalitpur, Nepal

American Life Insurance Company

Revenue Account of Term Insurance Policy for the Fiscal Year 2075/76 (2018-19)

Amount in NPR.

SN	Particulars	Anx	This Year	Last Year
4	INCOME			
1	Premium (Net)	1	272,814,222	209,340,207
2	Re-insurance Commission Income		17,648,090	12,565,774
3	Investment, Loan and Other Income	2	32,163,408	33,837,963
4	Income from Policy Loan	3	-	-
5	Other Direct Income		1,415	1,576
6	Provision for Outstanding Claim at the Beginning of the Fiscal Year		34,822,848	24,292,083
7	Provision for Unexpired Risks at the Beginning of the Fiscal Year		122,990,217	265,591,470
	Total Income (A)		480,440,200	545,629,073
	EXPENDITURE			
8	Claim Payment (Net)	4	101,508,722	142,392,479
9	Agent Commission	5	15,532,926	11,841,474
10	Medical Examination Fee		387,299	-
11	Re-insurance Commission Expense		-	-
12	Service Fee (Net)	6	3,075,971	2,335,898
13	Other Direct Expense			-
14	Management Expense	7	30,192,735	22,377,201
15	Income Tax	8	374,619	2,088,468
16	Provision for Outstanding Claim at the End of the Fiscal Year	9	26,231,075	34,822,848
17	Provision for Unexpired Risks at the End of the Fiscal Year		160,150,715	122,990,217
	Total Expenditure(B)		337,454,062	338,848,585
18	Surplus Transferred to Life Insurance Fund		-	-
19	Surplus (Loss) Transferred to Profit & Loss A/c		142,986,138	206,780,488

Annexure 1-9 are integral part of this.

As per our report of even date.

.....
Rajiv Kumar Pathak
Chief Financial Officer

.....
Nirmal Kajee Shrestha
VP and General Manager

.....
Jitendra Kumar Mishra
Partner
CSC & Co.
Chartered Accountants

Date: 29 April 2020
Place: Lalitpur, Nepal

American Life Insurance Company

Cash Flow Statement for the Period of 1st Shrawan 2075 to 31st Ashad 2076

(16 July, 2018 to 16 July, 2019)

Amount in NPR.

SN	Particulars	This Year	Last Year
A	<u>Cash Flow from Operating Activities</u>		
	Premium Income	4,219,514,339	3,627,160,362
	Late Fee Income	4,373,593	4,398,968
	Reinsurance Premium Income		
	Reinsurance Commission Income	85,327,014	48,584,242
	Other Direct Income		
	Claim Recovered from Re-insurance	39,184,598	25,293,709
	Re-insurance Premium Payment	(148,289,863)	(84,290,544)
	Re-insurance Commission Payments		
	Agent Commission Payment	(430,762,253)	(363,386,204)
	Medical Exam Fee Payments	(3,587,914)	(3,072,595)
	Death Claim Paid	(340,058,794)	(241,807,909)
	Maturity Claim paid	(1,881,758,985)	(935,577,527)
	Partial Maturity Claim Paid	(109,959,054)	(131,771,798)
	Surrender Claim Paid	(233,672,852)	(181,483,674)
	Other Claim Paid	(1,768,965)	(1,692,370)
	Service Fee Paid	(36,271,603)	(30,861,294)
	Other Direct Expenses	(400,093)	
	Management Expenses Paid	(411,230,607)	(365,606,572)
	Employee Bonus Payment	(59,355,419)	(45,123,177)
	Income Tax Paid	(203,421,592)	(54,208,940)
	Current Assets (increase)/ Decrease	(99,037,037)	(157,930,180)
	Current Liabilities Increase / (Decrease)	69,448,877	25,386,669
	Net Cash Flow from Operating Activities (A)	458,273,390	1,134,011,166
B	<u>Cash flow from Investment Activities</u>		
	Decrease (Increase) in Fixed Assets	(3,881,530)	(1,782,022)
	Decrease (Increase) in Government Securities	142,050,036	-
	Decrease (Increase) in FD of Bank & Financial Institutions	(2,263,138,885)	(2,611,128,280)
	Decrease (Increase) in Other Deposit of Bank & Financial institutions	(18,046,059)	(189,353,273)
	Decrease (Increase) in Equity Share Investment	(200,000)	-
	Decrease (Increase) in Preference Share/debenture		
	Decrease (Increase) in Other Investment		
	Decrease (Increase) in Policy Loan	(17,181,193)	(57,786,616)
	Decrease (Increase) in Advance & Other Loans	628,394	(600,846)
	Interest Received (Investment)	1,710,950,456	1,488,166,663
	Dividend Received		-
	Rent Income		-
	Interest Received (Loan)	106,253,347	102,920,471
	Other Indirect Income/Expenses	(2,762,137)	(3,362,515)
	Net Cash Flow from Investment Activities (B)	(345,327,571)	(1,272,926,418)
C	<u>Cash Flow from Financial Activities</u>		
	Amount Received from Share	-	-
	Decrease/(Increase) in payable of lending	-	-
	Decrease/(Increase) in Short Term Loan	-	-
	Interest paid on Loan	-	-
	Dividend Paid	-	-
	Net Cash Flow from Financial activities (C)	-	-
	Net Cash Flow from the All Activities = A+B+C	112,945,819	(138,915,252)
	Opening Cash & Bank Balance	8,402,334	147,317,586
	Closing Cash & Bank Balance	121,348,153	8,402,334

As per our report of even date.

.....
Rajiv Kumar Pathak
Chief Financial Officer

.....
Nirmal Kajee Shrestha
VP and General Manager

.....
Jitendra Kumar Mishra
Partner
CSC & Co.
Chartered Accountants

Date: 29 April 2020
Place: Lalitpur, Nepal

American Life Insurance Company

Statement of Changes in Equity for the Fiscal Year 2075/76 (2018-19)

Amount in NPR.

Particulars	Share Capital	Accumulated profit/loss	Proposed Bonus Share	Capital Reserve Fund	Share Premium	Special Reserve Fund	Other Reserve & Fund	Catastrophe Reserve	Total Amount
Opening Balance	-	1,593,434,682	-	-	-	15,000,000	200,701,911	152,232,723	1,961,369,316
Profit of This Year	-	558,192,767	-	-	-	-	-	-	558,192,767
Proposed Cash Dividend	-	(170,000,000)	-	-	-	-	-	-	(170,000,000)
Deferred Tax Adjustment	-	(6,098,127)	-	-	-	-	6,098,127	-	-
Capital Fund	-	(111,638,553)	-	-	-	-	111,638,553	-	-
Catastrophe Reserve	-	(55,209,464)	-	-	-	-	-	55,209,464	-
Closing Balance	-	1,808,681,305	-	-	-	15,000,000	318,438,591	207,442,187	2,349,562,083

.....

 Rajiv Kumar Pathak
 Chief Financial Officer

.....

 Nirmal Kajee Shrestha
 VP and General Manager

.....

 Jitendra Kumar Mishra
 Partner
 CSC & Co.
 Chartered Accountants

Date: 29 April 2020
 Place: Lalitpur, Nepal

Integral Parts of the Financial Statement are:

A. Insurance Premium (Net)

Annexure- 1

Amount in NPR.

SN	Type of Insurance	Gross Insurance Premium		RI Premium Paid (Ceded)		Insurance Premium (net)	
		This Year	Last Year	This Year	Last Year	This Year	Last Year
1	Anticipated Endowment Policy	517,185,361	607,208,342	1,959,102	11,587,295	515,226,259	595,621,047
2	Endowment Policy	741,845,453	732,937,321	1,401,586	13,986,569	740,443,867	718,950,752
3	Other Policy	2,284,866,302	1,806,177,774	110,146,283	34,467,108	2,174,720,019	1,771,710,666
4	Micro Insurance Policy	368,020,109	247,247,146	-	-	368,020,109	247,247,146
5	Term Insurance Policy	307,597,114	233,589,779	34,782,892	24,249,572	272,814,222	209,340,207
	Total	4,219,514,339	3,627,160,362	148,289,863	84,290,544	4,071,224,476	3,542,869,818

B. Gross Insurance Premium

SN	Type of Insurance	Direct Insurance Premium		Received Re-insurance Premium (Accepted)		Gross Insurance Premium	
		This Year	Last Year	This Year	Last Year	This Year	Last Year
1	Anticipated Endowment Policy	517,185,361	607,208,342	-	-	517,185,361	607,208,342
2	Endowment Policy	741,845,453	732,937,321	-	-	741,845,453	732,937,321
3	Other Policy	2,284,866,302	1,806,177,774	-	-	2,284,866,302	1,806,177,774
4	Micro Insurance Policy	368,020,109	247,247,146	-	-	368,020,109	247,247,146
5	Term Insurance Policy	307,597,114	233,589,779	-	-	307,597,114	233,589,779
	Total	4,219,514,339	3,627,160,362	-	-	4,219,514,339	3,627,160,362

C. Direct Insurance Premium

SN	Type of Insurance	First Year Insurance Premium		Renewal Insurance Premium		Single Insurance Premium		Total Direct Insurance Premium	
		This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year
1	Anticipated Endowment Policy	28,758,424	28,450,991	488,426,937	578,757,351	-	-	517,185,361	607,208,342
2	Endowment Policy	118,769,416	110,910,545	623,076,037	622,026,776	-	-	741,845,453	732,937,321
3	Other Policy	854,680,480	798,390,859	1,430,185,822	1,007,786,915	-	-	2,284,866,302	1,806,177,774
4	Micro Insurance Policy	-	-	-	-	368,020,109	247,247,146	368,020,109	247,247,146
5	Term Insurance Policy	121,274,973	83,392,578	132,626,008	87,885,647	53,696,133	62,311,554	307,597,114	233,589,779
	Total	1,123,483,293	1,021,144,973	2,674,314,804	2,296,456,689	421,716,242	309,558,700	4,219,514,339	3,627,160,362

Income from Investment, Loan & Other Sources

Annexure - 2

Amount in NPR.

SN	Particulars	This Year	Last Year
1	Income from Government & Secured Government securities	104,207,113	109,564,455
2	Income from Commercial Bank's Fixed Deposit (FD)	1,618,468,753	1,369,236,800
3	Income from Development Bank's Fixed Deposit (FD)	48,219	
4	Income from Citizen Investment Trust Scheme		
5	Income from Financial Institutions' Fixed Deposit (FD)		
6	Dividend from Housing Development Company's Equity Share		
7	Dividend from Other Public Company's Equity Share		
8	Dividend from Bank & Financial Institution's Preference Share		
9	Income from Bank & Financial Institution's Debenture		
10	Other Income		
	a. Foreign Currency Exchange Revaluation Gain/Loss	(34,384)	1,175,094
	b. Policy Charges & Misc.	51,629	80,475
11	Income from Loan		
12	Income from Other Deposit (Except FD)	2,717,241	1,977,137
13	Profit on Sales of Investment		
	Less: Loss on Sale of Investment		
14	Profit on (Purchase) Investment.		
	Less: Loss on (Purchase) Investment.	(3,570,044)	(4,073,105)
15	Profit on Sales of Fixed Assets	2,068,390	493,482
	Less: Loss on Sales of Fixed Assets	(46,320)	-
16	Account Written Off	-	-
17	Income Related to Last year	-	-
18	Other Income	722,822	209,806
	Total	1,724,633,419	1,478,664,144
	Appropriation of Income from Investment, Loan & Other Source		
1	Transfer to Profit & Loss Accounts	188,933,397	128,332,499
2	Transfer to Anticipated Endowment Revenue Account	362,946,847	371,581,484
3	Transfer to Endowment Revenue Account	625,193,301	608,653,904
4	Transfer to Other Policy Revenue Account	477,861,885	316,954,185
5	Transfer to Micro Insurance Revenue Account	37,534,581	19,304,109
6	Transfer to Term Insurance Revenue Account	32,163,408	33,837,963
	Total	1,724,633,419	1,478,664,144

Policy Loan and Interest Income

Annexure - 3

Amount in NPR.

SN	Type of Insurance	Policy Loan		Interest Income on Policy Loan	
		This Year	Last Year	This Year	Last Year
1	Anticipated Endowment Policy	250,859,339	518,508,258	35,306,108	60,228,446
2	Endowment Policy	500,921,810	300,964,404	59,120,378	34,959,170
3	Other Policy	151,445,046	66,572,340	16,301,994	7,732,854
4	Micro Insurance Policy	-	-	-	-
5	Term Insurance Policy	-	-	-	-
	Total	903,226,195	886,045,002	110,728,480	102,920,471

Claim Paid

Annexure - 4

Amount in NPR.

SN	Type of Insurance	Death Claim Paid		Maturity Claim Paid		Partial Maturity Claim Paid		Surrender Claims Paid		Other Claim paid		Total Claim Paid		RI Portion in Claim Paid		Claim Paid (net)	
		This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year
1	Anticipated Endowment Policy	11,110,182	16,147,696	1,047,195,774	528,406,773	109,959,054	131,771,798	48,096,595	52,155,056	-	-	1,216,361,605	728,481,323	775,740	659,884	1,215,585,865	727,821,439
2	Endowment Policy	14,085,629	7,777,956	807,720,850	370,575,101		-	100,802,728	101,164,495	1,389,767	1,423,224	923,998,974	480,940,776	844,865	7,034,075	923,154,109	473,906,701
3	Other Policy	67,319,729	48,770,139	26,842,361	36,595,653		-	84,773,529	28,164,123	-	-	178,935,619	113,529,915	26,748,315	10,102,215	152,187,304	103,427,700
4	Micro Insurance Policy	134,352,586	19,491,250	-	-	-	-	-	-	-	-	134,352,586	19,491,250	-	-	134,352,586	19,491,250
5	Term Insurance Policy	113,190,668	149,620,868	-	-	-	-	-	-	379,198	269,146	113,569,866	149,890,014	12,061,144	7,497,535	101,508,722	142,392,479
	Total	340,058,794	241,807,909	1,881,758,985	935,577,527	109,959,054	131,771,798	233,672,852	181,483,674	1,768,965	1,692,370	2,567,218,650	1,492,333,278	40,430,064	25,293,709	2,526,788,586	1,467,039,569

Agent Commission

Annexure - 5

Amount in NPR.

SN	Types of Insurance	Agent Commission on First Year Premium		Agent Commission on Renewal Premium		Agent Commission on Single Premium		Total Agent Commission	
		This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year
1	Anticipated Endowment Policy	6,404,390	6,809,033	8,908,925	10,927,396	-	-	15,313,315	17,736,429
2	Endowment Policy	28,757,598	25,662,575	25,446,836	23,468,199	-	-	54,204,434	49,130,774
3	Other Policy	177,326,838	149,780,362	137,678,817	111,121,978	-	-	315,005,655	260,902,340
4	Micro Insurance Policy	-	-	-	-	30,705,923	23,775,187	30,705,923	23,775,187
5	Term Insurance Policy	8,421,880	6,423,374	3,617,819	2,540,463	3,493,227	2,877,637	15,532,926	11,841,474
Total		220,910,706	188,675,344	175,652,397	148,058,036	34,199,150	26,652,824	430,762,253	363,386,204

Service Fee (Net)

Annexure - 6

Amount in NPR.

SN	Types of Insurance	Gross Service Fee		Reinsurance Portion in Gross Service Fee		Service Fee (Net)	
		This Year	Last Year	This Year	Last Year	This Year	Last Year
1	Anticipated Endowment Policy	5,171,854	6,072,083	-	-	5,171,854	6,072,083
2	Endowment Policy	7,418,455	7,329,373	-	-	7,418,455	7,329,373
3	Other Policy	22,848,663	18,061,778	-	-	22,848,663	18,061,778
4	Micro Insurance Policy	3,680,201	2,472,471	-	-	3,680,201	2,472,471
5	Term Insurance Policy	3,075,971	2,335,898	-	-	3,075,971	2,335,898
Total		42,195,144	36,271,603	-	-	42,195,144	36,271,603

Management Expenses

Annexure - 7

Amount in NPR.

SN	Particulars	This Year	Last Year
1	Employee Expenses (Anx 7.1)	155,698,543	122,822,205
2	Building Rent	29,726,533	26,571,790
3	Water & Electricity	4,158,978	3,719,929
4	Repair & Maintenance		
	A. Building	-	-
	B. Motor Vehicle	509,303	768,953
	C. Office Equipment	22,780	54,524
	D. Others	1,575,714	1,365,669
5	Communication	9,173,599	8,117,590
6	Printing & Stationary	11,170,560	10,655,191
7	Office Expenses	1,230,607	1,644,222
8	Transportation	3,917,328	3,794,241
9	Travel Expenses (Including Allowance)		
	A. Internal	4,931,648	4,957,646
	B. International	471,008	2,877,431
10	Agents Training	4,392,718	14,424,611
11	Agents Other	125,636,748	101,276,091
12	Insurance Premium	1,455,923	908,856
13	Security & Outsourcing Expenses	43,424,688	29,253,059
14	Legal & Advisory Fees	722,298	617,412
15	Books & Periodicals	-	-
16	Advertisement & Promotion	7,707,878	7,192,566
17	Business Promotion	565,000	750,000
18	Guest Entertainments	-	-
19	Donation & Awards	-	-
20	Board Committee Expenses	-	-
	A. Meeting Allowance	-	-
	B. Others	-	-
21	Other Committee/Sub-Committee Expenses	-	-
	A. Meeting Allowance	-	-
	B. Others	-	-
22	General Meeting Related Expenses	-	-
23	A. Actuarial Service Fee	49,720	-
	B. Actuarial Expenses	-	-
24	Audit Related Expense	-	-
	A. Audit Fee	382,000	382,000
	B. Tax Audit Fee	55,000	55,000
	C. Long Form Audit Report Fee	25,000	25,000
	D. Other Fee	-	-
	E. Internal Audit Fee	-	-
	F. Other Expense	-	-
25	Interest	-	-
26	Bank Charge	2,328,642	2,079,521
27	Fee & Charges	1,246,315	80,715
28	Depreciation	19,674,308	16,883,893
29	Postal Stamps	4,805,777	4,210,078
30	Integration and Separation	-	-
31	Other	295,486	118,379
	Total for Appropriation	435,354,102	365,606,572

1	Transfer to Profit & Loss Account	43,535,410	36,560,657
2	Transfer to Anticipated Endowment Revenue Account	51,941,436	59,425,312
3	Transfer to Endowment Revenue Account	71,141,429	68,932,476
4	Transfer to Other Policy Revenue Account	203,626,244	155,759,787
5	Transfer to Micro Insurance Revenue Account	34,916,848	22,551,139
6	Transfer to Term Insurance Revenue Account	30,192,735	22,377,201
Total		435,354,102	365,606,572

Employee Expense**Annexure - 7.1**

SN	Particulars	This Year	Last Year
1	Salary	107,776,942	91,416,151
2	Allowance - OT	766,740	697,091
3	Dashain Expense	7,023,222	6,497,246
4	Providend Fund Contribution	5,920,770	4,853,599
5	Training Expense	3,113,024	3,161,435
6	Dress Allowance	-	-
7	Medical Expense	334,402	259,558
8	Insurance	1,759,556	2,378,982
9	Provision for Pension/Gratuity	21,603,788	7,590,987
10	Expenses & Provision for Leave Encashment	4,400,334	3,731,254
11	Provision for Other Facilities (Detail)	-	-
12	Relocation Expense	-	-
13	Recruting Expense	122,783	106,514
14	Employee Benefit Misc.	2,876,982	2,129,388
Total		155,698,543	122,822,205

Income Tax**Annexure - 8**

Amount in NPR.

SN	Particular	This Year	Last Year
1	Income Tax of This Year	245,088,095	203,421,592
2	Income Tax of Last Year	-	-
3	Total Income Tax for Allocation	245,088,095	203,421,592
4	Deferred Income Tax	(6,098,127)	20,522,803
Allocation			
	Transfer to Profit & Loss Accounts C= A+B	21,541,590	37,246,172
	A) Income Tax from Allocation	27,639,717	16,723,369
	B) Deferred Tax for This Year	(6,098,127)	20,522,803
	Transfer to Anticipated Endowment Revenue A/C	59,121,187	56,883,493
	Transfer to Endowment Revenue A/C	105,323,584	98,352,181
	Transfer to Other Policy Revenue A/C	52,131,365	29,374,080
	Transfer to Micro Insurance Revenue A/C	497,623	-
	Transfer to Term Insurance Revenue A/C	374,619	2,088,468
Total		238,989,968	223,944,394

Provision for Outstanding Claim at the end of the Fiscal Year

Annexure - 9

Amount in NPR.

SN	Type of Insurance	Outstanding Death Claim		Outstanding Maturity Claim		Outstanding Partial Maturity Claim		Outstanding Surrender Claim		Outstanding Other Claim		Claim Incurred but not Reported (Estimated)		Total Outstanding Claim		RI Portion in O/s Claim		Provision for Outstanding Claim	
		This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year
1	Anticipated Endowment Policy	-	148,499	108,427,430	63,535,363	2,488,148	3,700,103	-	-	-	-	1,381,813	-	112,297,391	67,383,966	-	-	128,934,729	77,491,560
2	Endowment Policy	31,163,496	31,934,321	115,734,710	51,636,844	-	-	-	-	-	-	1,226,789	2,329,135	148,124,994	85,900,300	-	-	170,159,725	98,435,975
3	Other Policy	4,659,346	3,378,446	2,534,249	5,279,833	-	-	-	-	-	-	15,953,642	1,081,474	23,147,237	9,739,753	1,545,466	300,000	22,680,810	10,738,495
4	Micro Insurance Policy	2,706,971	625,450	-	-	-	-	-	-	-	-	43,736,170	-	46,443,141	625,450	-	-	46,849,188	719,268
5	Term Insurance Policy	15,038,436	10,626,975	-	-	-	-	-	-	-	-	8,936,874	22,601,826	23,975,310	33,228,801	-	-	26,231,074	34,822,848
	Total	53,568,249	46,713,691	226,696,388	120,452,040	2,488,148	3,700,103	-	-	-	-	71,235,288	26,012,435	353,988,073	196,878,270	1,545,466	300,000	394,855,526	222,208,146

Amount Transferred from Revenue Accounts to P&L Account

Annexure - 10

Amount in NPR.

SN	Particulars	This Year	Last Year
1	Transferred from Anticipated Endowment Revenue Account	-	-
2	Transferred from Endowment Revenue Account	-	-
3	Transferred from Other Policy Insurance Revenue Account	-	-
4	Transferred from Micro Insurance Revenue Account	89,996,526	15,126,229
5	Transferred from Term Insurance Revenue Account	142,986,139	206,780,488
Total		232,982,665	221,906,717

Annexure -11

Life Insurance Fund

Amount in NPR.

SN	Types of Insurance	Life Insurance Fund before Adjustment (Beginning of the Year)		Transferred from Revenue Accounts		Transferred from P&L A/c		Transferred from Reserve A/c		Life fund Adjustment to align with latest Policy Liability Balance		Life Insurance Fund before Adjustment (End of the Year)	
		This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year
1	Anticipated Endowment Policy	4,586,939,525	4,493,615,271	(481,258,440)	126,651,881	29,910,831	-	-	-	-	-	4,135,591,916	4,620,267,152
2	Endowment Policy	7,011,558,708	6,388,664,067	192,257,059	680,103,123	728,078	-	-	-	-	-	7,204,543,845	7,068,767,190
3	Other Policy	3,267,832,981	1,975,556,048	1,975,688,393	1,543,196,985	-	-	-	-	-	-	5,243,521,374	3,518,753,033
4	Micro Insurance Policy	-	-	-	-	-	-	-	-	-	-	-	-
5	Term Insurance Policy	-	-	-	-	-	-	-	-	-	-	-	-
Total		14,866,331,214	12,857,835,386	1,686,687,012	2,349,951,989	30,638,909	-	-	-	-	-	16,583,657,135	15,207,787,375

Adjustment in Life Insurance Fund

Amount in NPR.

SN	Types of Insurance	Life insurance Fund before Adjustment (End of the Year)		Transfer to P&L Account		Liabilities for Policies		Provision for Bonus		Provision for Solvency Margin		Unallocated Amount		Life Insurance Fund at the End of Year	
		This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year
1	Anticipated Endowment Policy	4,135,591,916	4,620,267,152	-	33,327,628	1,964,462,221	1,736,584,467	1,828,116,223	2,005,985,348	-	-	343,013,472	844,369,710	4,135,591,916	4,586,939,525
2	Endowment Policy	7,204,543,845	7,068,767,190	-	57,208,482	4,047,379,520	3,625,121,391	2,111,131,542	1,962,997,066	-	-	1,046,032,780	1,423,440,251	7,204,543,845	7,011,558,708
3	Other Policy	5,243,521,374	3,518,753,033	300,211,959	250,920,052	4,943,309,418	3,267,832,981	-	-	-	-	-	-	4,943,309,415	3,267,832,981
4	Micro Insurance Policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Term Insurance Policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total		16,583,657,135	15,207,787,375	300,211,959	341,456,162	10,955,151,159	8,629,538,839	3,939,247,765	3,968,982,414	-	-	1,389,046,252	2,267,809,961	16,283,445,176	14,866,331,214

Reversal of Provision**Annexure - 12**

Amount in NPR.

SN	Particulars	This Year	Last Year
1	Reversal of Provision for Loss on Investment	-	-
2	Reversal of Loan loss Provision	-	-
3	Reversal of Provision for Doubtful Debt	-	-
4	Reversal Other Provision	-	-
Total		-	-

Expense Written Off**Annexure - 13**

Amount in NPR.

SN	Particulars	This Year	Last Year
1	Preliminary Expense	-	-
2	Pre-operating Expense	-	-
3	Deferred Expenditure	-	-
4	Investment Written off	-	-
5	Loan Written off	-	-
6	Debtors Written off	-	-
7	Other Written off	-	-
Total		-	-

Share Expense**Annexure- 13A**

Amount in NPR.

SN	Particulars	This Year	Last Year
1	Share Issue Expense	-	-
2	Share Registration Expense	-	-
3	Share Publication Expense	-	-
4	Dividend Distribution Expense	-	-
5	Other Expense	-	-
Total		-	-

Others Expense**Annexure - 14**

Amount in NPR.

SN	Particulars	This Year	Last Year
1	Fine and Penalty	400,093	-
2	Late Fee and Fine	-	-
3	Others	-	-
Total		400,093	-

Provision for Loss**Annexure - 15**

Amount in NPR.

SN	Particulars	This Year	Last Year
1	Provision for Loss on Investment	-	-
2	Loan Loss Provision	-	-
3	Provision for Doubtful Debt	-	-
4	Other Provision	-	-
Total		-	-

A. Share Capital

Annexure - 16

Amount in NPR.

SN	Particulars	This Year	Last Year
1	Authorized Capital		
	A.Equity Shares Worth Rs Each		
	B.Non Redeemable Preferred Worth Rs Each		
	C.Redeemable Preferred Worth Rs Each		
2	Issued Capital		
	A.Equity Shares Worth Rs Each		
	B.Non Redeemable Preferred Worth Rs Each		
	C.Redeemable Rpreferred Worth Rs Each		
3	Paid-up Capital		
	A.Equity Shares Worth Rs Each		
	Less: Receivable Paid up Shares worth		
	B.Non Redeemable Preferred Worth Rs Each		
	C.Redeemable Rpreferred Worth Rs Each		
Total		-	-

B. Ownership Structure of Share

Shareholders		This Year		Last Year	
		No. of Equity Share	Ownership %	No. of Equity Share	No. of Equity Share
Promoters	Nepali Organizations				
	Nepali Citizens				
	Foreign				
Total					
Public					
Other (Details)					
Total					

Details of one or more Percentage of Share Owner

SN	Particulars	This Year		Last Year	
		Ownership %	Amount	Ownership %	Amount

Fixed Assets

Annexure -20

Amount in NPR.

Particulars	Cost				Depreciation Deduction				Net Price	
	Opening Balance	This Year Addition	This Year Less	Total	Up to Last Year	This Year	Sales /Adj.	Total	Up to This Year	Up to Last Year
Land	-	-	-	-	-	-	-	-	-	-
Building	-	-	-	-	-	-	-	-	-	-
Furniture & Fixture	29,829,027	6,637,005	188,000	36,278,032	21,268,482	3,359,875	188,000	24,440,357	11,837,675	8,560,546
Office Equipments	14,928,486	1,974,529	85,750	16,817,265	9,242,231	3,132,473	85,750	12,288,954	4,528,311	5,686,255
Computer and EDP	39,937,957	3,464,233	2,012,124	41,390,066	32,333,114	3,018,478	1,941,612	33,409,980	7,980,086	7,604,843
Intangible Assets	3,545,407	2,575,383	-	6,120,790	2,045,783	866,016	-	2,911,799	3,208,991	1,499,624
Automobiles	46,234,945	8,975,200	4,439,167	50,770,978	21,795,784	9,297,466	4,439,167	26,654,083	24,116,895	24,439,161
Lease Hold Assets	3,021,860	-	-	3,021,860	3,021,860	-	-	3,021,860	-	-
Others	335,405	-	-	335,405	335,405	-	-	335,405	-	-
Total	137,833,087	23,626,350	6,725,041	154,734,396	90,042,658	19,674,308	6,654,529	103,062,437	51,671,959	47,790,429
Capital Expenditure -WIP	-	-	-	-	-	-	-	-	-	-
Grand Total	137,833,087	23,626,350		154,734,396	90,042,658	19,674,308	6,654,529	103,062,437	51,671,959	47,790,429
Last Year	120,376,650	21,161,746	3,705,311	137,833,086	74,368,243	16,883,893	1,209,478	90,042,658	47,790,427	46,008,407

Investments
Annexure -21

Amount in NPR.

SN	Particulars	This Year	Last Year
a.	<u>Long Term Investments:</u>		
1	Government Securities	1,685,325,000	1,761,325,036
2	Fixed Deposit with Commercial Bank	1,050,000,000	-
3	Fixed Deposit with Development Bank	-	-
4	Citizen Investment Plan	-	-
5	Fixed deposit with Financial Institution	-	-
6	Equity Share of Housing Company	-	-
7	Equity Share of other Company (As per Annexure 21.1)	200,000	-
8	Debenture & Preference Share of Bank and Financial Institution	-	-
9	Others	-	-
	Total	2,735,525,000	1,761,325,036
b.	<u>Short Term Investments:</u>		
1	Government Securities	346,000,000	412,050,000
2	Fixed Deposit with Commercial Bank	15,270,682,712	14,137,543,827
3	Fixed Deposit with Development Bank	80,000,000	-
4	Citizen Investment Plan	-	-
5	Fixed deposit with Financial Institute	-	-
6	Debenture/Pref. Share of Banks & Financial Institute	-	-
7	Interest Earning other Deposit with Commercial Bank	207,399,332	189,353,273
8	Interest Earning other Deposit with Development Bank	-	-
9	Interest Earning other Deposit with Financial Institute	-	-
10	Other Interest Earning Investments	-	-
	Total	15,904,082,044	14,738,947,100
	G. Total	18,639,607,044	16,500,272,136

Share Investments
Annexure - 21.1

SN	Company	Net Value	Par Value	Cost Price	Market Value
1	Insurance Institute Nepal Ltd. (2000 no. of Shares @ Rs. 100 each)			200,000	200,000
	Total	-	-	200,000	200,000

Cash & Bank Balance
Annexure - 22

Amount in NPR.

SN	Particulars	This Year	Last Year
1	<u>Cash Balance</u>		
	Cash	-	53,500
	Total	-	53,500
2	<u>Bank Balance</u>		
	Commercial Banks Balance	120,421,109	8,323,883
	Development Banks Balance	927,044	24,951
	Finance Companies Balance	-	-
	Other	-	-
	Total	121,348,153	8,348,834
	G. Total	121,348,153	8,402,334

Other Loan**Annexure -23**

Amount in NPR.

SN	Particulars	This Year	Last Year
A.	Long Term Loan		
1	Agent Loan	1,451,323	1,991,508
2	Employee Loan	437,357	525,566
3	Other		
	Total	1,888,680	2,517,074
B.	Short Term Loan		
1	Agent Loan	-	-
2	Employee Loan	-	-
3	Other	-	-
	Total	-	-

Other Assets**Annexure - 24**

Amount in NPR.

SN	Particulars	This Year	Last Year
1	Receivable income from Investment	57,788,866	46,868,040
2	Receivable Interest from Policy Loan	38,519,305	34,044,172
3	Receivable Interest from other Loan (except Policy Loan)	4,741	7,093
4	Receivable from other Insurer	-	-
5	Receivable from Re-insurer	18,082,312	11,558,155
6	Sundry Debtors	277,388	390,265
7	Pre-payments	2,340,164	1,935,535
8	Staff Advance	25,485,402	17,359,840
9	Other Advance	-	-
10	Deposit - Department of Tax	24,483,505	21,709,332
11	Receivable Insurance Premium	-	-
	Less: Suspense Receivable Insurance Premium	-	-
12	Others -a. Gratuity Deposit at CIT office	58,639,826	38,607,798
	b. Leave Encashment deposit at separate Bank A/c	12,293,587	-
	c. Advance Tax Deposited	445,164,366	391,749,993
	d. Deferred Tax	19,689,268	13,591,141
	Total	702,768,730	577,821,364

Current Liabilities**Annexure - 25**

Amount in NPR.

SN	Particulars	This Year	Last Year
1	Payable to Agents	32,581,385	29,118,380
2	Payable to other Insurer	-	-
3	Payable to Re-insurer	18,969,813	10,888,486
4	Short Term Lending	-	-
5	Premium Deposit	62,915,420	18,182,089
6	Premium Deposit without Full Details	5,771,836	2,407,754
7	Sundry Creditors	636,925	845,406
8	Payable to Holding/Subsidiary Companies	-	-
9	Payable Withholding Tax	2,941,870	2,453,501
10	Payable VAT	-	-
11	Payable Service Fee	42,195,144	36,271,603
12	Payable to Staff	8,081,658	2,942,978
13	Payable to Management	-	-
14	Dividend Payable	-	-
15	Other	-	-
	a. Outstanding Cheques	112,003,558	113,538,535
	Total	286,097,609	216,648,732

Provision for Unexpired Risk**Annexure - 26**

Amount in NPR.

SN	Particulars	This Year	Last Year
1	Unexpired Risk Reserve for Anticipated Endowment Policy	-	-
2	Unexpired Risk Reserve for Endowment Policy	-	-
3	Unexpired Risk Reserve for Other Policy	-	-
4	Unexpired Risk Reserve for Micro Insurance Policy	247,690,774	182,415,711
5	Unexpired Risk Reserve for Term Insurance Policy	160,150,715	122,990,217
	Total	407,841,489	305,405,928

Other Provisions

Annexure - 26 A

Amount in NPR.

S.N.	Particulars	Opening Provision		Additional Provision during the Fiscal Year		Written Off / Payment during the Fiscal Year		Adjustment of Provision during the Fiscal Year		Provision at the End of This Year	
		This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year
1	Provision for Dividend	48,223,548	48,223,548	170,000,000	-	-	-	-	-	218,223,548	48,223,548
2	Provision for Income Tax	203,421,592	54,208,940	245,088,095	203,421,592	203,421,592	54,208,940	-	-	245,088,095	203,421,592
3	Provision for Loss on Investment	-	-	-	-	-	-	-	-	-	-
4	Provision for Loss on Debt	-	-	-	-	-	-	-	-	-	-
5	Provision for Doubtful Debtor	-	-	-	-	-	-	-	-	-	-
6	Provision for Other Loss	-	-	-	-	-	-	-	-	-	-
7	Provision for Staffs	-	-	-	-	-	-	-	-	-	-
	Provision for Gratuity	38,607,798	38,420,923	21,603,788	8,860,607	1,544,701	8,673,732	-	-	58,666,885	38,607,798
	Provision for Leave Encashment	8,229,179	5,410,048	4,400,334	3,731,254	335,926	912,123	-	-	12,293,587	8,229,179
	Provision for Housing fund	96,941,329	96,941,329	-	-	-	-	-	-	96,941,329	96,941,329
	Provision for Staff Bonus	59,790,862	45,356,337	67,819,252	59,557,702	59,355,419	45,123,177	-	-	68,254,695	59,790,862
	Others	-	-	-	-	-	-	-	-	-	-
8	Other Provision	-	-	-	-	-	-	-	-	-	-
	Total	455,214,308	288,561,125	508,911,469	275,571,155	264,657,638	108,917,972	-	-	699,468,139	455,214,308

Other Expenses Balance for Written off / Adjustment**Annxure- 27**

Amount in NPR.

SN	Particulars	This Year	Last Year
1	Balance Preliminary Expenses for Written off	-	-
2	Balance Pre-operating Expenses for Written off	-	-
3	Balance Investment Premium for Written off	759,261	4,329,305
4	Balance Deferred Expenses for Written off	-	-
5	Others	-	-
	Total	759,261	4,329,305

Annexure – 28

Significant Accounting Policies on Financial statements

American Life Insurance Company is incorporated under the laws of the United States of America. The company commenced life insurance business as a branch in Nepal from the year 2002 AD under the license granted by the Insurance Board. The Nepal branch was registered as a branch of foreign company in 2006 AD under the Company Ordinance, 2006 AD.

1. Basis of financial statements presentation

Basis of Preparation

The financial statements are prepared in accordance with generally accepted accounting practices in Nepal, The Insurance Act, 2049 BS, The Insurance Regulations 2049 BS and guidelines issued by the Insurance Board and unless otherwise stated, is based on historical cost convention and accrual basis of accounting. The financial statements present transactions of Nepal branch only. Additional financial statement has been separately prepared based on Nepal Financial Reporting Standards (NFRS).

Use of Estimates

The preparation of the financial statements in conformity with Nepal Accounting Standards requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of balance sheet. Actual amount could differ from those estimates. Any differences from those estimates are recorded in the period in which they are identified.

Comparative Information

The accounting policies have been consistently applied by the company and are consistent with those used in the previous year, except otherwise stated. Previous year figures in some headings have been regrouped or rearranged wherever necessary to facilitate comparison only.

2. Fixed Assets

Fixed assets are stated on historical cost less accumulated depreciation. Original cost includes all expenses incurred up to commissioning/putting the assets in use.

3. Depreciation

Fixed assets are depreciated using straight line method at the rates prescribed by schedule 2 of Income Tax Act, 2058.

4. Non Capitalized Items

Non consumable items normally having life less than one year and/or costing less than Rs. 5,000 is expensed off during the year of purchase.

5. Provision for Income tax & its appropriation

a. Current Tax

Provisions for taxes have been made in accordance with Income Tax Act, 2058 and amendments thereto. Provisions for taxes have been apportioned to revenue accounts in accordance with the directive of Insurance Board.

b. Deferred Tax

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases using the asset and liability method. Deferred tax has been calculated as per the method prescribed by Nepal Accounting Standards – 12

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred tax assets and liabilities is recognized as income in the period that covers the enactment date.

Deferred tax assets arising from the temporary differences and unused tax losses are recognized to the extent there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Deferred tax related to temporary differences in opening balances is adjusted directly with Life Insurance Fund and subsequent year differences are recognized in the Profit & Loss Account and Revenue Accounts the basis of weightage as prescribed by the Insurance Board.

6. Accounting of Investment

All investments are made within guidelines of investment directive and valued as per financial directive issued by Insurance Board as follows:

Investment made in government securities, development bonds and debentures secured by Nepal governments are valued for accounting based on cost or face value whichever is lower. The premium (i.e. excess amount over face value) paid on government securities are amortized as “Deferred Expenditure” over the period of their maturity on pro-rata basis. When the government securities are purchased in discount, difference amount on face value of securities are amortized as “Income on investment” over the period of their maturity on pro-rata basis. Investments in fixed deposit with banks are valued at cost.

7. Accounting of foreign exchange transactions

Assets and liabilities in foreign currency at the end of fiscal year are converted using selling rate into Nepalese Rupees. Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of the transactions. Receivables or payables in foreign currency at the end of fiscal year is computed using the rate prevailing on the year end date and foreign exchange revaluation difference is shown in profit and loss account.

8. Accounting of premium income

- a. Gross premium income is recognized on cash basis as and when it is due in accordance with the Insurance Regulations & financial directives that is not consistent with Nepal Accounting Standard which requires revenue to be recognized on an accrual basis. Cash received in advance is recognized as premium income during the period to which they relate.
- b. Entire single premium income is recognized on cash basis and unexpired risk reserve is booked as per financial directive issued by the Insurance Board.

9. Re-insurance commission

Re-insurance commission income is recognized on accrual basis in accordance with the re-insurance agreements.

10. Accounting & allocation of other revenue

All other revenues except late fees on overdue premium are recognized on accrual basis as per Nepal Accounting Standard and allocated as per financial directive issued by the Insurance Board.

11. Accounting of Policy Loan

Policy loans are valued at cost plus capitalized interest at the time of anniversary of the policy.

12. Management expenses

Management expenses are allocated as per financial directive issued by Insurance Board. 10% of the management expenses are directly charged to Profit & Loss account and balance expenses is appropriated into the respective revenue accounts as per the directives.

13. Accounting policy for the payment of insurance claim expenses

Claim expenses are accounted for the amount payable to the policy holder in accordance with the terms of the insurance policy along with the expenses directly attributable thereon for claim settlement. However, claim expenses related to the company's representative or staffs is not included.

14. Provision for outstanding insurance claim

As per Insurance Act 2049 section 15 (d), provision for outstanding claim is made at 115% of the total outstanding claim. Incurred But Not Reported (IBNR) claims have been booked on the basis of actual claim intimated till balance sheet date in accordance with the directive of Insurance Board, Nepal Accounting Standards 10 on "Events after the Balance Sheet Date" and as per company practice.

15. Allocation of surplus on insurance business

Surplus arising from insurance businesses is allocated as follows in accordance with the directives of the Insurance Board:

- a. All the surpluses arising from participating insurance business revenue accounts (including a non-par product future care –DPS) are transferred to Life Insurance Fund for actuarial valuation. Accumulated life fund are re-allocated on the basis of mathematical reserve, other

reserve/provisions and cost of bonus ratio of last submitted valuation report to align with latest policy liabilities balance.

- b. All the surplus arising from non-participating insurance business revenue account is transferred to Profit & Loss Account.
- c. The company received approval of its actuarial valuation report for 2075-76 (2018-19) on 5 March 2020 (Falgun 22, 2076). Shareholders' portion of Profit (before allocation for proposed dividend) for the year arising from the actuarial valuation together with Profits from non-participating portfolio amounts to NPR. 385,246,623. Out of this distributable profit, the company has proposed cash dividend of NPR 170,000,000 for the year. The balance profit of NPR 215,246,623 has been transferred to reserve & surplus in the financial statement.
- d. Insurance Board in its letter Bi.Bi.Sha 239/ (2072/73) dispatch no 3087 dated 2 April 2016, advised the company to create catastrophic reserve equal to 10% of amount available for appropriation. Accordingly NPR 55,209,464 has been transferred to catastrophic reserve account with accumulated balance amount as of balance sheet date is NPR. 207,442,187.

16. Provision for employee gratuity, leave and other facility accounting policy

Provision for gratuity, leave encashment and other benefits payable to employees as per the employee service rule of the Company is accounted for on accrual basis in accordance with the Nepal Accounting Standards. Contributions to approved retirement fund are made on a regular basis as per the Retirement Fund rules and regulations.

17. Doubtful debt provision:

Company's management is applying appropriate policy for doubtful debt provision.

18. Amortization of Expenses

Expenses incurred on improvement of leasehold property are amortized over the life of the lease or within 5 years of improvement whichever is shorter on straight line basis. Investment purchased in premium amount is amortized as per Insurance Board financial directive over the period of investment.

19. Provision of Staff Bonus

Company has created provision for staff bonus as per the provisions of the Bonus Act 2030.

Annexure – 29

Notes to Accounts on financial statements

1. Contingent Liabilities

- a. Outstanding for settlement of investment : None
- b. Underwriting Commitments: None
- c. Not accepted/denied non insurance litigation/claim to the company: None
- d. Guarantees issued by insurer or on behalf of insurer: None
- e. Other Liabilities (Give details):None

2. Basis taken by actuary for insurer's liabilities valuation.

The recent most actuarial valuation of Par Life Fund was carried out for 2075/76 (2018/19) following on Gross Premium Method which was based on Nepali mortality table published by Insurance Board (unless otherwise mentioned) at 6.00% level discount rate. For non-par fund, reserve is based on unearned premium Reserve. Reserve is kept for Incurred But Not Reported (IBNR) claims as well.

3. The Company does not have any limitation and disputes on its assets.

4. The Company does not have any commitments on Loan, Investment and Fixed Assets.

5. Value of investment pursuant to sales / purchase agreements:

- a. Ownership not obtained for purchased Assets: None
- b. Payment not received for sale of assets: None

6. Details of investment, sales/refund received of investment during the year with name of organization, date, quantity and amount:

S.N	Name	Type	Maturity Date	Qty.	Face value
1	NIC Asia Bank	FD	7/18/2018	1	70,000,000.00
2	Himalayan Bank	FD	7/20/2018	1	160,000,000.00
3	NIC Asia Bank	FD	7/20/2018	1	10,000,000.00
4	Nepal Investment Bank	FD	7/21/2018	1	260,000,000.00
5	Himalayan Bank	FD	7/27/2018	1	130,000,000.00
6	Everest Bank	FD	7/27/2018	1	200,000,000.00
7	Siddhartha Bank	FD	7/27/2018	1	100,000,000.00
8	Bank Of Kathmandu	FD	7/27/2018	1	100,000,000.00
9	Nabil Bank Limited	FD	7/30/2018	1	130,000,000.00
10	Nabil Bank Limited	FD	8/1/2018	1	145,000,000.00
11	Nepal SBI Bank	FD	8/1/2018	1	120,000,000.00
12	Nabil Bank Limited	FD	8/9/2018	1	170,000,000.00
13	Standard Chartered Bank Nepal	FD	8/15/2018	1	150,000,000.00
14	NMB Bank	FD	11/22/2018	1	50,000,000.00
15	Global IME Bank	FD	9/1/2018	1	13,500,000.00
16	Nepal SBI Bank	FD	9/7/2018	1	17,500,000.00
17	NIC Asia Bank	FD	9/22/2018	1	12,750,000.00
18	Nepal SBI Bank	FD	9/26/2018	1	4,125,000.00
19	Nepal SBI Bank	FD	9/26/2018	1	8,250,000.00
20	NMB Bank	FD	3/26/2018	1	8,400,000.00
21	Himalayan Bank	FD	10/8/2018	1	215,000,000.00
22	Himalayan Bank	FD	10/16/2018	1	250,000,000.00
23	NIC Asia Bank	FD	10/24/2018	1	120,000,000.00
24	Nepal SBI Bank	FD	11/1/2018	1	250,000,000.00
25	NIC ASIA Bank	FD	11/2/2018	1	150,000,000.00
26	Nepal SBI Bank	FD	11/3/2018	1	100,000,000.00
27	NIC ASIA Bank	FD	11/5/2018	1	150,000,000.00
28	NIC ASIA Bank	FD	11/8/2018	1	60,000,000.00
29	Nepal SBI Bank	FD	11/9/2018	1	180,000,000.00
30	NMB Bank	FD	5/10/2018	1	250,000,000.00
31	Everest Bank	FD	11/15/2018	1	100,000,000.00
32	SCB USD	FD	11/21/2018	1	80,432,002.26
33	Nepal SBI Bank	FD	11/22/2018	1	35,000,000.00
34	Global IME Bank	FD	11/28/2018	1	150,000,000.00
35	NIC ASIA Bank	FD	12/4/2018	1	60,000,000.00
36	Laxmi Bank	FD	12/26/2018	1	50,000,000.00
37	Global IME Bank	FD	12/27/2018	1	200,000,000.00
38	Standard Chartered Bank Nepal	FD	1/5/2019	1	100,000,000.00
39	Everest Bank	FD	1/6/2019	1	270,000,000.00
40	Nepal SBI Bank	FD	1/12/2019	1	60,000,000.00
41	PCBL	FD	1/16/2019	1	160,000,000.00
42	Himalayan Bank	FD	1/17/2019	1	150,000,000.00
43	Nepal Investment Bank	FD	1/19/2019	1	290,000,000.00
44	Siddhartha Bank	FD	1/21/2019	1	80,000,000.00
45	Bank Of Kathmandu	FD	1/22/2019	1	100,000,000.00
46	Laxmi Bank	FD	1/23/2019	1	80,000,000.00
47	Nabil Bank Limited	FD	2/7/2019	1	115,000,000.00
48	Nabil Bank Limited	FD	2/9/2019	1	150,000,000.00
49	Nabil Bank Limited	FD	2/12/2019	1	230,000,000.00
50	Himalayan Bank	FD	2/9/2019	1	150,000,000.00
51	Standard Chartered Bank Nepal	FD	2/6/2019	1	70,000,000.00
52	Sanima Bank	FD	2/1/2019	1	160,000,000.00
53	Machhapuchhre Bank	FD	3/6/2019	1	130,000,000.00
54	Machhapuchhre Bank	FD	3/14/2019	1	70,000,000.00
55	Nepal Bangladesh Bank	FD	3/23/2019	1	60,000,000.00
56	NMB Bank	FD	3/26/2019	1	140,000,000.00
57	Nepal SBI Bank	FD	3/28/2019	1	75,000,000.00
58	Himalayan Bank	FD	4/12/2019	1	120,000,000.00
59	Global IME Bank	FD	4/13/2019	1	70,000,000.00
60	Global IME Bank	FD	4/19/2019	1	80,000,000.00
61	Nepal Investment Bank	FD	4/19/2019	1	80,000,000.00
62	Nabil Bank Limited	FD	4/22/2019	1	70,000,000.00
63	Everest Bank	FD	4/27/2019	1	270,000,000.00
64	Standard Chartered Bank Nepal	FD	5/5/2019	1	70,000,000.00
65	Nepal Investment Bank	FD	5/2/2019	1	120,000,000.00
66	Nepal Investment Bank	FD	5/9/2019	1	120,000,000.00
67	Nepal Investment Bank	FD	5/24/2019	1	120,000,000.00
68	Himalayan Bank	FD	5/2/2019	1	90,000,000.00
69	Himalayan Bank	FD	5/5/2019	1	120,000,000.00
70	Everest Bank	FD	5/30/2019	1	100,000,000.00
71	Everest Bank	FD	5/2/2019	1	160,000,000.00
72	NMB Bank	FD	5/10/2019	1	250,000,000.00
73	Nepal Investment Bank	FD	6/2/2019	1	300,000,000.00
74	Himalayan Bank	FD	6/8/2019	1	187,000,000.00
75	Nabil Bank Limited	FD	6/9/2019	1	220,000,000.00
76	Nepal Investment Bank	FD	6/9/2019	1	227,000,000.00
77	Global IME Bank	FD	6/15/2019	1	370,000,000.00
78	Global IME Bank	FD	6/20/2019	1	360,000,000.00
79	Siddhartha Bank	FD	6/21/2019	1	132,000,000.00
80	Siddhartha Bank	FD	7/3/2019	1	70,000,000.00
81	Nabil Bank Limited	FD	7/5/2019	1	60,000,000.00
82	Global IME Bank	FD	7/6/2019	1	115,000,000.00
83	NIC ASIA Bank	FD	7/8/2019	1	312,000,000.00
84	Bank of Kathmandu	FD	7/11/2019	1	123,500,000.00
85	Nabil Bank Limited	FD	7/12/2019	1	203,000,000.00
86	Everest Bank	FD	7/12/2019	1	167,000,000.00
87	Standard Chartered Bank Nepal	FD	7/14/2019	1	410,000,000.00
88	NIC ASIA Bank	FD	7/14/2019	1	375,000,000.00
89	Laxmi Bank	FD	7/14/2019	1	152,000,000.00
90	Siddhartha Bank	FD	7/14/2019	1	39,800,000.00
91	Global IME Bank	FD	7/14/2019	1	102,000,000.00
92	Nabil Bank Limited	FD	7/15/2019	1	128,000,000.00
93	Nepal Investment Bank	FD	7/16/2019	1	14,000,000.00
94	12 Years Development Bond	Bond	11/28/2018	1	33,950,000.00
95	12 Years Development Bond	Bond	3/13/2019	1	58,875,000.00
96	12 Years Development Bond	Bond	7/5/2019	1	77,475,000.00

S.N	Name	Type	Purchase Date	Qty.	Face value
1	NIC ASIA Bank	FD	7/18/2018	1	70,000,000.00
2	Nabil Bank	FD	7/19/2018	1	155,000,000.00
3	Himalayan Bank	FD	7/20/2018	1	160,000,000.00
4	Nepal Investment Bank	FD	7/22/2018	1	300,000,000.00
5	Himalayan Bank	FD	7/27/2018	1	130,000,000.00
6	Bank of Kathmandu	FD	7/27/2018	1	100,000,000.00
7	Everest Bank	FD	7/27/2018	1	200,000,000.00
8	Nepal Investment Bank	FD	7/29/2018	1	70,000,000.00
9	Nabil Bank	FD	7/30/2018	1	130,000,000.00
10	Nabil Bank	FD	8/1/2018	1	145,000,000.00
11	Nepal SBI Bank	FD	8/2/2018	1	120,000,000.00
12	Siddhartha Bank	FD	8/4/2018	1	100,000,000.00
13	Nabil Bank	FD	8/9/2018	1	170,000,000.00
14	Standard Chartered Bank	FD	8/15/2018	1	150,000,000.00
15	Nepal SBI Bank	FD	8/15/2018	1	140,000,000.00
16	Nepal SBI Bank	FD	8/24/2018	1	250,000,000.00
17	Sanima Bank	FD	8/24/2018	1	80,000,000.00
18	Global IME Bank	FD	9/1/2018	1	150,000,000.00
19	Nepal SBI Bank	FD	9/7/2018	1	200,000,000.00
20	NIC ASIA Bank	FD	9/22/2018	1	150,000,000.00
21	Nepal SBI Bank	FD	9/26/2018	1	150,000,000.00
22	Himalayan Bank	FD	10/8/2018	1	215,000,000.00
23	Himalayan Bank	FD	10/16/2018	1	250,000,000.00
24	Everest Bank	FD	10/17/2018	1	190,000,000.00
25	NIC ASIA Bank	FD	10/24/2018	1	120,000,000.00
26	Nepal Investment Bank	FD	10/25/2018	1	130,000,000.00
27	Everest Bank	FD	10/26/2018	1	120,000,000.00
28	Nepal SBI Bank	FD	11/1/2018	1	250,000,000.00
29	NIC ASIA Bank	FD	11/2/2018	1	150,000,000.00
30	Nabil Bank	FD	11/4/2018	1	100,000,000.00
31	NIC ASIA Bank	FD	11/5/2018	1	150,000,000.00
32	Nepal Investment Bank	FD	11/6/2018	1	100,000,000.00
33	NIC ASIA Bank	FD	11/8/2018	1	60,000,000.00
34	Nepal SBI Bank	FD	11/9/2018	1	180,000,000.00
35	Everest Bank	FD	11/15/2018	1	150,000,000.00
36	Nepal Investment Bank	FD	11/24/2018	1	280,000,000.00
37	Nabil Bank	FD	11/27/2018	1	140,000,000.00
38	NIC ASIA Bank	FD	11/27/2018	1	100,000,000.00
39	Siddhartha Bank	FD	11/28/2018	1	150,000,000.00
40	SCB USD	USD FD	11/21/2018	1	86,382,711.60
41	NIC ASIA Bank	FD	12/4/2018	1	100,000,000.00
42	Laxmi Bank	FD	12/26/2018	1	60,000,000.00
43	Global IME Bank	FD	12/27/2018	1	200,000,000.00
44	Siddhartha Bank	FD	12/27/2018	1	90,000,000.00
45	Everest Bank	FD	1/6/2019	1	270,000,000.00
46	Machhapuchhre Bank	FD	1/7/2019	1	100,000,000.00
47	Everest Bank	FD	1/8/2019	1	190,000,000.00
48	Nepal SBI Bank	FD	1/12/2019	1	100,000,000.00
49	Prime Commercial Bank	FD	1/16/2019	1	160,000,000.00
50	Century Commercial Bank	FD	1/16/2019	1	80,000,000.00
51	Nepal Bangladesh Bank	FD	1/17/2019	1	120,000,000.00
52	Everest Bank	FD	1/17/2019	1	80,000,000.00
53	NMB Bank	FD	1/17/2019	1	95,000,000.00
54	Nepal Investment Bank	FD	1/19/2019	1	290,000,000.00
55	Siddhartha Bank	FD	1/21/2019	1	80,000,000.00
56	Laxmi Bank	FD	1/23/2019	1	180,000,000.00
57	Sanima Bank	FD	2/1/2019	1	185,000,000.00
58	Nabil Bank	FD	2/7/2019	1	115,000,000.00
59	Nabil Bank	FD	2/9/2019	1	150,000,000.00
60	Nabil Bank	FD	2/12/2019	1	230,000,000.00
61	Himalayan Bank	FD	2/9/2019	1	150,000,000.00
62	Standard Chartered Bank	FD	2/7/2019	1	70,000,000.00
63	Mega Bank Nepal	FD	2/16/2019	1	85,000,000.00
64	Bank of Kathmandu	FD	2/19/2019	1	100,000,000.00
65	Nepal SBI Bank	FD	3/5/2019	1	80,000,000.00
66	Machhapuchhre Bank	FD	3/6/2019	1	130,000,000.00
67	Machhapuchhre Bank	FD	3/14/2019	1	70,000,000.00
68	Sanima Bank	FD	3/22/2019	1	125,000,000.00
69	Nepal Bangladesh Bank	FD	3/23/2019	1	60,000,000.00
70	Civil Bank	FD	3/24/2019	1	90,000,000.00
71	NMB Bank	FD	3/26/2019	1	140,000,000.00
72	Nepal SBI Bank	FD	3/28/2019	1	75,000,000.00
73	Himalayan Bank	FD	4/12/2019	1	120,000,000.00
74	Global IME Bank	FD	4/13/2019	1	140,000,000.00
75	Global IME Bank	FD	4/19/2019	1	160,000,000.00
76	Standard Chartered Bank	FD	4/18/2019	1	250,000,000.00
77	Mega Bank Nepal	FD	4/22/2019	1	70,000,000.00
78	Everest Bank	FD	4/27/2019	1	270,000,000.00
79	Standard Chartered Bank	FD	5/2/2019	1	145,000,000.00
80	Himalayan Bank	FD	5/2/2019	1	90,000,000.00
81	Everest Bank	FD	5/2/2019	1	160,000,000.00
82	Standard Chartered Bank	FD	5/4/2019	1	70,000,000.00
83	Himalayan Bank	FD	5/5/2019	1	120,000,000.00
84	Nepal Investment Bank	FD	5/9/2019	1	120,000,000.00
85	NMB Bank	FD	5/10/2019	1	250,000,000.00
86	Century Commercial Bank	FD	5/27/2019	1	60,000,000.00
87	Everest Bank	FD	5/30/2019	1	100,000,000.00
88	Development Bond 2086 Ga	Bond	5/20/2019	1	120,000,000.00
89	Development Bond 2090	Bond	5/27/2019	1	150,000,000.00
90	Nepal Investment Bank	FD	6/2/2019	1	300,000,000.00
91	Himalayan Bank	FD	6/8/2019	1	187,000,000.00
92					

7. All the bank balances have been reconciled with the balance confirmation certificates obtained from them.
8. All the re-insurer balances have been reconciled with the balance confirmation certificates obtained from them.
9. All the investments made by the insurer are in line with Insurance Act, Rules and Regulation as specified by the Insurance board.
10. The Company does not have any transactions with the Board of Directors or their related person or organization of the Board of Directors or their related person.
11. The Company has not obtained loan against the mortgage of its property.
12. The Company filed self-tax assessment return to the Large Tax Payer's Office (LTPO) since the fiscal year 2065/66 to fiscal year 2075/76.

Appeal against disallowed expenses and carry forward balance dispute of NPR 100,024,416, NPR 66,237,179, NPR 12,259,489, NPR 32,436,815, NPR 66,991,539 NPR 56,817,006 and NPR 38,160,756 for the FY 2066/67, FY 2067/68, FY 2068/69, FY 2069/70, FY 2070/71 and FY 2071/72 respectively is pending decision at Department of Tax. The Company's final tax assessment from LTPO for fiscal year 2072/073 to fiscal year 2074/75 is pending as of the Balance Sheet date. The company has received the tax clearance certificate for Fiscal year 2074/75 from Inland Revenue Department.

13. Premiums refunded

During the year, the company refunded NPR 4,238,823 due to invalid Agent license, age of proposed insured beyond acceptable range, non-submission of requirements/medical reports etc.

14. Declared and interim bonus rate

The company has declared bonus per below table rate per thousand for par Products mentioned against respective terms for Fiscal Year 2018/19.

Policy terms	Products wise declared & interim bonus rate per thousand		
	3PP	Endowment	EPP
1-15 Years	50	65	65
16-20 Years	60	70	75
21 Years & above	70	80	85

15. The company has adopted the Standard rate of 12% for fees and interest on late payment of insurance premium and policy loan which is subject to change during the reinstatement campaign.
16. The Company has accumulated deferred investment expenditure for NPR. 759,261 representing premium paid at the time purchase of investments which is being written off over the term of respective investments during this year.
17. Details of paid in advance in share capital, Call in arrears and ceased but not re-issued shares-None.
18. Leasehold Assets – None.
19. Total transaction of off-balance sheet items in a year. - None.
20. There are no prior period expenses or incomes accounted in this fiscal year.

21.1 Company is compliant with the requirement of Solvency Margin Directive and maintains 327% solvency margin as per approved actuarial valuation report of 2075/76 (2018-19) as of 2076 Ashad end (16 July 2019).

21.2 Related Parties Transactions

There is no related party transaction during the year.

21.3 Deferred Taxes

Deferred tax is calculated on temporary differences using effective tax rate of 25% (previous year: 25%) which is separately disclosed in annexure 17.

The items attributable to deferred tax assets and liabilities and their movement are as follows:

Particular	Balance of 16 July 2018	Movement	Balance of 16 July 2019
Deferred Tax Assets			
Accumulated depreciation in Financial Statements	1,881,897	67,253	1,949,150
Provision for gratuity	9,651,950	5,014,772	14,666,721
Provision for Employee Housing	-	-	-
Provision for Leave Encashment	2,057,295	1,016,102	3,073,397
Net Deferred Tax assets	13,591,141	6,098,127	19,689,268

21.4 Fund received from HO as working capital is shown under the Other Reserve. In addition, company maintained accumulated contingency reserve of NPR.15,000,000. (Refer Annexure 17)

Major Indicators

Annexure-30

SN.	Particulars	Indicator	Fiscal Years				
			2075/76	2074/75	2073/74	2072/73	2071/72
			2018/19	2017/18	2016/17	2015/16	2014/15
1	Net Worth	NPR.	2,349,562,083	1,957,040,011	1,390,164,859	940,827,306	592,834,456
2	Number of Share	Count	-	-	-	-	-
3	Book Value Per Share	NPR.	-	-	-	-	-
4	Net Profit	NPR.	558,192,767	558,330,847	460,410,265	344,135,750	68,007,096
5	Earning Per Share (EPS)	NPR.	-	-	-	-	-
6	Dividend Per Share (DPS)	NPR.	-	-	-	-	-
7	Market Price Per Share (MPPS)	NPR.	-	-	-	-	-
8	Price Earning Ratio (PE Ratio)	Ratio	-	-	-	-	-
9	First Year Premium (including single premium)	NPR.	1,545,199,535	1,330,703,673	1,205,784,811	833,628,465	457,564,746
10	Gross Premium	NPR.	4,219,514,339	3,627,160,362	3,086,129,370	2,539,482,541	1,990,067,311
11	Net premium/Gross Premium	%	96.5%	97.7%	97.8%	98.2%	98.5%
12	Net profit/Gross Premium	%	13.2%	15.4%	14.9%	13.6%	3.4%
13	Gross Premium/Total Assets	%	21%	20%	20%	19%	18%
14	Income from Investment & Loan/ Total Investment & Loan	%	9.4%	9.1%	5.8%	5.8%	6.0%
15	Total Investment & Loan/Life Fund	%	120%	117%	113%	112%	110%
16	RI Commission Income/Total RI Premium	%	57.5%	57.6%	58.0%	55.1%	52.6%
17	Management Expenses/Gross Premium	%	10.3%	10.1%	9.6%	9.0%	9.7%
18	Agent Expenses/Gross Premium	%	10.2%	13.2%	12.2%	10.6%	7.3%
19	Total Number of Agents	count	5,101	4,136	3,706	3,219	2,662
20	Number of Employee	count	137	133	124	110	102
21	Number of Offices	count	25	24	23	22	22
22	Employee Expenses/Management Expenses	%	35.8%	33.6%	35.3%	34.7%	39.5%
23	Employee Expenses/Number of Employee	NPR.	1,136,486	923,475	844,996	776,362	751,613
24	Payable Claim/Paid Claim	%	16%	15%	16%	26%	28%
25	Total Number of Inforce Policy	Count	1,410,173	737,755	764,341	646,068	458,211
26	This Year Renewed Policy/ Inforce Policy up to Last Year	%	89.7%	81.7%	79.9%	85.7%	85.7%
27	Number of Claim/ Total Inforce Policy	%	0.40%	0.48%	0.37%	0.05%	0.05%
28	Solvency Margin	%	327%	580%	474%	503%	561%
29	Declared Bonus Rate	NPR./1000	50/60/70-3PP, 65/70/80-END & 65/75/85-EPP	50/60/70-3PP, 65/70/80-END & 65/75/85-EPP	40/50/60-3PP, 45/55/65-END & 45/55/70-EPP	35/45/55 -3PP & 40/50/60 EPP/End	35/45/55 -3PP & 40/50/60 EPP/End
30	Interim Bonus Rate	NPR./1000	50/60/70-3PP, 65/70/80-END & 65/75/85-EPP				

Additional ratios

SN.	Particulars	Indicator	Fiscal Year				
			2075/76	2074/75	2073/74	2072/73	2071/72
			2018/19	2017/18	2016/17	2015/16	2014/15
A. Business Perspectives:							
1	Increase in Gross Premium	%	16.3%	17.5%	21.5%	27.6%	10%
a.	Anticipated Endowment Policy		-14.8%	-3.3%	-11.2%	5.1%	-8%
b.	Endowment Policy		1.2%	6.9%	7.2%	3.5%	-7%
c.	Other Policy		26.5%	33.1%	63.4%	77.0%	77%
d.	Micro Insurance		48.8%	0.0%	0.0%	0.0%	0%
e.	Term Insurance		31.7%	15.6%	14.6%	57.6%	54%
2	Increase in First Year (FY) Premium	%	16.1%	-3.3%	44.6%	82.2%	38%
a.	Anticipated Endowment Policy		1.1%	13.8%	22.7%	131.8%	-39%
b.	Endowment Policy		7.1%	25.4%	115.8%	68.9%	-12%
c.	Other Policy		7.1%	6.5%	64.6%	97.5%	39%
d.	Micro Insurance		0.0%	0.0%	0.0%	0.0%	0.0%
e.	Term Insurance		20.1%	14.7%	8.1%	63.4%	56%
3	Increase in Investment held	%	13.0%	20.4%	16.0%	15.4%	14%
4	Increase in Life Insurance Fund	%	9.5%	15.6%	15.0%	12.6%	13%
a.	Anticipated Endowment Policy		-9.8%	2.1%	6.2%	5.4%	7%
b.	Endowment Policy		2.8%	9.7%	9.3%	10.5%	12%
c.	Other Policy		51.3%	65.4%	79.5%	77.5%	116%
d.	Micro Insurance		35.8%	0.0%	0.0%	0.0%	0%
e.	Term Insurance		30.2%	15.0%	13.7%	28.2%	75%
B. Capital Adequacy and Solvency							
5	Capital to Total Net Assets Ratio	%	10.4%	10.0%	7.0%	6.6%	4.8%
6	Capital to Technical Reserve Ratio	%	13.2%	11.5%	9.4%	7.3%	5.2%
C. Assets Quality and Control							
7	Investment in Unlisted Shares and Debtors/ Total Net Assets	%	0.1%	0.1%	0.1%	0.0%	0.0%
8	Investment in Shares/ Total Net Assets	%	0.001%	-	-	-	-
9	Agent loan / Number of Agents	Per agent	72,566	99,575	113,178	122,820	89,470
D. Re-insurance and Actuarial							
10	Net Technical Reserve/ Average Net Premium of Previous Three Years	%	503.5%	353.9%	343.4%	308.8%	274.3%
a.	Anticipated Endowment Policy		703.3%	273.3%	262.6%	224.0%	201.1%
b.	Endowment Policy		695.6%	538.2%	541.7%	488.2%	430.6%
c.	Other Policy		111.7%	249.5%	225.8%	214.1%	191.1%
11	Provision for Unexpired Risk / Average Premium of Term Insurance of previous 3 years	%	81.8%	75.9%	81.9%	97.7%	114.0%
E. Expense Analysis							
12	Expense Ratio	%	18.8%	19.3%	15.6%	15.2%	14.3%
13	Commission Ratio	%	8.5%	8.9%	8.5%	7.6%	6.6%
14	Agent Expenses (Other) / Total Management Expenses	%	28.9%	27.7%	20.0%	18.2%	17.5%
15	Direct Business Acquisition Ratio	%	8.7%	8.2%	5.4%	5.5%	8.0%
F. Investment and returns							
16	Return on Investment	%	10.9%	10.3%	8.9%	8.9%	9.0%
	From Investment	%	9.8%	9.1%	5.8%	5.8%	6.0%
	From Policy Loan	%	12.0%	11.6%	12.0%	12.0%	12.0%
17	Return on Equity	%	45.69%	15.61%	27.88%	31.16%	10.37%
G. Others							
18	Lapse Ratio	%	18.8%	24.2%	18.2%	26.6%	25.5%
a.	Anticipated Endowment Policy		26.7%	21.6%	17.8%	29.6%	24.7%
b.	Endowment Policy		17.3%	15.1%	14.7%	24.1%	24.5%
c.	Other Policy		12.4%	28.3%	19.0%	25.1%	23.8%
19	Persistency Ratio	%	81.2%	75.8%	81.8%	73.4%	74.5%
a.	Anticipated Endowment Policy		73.3%	78.4%	82.2%	70.4%	75.3%
b.	Endowment Policy		82.7%	84.9%	85.3%	75.9%	75.5%
c.	Other Policy		87.6%	71.7%	81.0%	74.9%	76.2%

Statement of Sum Assured

Annexure - 31

Amount in NPR.

S.N	Type of Insurance	Inforce Policy Count		Sum Assured of Inforce Policies		Sum at Risk		Sum at Risk Transferred to Re-insurer		Sum at risk retained by insurer	
		This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year
1	Anticipated Endowment Policy	44,557	49,802	6,113,971,233	6,764,057,434	2,364,869,857	3,021,384,238	370,206,645	891,955,000	1,994,663,212	2,129,429,238
2	Endowment Policy	62,183	63,270	9,883,629,975	9,474,539,561	4,283,810,484	3,886,525,246	1,214,468,232	1,223,576,698	3,069,342,252	2,662,948,548
3	Other Policy	109,099	87,413	54,055,200,669	39,848,238,638	49,113,753,633	36,581,677,379	26,772,003,884	16,440,113,783	22,341,749,749	20,141,563,596
4	Micro Insurance Policy	997,760	475,238	61,974,254,497	31,031,395,563	61,726,563,723	31,031,395,563	-	-	61,726,563,723	31,031,395,563
5	Term Insurance Policy	196,574	62,032	83,148,789,642	37,630,245,980	84,907,389,473	37,324,840,052	18,865,357,755	27,539,739,222	66,042,031,718	9,785,100,830
Total		1,410,173	737,755	215,175,846,016	124,748,477,176	202,396,387,169	111,845,822,479	47,222,036,516	46,095,384,703	155,174,350,653	65,750,437,776



American Life Insurance Company

18th Year

Nepal Financial Reporting Standards (NFRS)

based

Audited Financial Statements

Fiscal Year - 2075/76 (2018-19)

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Independent Auditor's Report

To VP and General Manager

American Life Insurance Company- Nepal Branch

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of American Life Insurance Company, Nepal Branch ("the Company"), which comprise the statement of financial position as at 16th July 2019 (31st Ashad 2076), the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements.

In our opinion, except for the effects of the matter described in the *Basis of Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as on 16th July 2019 (31st Ashad 2076), its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRS).

Basis for Qualified Opinion

The Company has recognized the gross premium income on cash basis as and when it is due; cash received in advance is recognized as premium income during the period to which they relate rather than recognizing the premium income on accrual basis. The Company's policy of recognizing gross premium income is in accordance with insurance regulations and financial directive issued by Beema Samiti which constitutes a departure from NFRSs. The Company's records indicate that, had management recognized the gross premium income on accrual basis that can be reliably measured, an additional amount of NPR 48,683,260 would have been required to be recognized as gross premium income. Accordingly, profit for the year, premium receivable from policyholders and regulatory reserve would have been increased by the same amount of NPR 48,683,260.

We conducted our audit in accordance with Nepal Standards on Auditing (NSA). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ICAN's Handbook of Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAN's Handbook of Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Financial Reporting Standards (NFRS), and for such internal control as management determines is



necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with NSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

On basis of our examination, we would like to further report that:

1. We have obtained information and explanation asked for, which, to the best of our knowledge and belief were necessary for the purpose of audit.

Handwritten signature


2. The statement of financial position, profit or loss and other comprehensive income, changes in equity and cash flows dealt by this report are in agreement with the books of account.
3. We did not come across the cases where the management or the representative or any employee of the Company has acted deliberately contrary to the provisions of the law or caused loss or damage to the Company or misappropriated funds of the Company, nor have we been informed of any such case by the management.
4. The Company has complied with the Directives issued by Beema Samiti.
5. The Company's total assets are sufficient to fulfil its long-term liabilities.
6. The Company has maintained proper internal control system.
7. The Company has maintained sufficient Life Insurance Fund, Catastrophic reserve, unexpired risk reserve and assets in relation to its liabilities.
8. The Company has not carried out business other than life insurance business.
9. The Company has not done any activities against the interest of the insured.
10. The Company has not issued any policies other than approved by the Beema Samiti.

Other Matter:

We have already issued our report dated 10 January 2020 to the company, as per NSA 800 Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks, on the financial statements prepared as per “Directive related to Financial Statement for Life Insurance Companies” issued by Beema Samiti.

Place: Kathmandu
Date: April 29, 2020
UDIN: 200429CA00264mjYc6



Jitendra Kumar Mishra
Partner
CSC & Co.
Chartered Accountants

American Life Insurance Company
Statement of Financial Position
As on 31st Ashad 2076 (16 July 2019)

	<i>Note</i>	31st Ashad 2076 (16 July 2019)	32nd Ashad 2075 (16 July 2018)
ASSETS			
Intangible assets	<i>4</i>	3,208,991	1,499,624
Property, plant and equipment	<i>5</i>	48,462,968	46,290,805
Deferred tax assets	<i>6</i>	20,682,478	13,067,290
Financial assets			
Investments at amortized cost	<i>7</i>	18,490,778,842	16,363,330,113
Investments at Fair Value Through OCI	<i>7A</i>	200,000	-
Loans to Life Policyholders	<i>8</i>	941,745,500	920,089,174
Other financial assets	<i>9</i>	26,119,448	19,173,488
Reinsurance assets	<i>14</i>	1,545,466	12,424,786
Income tax receivables	<i>6</i>	200,076,271	188,328,401
Reinsurance receivables	<i>10</i>	18,082,312	11,558,155
Other assets	<i>11</i>	28,360,432	24,745,649
Cash and cash equivalents	<i>12</i>	328,747,487	197,755,607
TOTAL ASSETS		20,108,010,195	17,798,263,092
EQUITY AND LIABILITIES			
EQUITY			
Equity share capital	<i>13</i>	-	-
Retained earnings		1,971,152,795	1,591,974,380
Catastrophe reserve		207,442,187	152,232,723
Other equity	<i>13</i>	434,928,796	315,675,053
TOTAL EQUITY		2,613,523,778	2,059,882,156
LIABILITIES			
Insurance contract liabilities	<i>14</i>	17,087,687,657	15,406,370,074
Provision for employee benefit	<i>15</i>	4,222,903	7,347,710
Insurance payables	<i>16</i>	176,538,711	129,968,049
Reinsurance payables	<i>17</i>	18,969,813	10,888,486
Trade and other payables	<i>18</i>	207,067,333	183,806,617
TOTAL LIABILITIES		17,494,486,417	15,738,380,936
TOTAL EQUITY AND LIABILITIES		20,108,010,195	17,798,263,092

The accompanying notes are integral part of these financial statements.

As per our report of even date

.....
Rajiv Kumar Pathak
Chief Financial Officer

.....
Nirmal Kajee Shrestha
VP and General Manager

.....
Jitendra Kumar Mishra
Partner
CSC & Co.
Chartered Accountants

Date: 29 April, 2020
Place: Lalitpur, Nepal

American Life Insurance Company
Statement of Profit or Loss and other Comprehensive Income
For the year ended 31st Ashad 2076 (16 July 2019)

	<i>Note</i>	2075-76 (2018-19)	<i>Figures in NPR</i> 2074-75 (2017-18)
Gross premium	19	4,219,514,339	3,627,160,362
Premiums ceded to Reinsurer	20	(148,289,863)	(84,290,544)
Net insurance premium revenue		4,071,224,476	3,542,869,818
Fees and commission income	21	89,752,236	53,063,685
Investment income	22	1,831,608,868	1,578,751,406
Other income	23	4,317,572	2,802,735
Total revenue		5,996,903,152	5,177,487,644
Gross benefits and claims paid	24	(2,567,218,650)	(1,492,333,278)
Claims ceded to reinsurers	25	40,430,064	25,293,709
Gross change in contract liabilities	26	(1,681,317,584)	(2,103,663,728)
Change in contract liabilities ceded to reinsurers	27	(10,879,320)	3,435,570
Net benefits and claims		(4,218,985,490)	(3,567,267,727)
Other operating and administrative expenses	28	(983,904,466)	(828,432,558)
Total benefits, claims and other expenses		(5,202,889,956)	(4,395,700,285)
Profit Before Tax		794,013,196	781,787,359
Income Tax Expense			
Current tax	6	(245,088,095)	(203,421,592)
Deferred tax credit/(charge)	6	6,890,522	(21,046,656)
Profit for the year		555,815,623	557,319,111
Other comprehensive Income:			
Other comprehensive Income not to be reclassified to profit or loss in subsequent periods			
i. Re-measurement (losses) / gains on post employment defined benefit plans		(2,898,669)	-
ii. Tax relating to items that will not be reclassified to profit or loss		724,667	-
Other comprehensive gain/(loss) for the year, net of tax		(2,174,002)	-
Total Comprehensive gain/(loss) for the year, net of tax		553,641,621	-

The accompanying notes are integral part of these financial statements.

As per our report of even date

.....
Rajiv Kumar Pathak
Chief Financial Officer

.....
Nirmal Kajee Shrestha
VP and General Manager

.....
Jitendra Kumar Mishra
Partner
CSC & Co.
Chartered Accountants

Date: 29 April, 2020
Place: Lalitpur, Nepal

American Life Insurance Company
Statement of Cash Flows
For the year ended 31st Ashad 2076 (16 July 2019)

	<i>Figures in NPR</i>	
	2075-76(2018-19)	2074-75 (2017-18)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	791,114,527	781,787,359
Non-cash items included in profit before income tax:-		
Investment income	(1,831,608,868)	(1,578,751,406)
Foreign Currency Exchange Revaluation (Gain)/Loss on HO Fund	-	4,471,200
Depreciation on property, plant and equipment	18,808,292	16,346,148
Amortization of Intangible Assets	866,016	537,745
Provision for Employee Benefits	(3,124,807)	2,432,659
Provision for Staff bonus	67,819,252	59,557,702
Gross change in contract liabilities	1,681,317,584	2,103,663,728
Change in contract liabilities ceded to reinsurers	10,879,320	(3,435,570)
Cash flow from non-operating activities		
Profit on Sales of Fixed Assets	(2,022,070)	(493,482)
Adjustments for:-		
(Increase)/ Decrease in Loans to Life Policyholders	(17,181,193)	(57,786,616)
(Increase)/ Decrease in other financial assets	(6,945,960)	188,592
(Increase)/ Decrease in Reinsurance receivables	(6,524,157)	(1,620,246)
(Increase)/ Decrease in Other assets	(3,614,783)	(87,465)
Increase / (Decrease) in insurance payables	46,570,662	32,733,937
Increase / (Decrease) in re-insurance payables	8,081,327	2,053,737
Increase / (Decrease) in trade and other payables	14,796,883	(9,400,995)
Cash generated from operations	769,232,025	1,352,197,027
Interest received	1,820,773,847	1,595,664,323
Bonus paid	(59,355,419)	(45,123,177)
Income tax paid	(256,835,964)	(222,999,429)
NET CASH FLOWS FROM OPERATING ACTIVITIES	2,273,814,489	2,679,738,744
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(21,050,967)	(20,376,347)
Purchase of Intangibles	(2,575,383)	(785,400)
Proceeds from disposal of property and equipment	2,092,582	2,989,315
Additions of investment (includes government securities & fixed deposit)	(16,595,882,705)	(16,148,543,838)
Maturity of investment (includes government securities & fixed deposit)	14,474,593,864	13,537,415,547
NET CASH FLOWS FROM INVESTING ACTIVITIES	(2,142,822,609)	(2,629,300,723)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends Paid	-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	-	-
(Decrease)/Increase in cash and cash equivalents	130,991,880	50,438,021
CASH AND CASH EQUIVALENTS, Beginning of Year	197,755,607	147,317,586
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	328,747,487	197,755,607

As per our report of even date

.....
Rajiv Kumar Pathak
Chief Financial Officer

.....
Nirmal Kajee Shrestha
VP and General Manager

.....
Jitendra Kumar Mishra
Partner
CSC & Co.
Chartered Accountants

Date: 29 April, 2020
Place: Lalitpur, Nepal

American Life Insurance Company
Statement of Changes in Equity
For the year ended 31st Ashad 2076 (16 July 2019)

Figures in NPR

	Equity Share Capital	Retained earnings and reserves								Retained Earnings	
		HO Fund	Deferred Tax Reserve	Contingency Reserve	Catastrophe Reserve	Housing Fund Reserve	Regulatory reserve	Other Reserve (Capital Fund)			
Balance at 1st Shrawan 2074 (16 July 2017)	-	70,973,400	34,113,945	15,000,000	94,347,358	96,941,329	3,555,666	-	-	1,183,160,148	1,498,091,845
Profit for the year	-	-	-	-	-	-	-	-	-	557,319,111	557,319,111
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-	-	-	557,319,111	557,319,111
Deferred Tax Reserve	-	-	(21,046,656)	-	-	-	-	-	-	21,046,656	-
Housing Fund	-	-	-	-	-	-	-	-	-	-	-
Catastrophe Reserve	-	-	-	-	57,885,365	-	-	-	-	(57,885,365)	-
Foreign Exchange on HO Fund	-	4,471,200	-	-	-	-	-	-	-	-	4,471,200
Other Reserves (Capital Fund)	-	-	-	-	-	-	-	111,666,169	-	(111,666,169)	-
Balance at 32nd Ashad 2075 (16 July 2018)	-	75,444,600	13,067,289	15,000,000	152,232,723	96,941,329	3,555,666	111,666,169	-	1,591,974,380	2,059,882,156
Profit for the year	-	-	-	-	-	-	-	-	-	555,815,623	555,815,623
Other comprehensive income	-	-	-	-	-	-	-	-	-	(2,174,002)	(2,174,002)
Total comprehensive income	-	-	-	-	-	-	-	-	-	553,641,621	
Deferred Tax Reserve	-	-	7,615,188	-	-	-	-	-	-	(7,615,188)	-
Catastrophe Reserve	-	-	-	-	55,209,464	-	-	-	-	(55,209,464)	-
Other Reserves (Capital Fund)	-	-	-	-	-	-	-	111,638,554	-	(111,638,554)	-
Balance at 32nd Ashad 2076 (16 July 2019)	-	75,444,600	20,682,477	15,000,000	207,442,187	96,941,329	3,555,666	223,304,723	-	1,971,152,795	2,613,523,778

The accompanying notes are integral part of these financial statements.

As per our report of even date

.....
Rajiv Kumar Pathak
Chief Financial Officer

.....
Nirmal Kajee Shrestha
VP and General Manager

.....
Jitendra Kumar Mishra
Partner
CSC & Co.
Chartered Accountants

Date: 29 April, 2020
Place: Lalitpur, Nepal

American Life Insurance Company
Notes to the financial statements for the year ended 31st Ashad 2076

1) General Information

American Life Insurance Company is incorporated under the laws of the United States of America. The company commenced life insurance business as a branch in Nepal from the year 2002 AD under the license granted by the Beema Samiti. The Nepal branch was registered as a branch of foreign company in 2006 AD under the Company Ordinance, 2006 AD. The address of its registered office is Ward no. 3, Pulchowk, Lalitpur, Nepal. The company underwrites life insurance risks, such as those associated with death, accident, disability and health.

The financial statements apply to the financial year ended 31st Ashad 2076 (16 July 2019). In the Financial Statements, American Life Insurance Company has been referred as “the Company”.

The accompanied financial statements have been approved for submission and publication by the Vice President and General Manager of the Company on Baisakh 17, 2077 B.S. (29 April, 2020 A.D.) and acknowledges the responsibility of preparation of financial statements.

2) Significant Accounting Policies, judgment and estimates

2.1 Basis of Preparation and measurement

i. Statement of Compliance

The financial statements have been prepared in accordance with applicable Nepal Financial Reporting Standards (NFRS) as issued by the Institute of Chartered Accountants of Nepal (ICAN). The Financial Statements have also been prepared in accordance with the relevant presentational requirements of the Company Act, 2063 of Nepal. Along with these Financial Statements, as per the circular Bi.Sa.61 CN.2614 (2075/076) dated 15th Poush, 2075 issued by Beema Samiti, the Company has prepared a separate set of Financial Statement for the year ended 31st Ashad, 2076 on historical cost convention basis in conformity with earlier issued Insurance Act 2049, Insurance Regulation 2049, circular/guidelines issued by Beema Samiti, Nepal Accounting standards (hereinafter referred to as 'Previous GAAP'), Company Act 2063 and other applicable laws and generally accepted accounting practices for all periods up to and including the year ended 31st Ashad, 2076.

As per the requirements as per the circular Bi.Sa.61 CN.2614 (2075/076) dated 15th Poush, 2075 issued by Beema Samiti, the company has created regulatory reserve. The excess amount of current period in comparison to the retained earnings as per Special Purpose Financial Statement has been transferred to regulatory reserve.

ii. Basis of preparation

The financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the financial statements.

The financial statements are presented in functional and presentation currency of the Company i.e. Nepalese Rupee (“NPR”) which is the currency of the primary economic environment in which the Company operates.

In accordance with NFRS 4 Insurance Contracts, the Company has applied existing accounting practices for insurance and participating investment contracts, modified as appropriate to comply with the NFRS framework and applicable standards. Further details are given in accounting policy no. 2.2.

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (no more than 12 months) and more than 12 months after the reporting date (more than 12 months) is presented in the Note 31.

iii. Basis of measurement

These financial statements are prepared under historical cost convention except for certain material items that have been measured at fair value as required by the relevant NFRS and explained in the ensuing policies below.

American Life Insurance Company
Notes to the financial statements for the year ended 31st Ashad 2076

iv. Critical Accounting Estimates and Judgments in Applying Accounting Policies

The preparation of the financial statements in conformity with Nepal Financial Reporting Standards requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The Company makes certain estimates and assumptions regarding the future events. Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year have been included in the relevant sections of the notes wherever the estimates have been applied along with the nature and effect of changes of accounting estimates, if any.

2.2 Intangible assets

Computer Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives i.e. currently 4 years. Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads.

2.3 Property, plant and equipment

- i. All items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.
- ii. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset are derecognized when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.
- iii. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.
- iv. An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognized.
- v. Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method.
- vi. Depreciation is provided on the straight-line method based on the estimated useful lives of the assets determined by the management. Depreciation on additions to fixed assets is charged on pro-rata basis in the year of purchase. The useful life of the assets and the corresponding rates at which the assets are depreciated are as follows: -

Category of Assets	Estimated Useful Life	Depreciation Rate
Office Equipment	4 years	25%
Furniture and Fixtures	4 years	25%
Computer and EDP	4 years	25%
Automobiles	5 years	20%

Useful life is the period of time which the asset is expected to be used. The estimated useful life, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

American Life Insurance Company
Notes to the financial statements for the year ended 31st Ashad 2076

Critical Accounting Estimates and Judgments

Management reviews the useful life and residual values of property, plant and equipment at least once a year. Such life is dependent upon an assessment of both the technical life of the assets and also their likely economic life, based on various internal and external factors including relative efficiency and operating costs. Accordingly, depreciable lives are reviewed annually using the best information available to the Management.

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is usually determined on the basis of discounted estimated future cash flows. This involves management estimates on anticipated commodity prices, market demand and supply, economic and regulatory environment, discount rates and other factors. Any subsequent changes to cash flow due to changes in the above-mentioned factors could impact the carrying value of assets.

2.4 Deferred Tax Assets and Liabilities

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected realization or settlement of the carrying amount of assets and liabilities using tax rates at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Critical Accounting Estimates and Judgments

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company.

2.5 Financial Assets and Financial Liabilities

All financial assets are recognized and derecognized on trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value. Fair values of quoted investments in active markets are based on quoted bid prices. Fair values for unquoted investments are estimated using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

(i) Classification of financial assets and financial liabilities

For the purposes of classifying financial assets an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer. All other non-derivative financial assets are 'debt instruments'. Financial liabilities are classified as either 'financial liabilities at FVTPL' or 'other financial liabilities'.

American Life Insurance Company
Notes to the financial statements for the year ended 31st Ashad 2076

(ii) Debt instruments at amortized cost using the effective interest method

Debt instruments are measured at amortized cost if both the following condition are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs, except if they are designated as at FVTPL. They are subsequently measured at amortized cost using the effective interest method less any impairment, with interest revenue recognized on an effective yield basis in investment revenue.

Subsequent to initial recognition, the Company is required to reclassify debt instruments from amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The Company may irrevocably elect at initial recognition to classify a debt instrument that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

All financial assets are recognized and derecognized on trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value. Fair values of quoted investments in active markets are based on quoted bid prices. Fair values for unquoted investments are estimated using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

(iii) Equity instruments at fair value through other comprehensive income (FVTOCI)

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading. A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the fair value reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognized in profit or loss and are included in the 'investment income' line item.

American Life Insurance Company
Notes to the financial statements for the year ended 31st Ashad 2076

(iv) Financial assets at FVTPL

Debt instrument financial assets that do not meet the amortized cost criteria or that meet the criteria but the entity has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL. The Company has not designated a debt instrument financial asset as at FVTPL. Subsequent to initial recognition, the Company is required to reclassify debt instruments from FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria starts to be met and the instrument's contractual cash flows meet the amortized cost criteria. Reclassification of debt instruments designated as at FVTPL at initial recognition is not permitted.

Investments in equity instruments are classified as at FVTPL, unless the Company designates an investment that is not held for trading as at FVTOCI at initial recognition.

(v) De-recognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset.

(vi) Impairment of financial assets

Financial assets carried at amortized cost

The Company assesses at each reporting date whether there is objective evidence that a financial asset or Company of financial assets is impaired. A financial asset or Company of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Company of financial assets that can be reliably estimated. Objective evidence that a financial asset or Company of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a Company of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:

-adverse changes in the payment status of issuers or debtors in the Company; or

-National or local economic conditions that correlate with defaults on the assets in the Company.

The Company assesses whether objective evidence of impairment exists individually for financial assets. If there is objective evidence that an impairment loss has been incurred on investments carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with exception of receivables arising out of reinsurance or direct insurance arrangements, where the carrying amount is reduced through an allowance account. The impairment loss is recognized directly through profit or loss.

(vii) Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortization, are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of the money and the risks specific to the asset or cash generating unit.

For the purposes of assessing impairment, assets are compared at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

The impairment loss is recognized directly through profit or loss.

Financial liabilities at FVTPL

A financial liability is any liability that is:

- a) contractual obligation:
 - (i) to deliver cash or another financial asset to another entity; or
 - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or
- b) a contract that will or may be settled in the entity's own equity instruments and is:
 - (i) A non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
 - (ii) A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

The company classifies financial liabilities as Fair Value through Profit or Loss and those Held at Amortized Cost. All financial liabilities held by the company are classified as financial liabilities held at amortized cost using effective interest rate.

(i) De-recognition

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The condition is met when the liability is settled by paying the creditors, or when the Company is released from primary responsibility for the financial liability either by process of law or by creditor.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.6 Reinsurance Assets

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

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The Company assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the profit or loss. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortized cost. The impairment loss is also calculated following the same method used for these financial assets.

The company has assessed the potential impairment loss of reinsurance receivables as at 31st Ashad 2076 (16 July 2019). Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the Reporting date.

2.7 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and demand deposits with an original maturity of three months or less and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

2.8 Equity

The Company is operating as branch operation of foreign company. Therefore, it does not hold any equity share capital in Nepal operation.

Other equity includes HO Fund, Deferred Tax Reserve, Contingency Reserve, Housing Fund Reserve, Regulatory Reserve and Other Reserve (Capital Fund).

2.9 Insurance Contract Liabilities

a) Product classification

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expired. Contracts can be reclassified as insurance contracts after inception if insurance risk becomes significant. Any contracts not considered to be insurance contracts under NFRS are classified as investment contracts.

As noted in basis of preparation above, insurance contracts in general continue to be measured and accounted for under existing accounting practices at the date of transition to NFRS ('grandfathered'), in accordance with NFRS 4.

The company deals in life insurance business as summarized below: -

Life insurance

Includes insurance business of all or any of the following classes, namely, life assurance business and business incidental to any such class of business.

Life assurance business means the business of, or in relation to, the issuing of, or the undertaking of liability to pay money on death or on the happening of any contingency dependent on the termination or continuance of human life (either with or without provision for a benefit under a continuous disability insurance contract), and include a contract which is subject to the payment of premiums for term dependent on the termination or continuance of human life and any contract securing the grant of an annuity for a term dependent upon human life.

Life insurance products offered by the company can be classified into following 5 categories: -

- Anticipated Endowment Policy: This is a saving and protection plan with feature of payment of benefit amount in three installments.
- Endowment Policy: These are saving and protection plan and includes Normal Endowment Plan, Education Protection Plan and Retirement benefit Plan.
- Other Policy – Future Care DPS: This is saving and protection plan.
- Micro Insurance Policy: This is only protection plan issued to the borrowers of micro financial institutions.
- Term Insurance Policy: This is only protection plan and include products namely Life Shield, Critical Care, Group Insurance and Life Care.

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(b) Liabilities

Under NFRS 4 requirements, insurance and participating investment contract liabilities are measured using accounting policies consistent with those adopted previously under existing accounting practices.

Benefits are recorded as an expense when they are incurred. Claims arising on maturing policies are recognized when the claim becomes due for payment. Death claims are accounted for on notification. Surrenders are accounted for on payment. Provision for claims reported is accounted with additional 15% of reported amount as required by Insurance Regulation, 2049. In case of incurred but not reported (IBNR), claims are accounted on actual estimated basis.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used (the valuation premiums). The liability is based on assumptions as to mortality, persistency, maintenance expenses, bonus rate assumptions and investment income. A margin for adverse deviations is included in the assumptions.

Where insurance contracts have a single premium or a limited number of premium payments due over a significantly shorter period than the period during which benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognized as income in line with the decrease of unexpired insurance risk of the contracts in-force or, in line with the decrease of the amount of future benefits expected to be paid. The liabilities are recalculated at each reporting date using the assumptions established at inception of the contracts. The liabilities for such contracts are determined as per directive issued for companies conducting life insurance business by Beema Samiti.

Liability adequacy test (LAT)

At each reporting date, an assessment is made of whether the recognized long-term business provisions are adequate, using current estimates of future cash flows. If that assessment shows that the carrying amount of the liabilities (less related assets) is insufficient in light of the estimated future cash flows, the deficiency is recognized in the income statement by setting up an additional provision in the statement of financial position. The liability for long-term business has been determined as per Liability valuation directive, 2076 issued by Beema Samiti.

For calculation of liabilities, Poly Systems Life Master model is used. Liabilities calculated by the Model are based on mortality, persistency, expense, interest rate and bonus rate assumptions which are updated annually at each fiscal year end.

Accounting policy for LAT

The company has followed going concern basis on account of liability valuation. To be prudent, sufficient margin for adverse deviation has been considered. Active policies (including policies from which premium is received and premium due to be received) and expenses incurred in the fiscal year have been considered for liability valuation.

Cash Flows considered

Inflows include:

- a) Investment income on reserves and net cash flows at each point of time
- b) Premium: Premium is due at the beginning of the month of premium mode.

Outflows include:

- a) Expected Death benefit = Probability of death x Death Benefit
- b) Expected Survival/Maturity benefit = Probability of survival x Survival/Maturity Benefit
- c) Maintenance Expenses: There are two types of Maintenance expense:
 - Percentage of premium
 - Per Policy Expense
- d) Commission

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Valuation methods and assumptions:

The valuation has been performed based on Gross Premium Valuation (GPV) method as prescribed by valuation directive issued by Beema Samiti. For non-par fund, reserve is based on unearned premium Reserve. GPV is calculated as the expected present value of future outflows less the expected present value of future inflows. GPV is then further adjusted for the following items:

- a) Zeroization – Individual reserves are floored to 0.
- b) Surrender Value Deficiency (Cash Value Adjustment) – ensuring that at product level the reserves are not less than the cash value at valuation date. In case reserves are lower, keeping the difference of cash value & reserves as additional amount of reserves.
- c) Adjustment – These are additional reserves adjustment for items like due premiums, payments due but not paid to matured policies etc.

To validate if the model has picked correct assumptions to calculate the reserves, Model point testing is performed. Model points are selected such that each and every aspect of a policy is covered. Following factors are considered while choosing appropriate model point: -

- Product
- Policy-term
- Gender
- Cohort
- Premium mode

This testing is performed annually at the time of statutory valuation. In addition, whenever there are assumption updates; model point testing is performed to ensure that correct assumptions are being picked by Poly Systems. Following discount rate has been used in the valuation which is as prescribed by Beema Samiti.

Particulars	2018-19	2017-18
Discount rate	6%	6%

40% of Nepali Assured Mortality Table 2009 provided by the Beema Samiti with 10% of loading in the best estimate mortality as Provision for Adverse Deviation (PAD) is used.

Aggregation practices

The model used for reserve calculation calculates the reserves at Policy level. However, results can be extracted at group level or at required granularity (e.g. by LOB, by Product group, by policy, etc.). There is no additional aggregation of data performed for reserve calculation.

Sensitivity of Liabilities:

Sensitivity testing is performed based on following assumptions and scenarios:

Assumption	Scenario(s)
Mortality	Base: Liabilities with PAD (10%) - Liabilities without PAD - Liabilities with PAD (20%)
Interest	- Plus/Minus 100bps
Expenses	- Plus/Minus 10%

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Scale of Bonus:

The company has declared below scale of bonus for participating policyholders for financial year 2075/76 (2018-19).

(Per thousand)

Product/Policy terms	1-15 Years	16-20 Years	21 Years & above
3PP	50	60	70
End	65	70	80
EPP	65	75	85

Company is compliant with the requirement of Solvency Margin Directive and maintains 327% solvency margin as of 2076 Ashad end (16 July 2019).

Critical Accounting Estimates and Judgments

The estimation of future benefit payments from long-term insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Management applies judgment in the estimation of incurred but not yet reported claims (IBNR) whereby the Company uses historical experience to estimate the ultimate cost of claims and the IBNR provision. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to claims data for each accident year that is not fully developed to produce an estimated ultimate claims cost for each accident year. Note 14 contain further details on the estimation of insurance liabilities.

2.10 Employee benefit

The Company has schemes of employment benefits namely provident fund, gratuity fund and leave encashment as per employee service rules.

i. Defined contribution schemes

Contributions to defined contribution schemes (Provident fund) are charged to the profit or loss statement in the year to which they relate as the company has no further defined obligations beyond monthly contributions. Contributions to defined contribution schemes for local employees are deposited with Citizen Investment Trust (CIT). Contributions to defined contribution schemes such as provident fund are charged to the income statement as incurred.

As per the provision of new Labor Act enacted and effective from September 4, 2017, gratuity plan has been converted into contribution plan from defined benefit plan. Contribution of 8.33% of basic salary needs to be deposited on monthly basis to the separate Social Security Fund (SSF). Total gratuity obligation calculated as per previous labor act till the transition date also needs to be deposited to the Social Security Fund. As on date, the Company is in process of registration in SSF, so the entire amount of gratuity is deposited in CIT.

In this year, management and the staffs mutually agreed to re-continue the gratuity benefits to the staffs who were eligible as per Labor Act, 2048 as the management concluded that the benefits as per earlier labor act was more beneficial to the staffs. Accordingly, gratuity at the rate 8.33% of basic salary of new employees is considered as defined contribution plan. Gratuity of staffs who are still eligible for gratuity as per old provision that required actuarial assumptions are considered as defined benefit plan and measured based on actuarial report.

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ii. Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The Company recognizes all actuarial gains and losses net of deferred tax arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefit expense in profit or loss. The Company recognizes gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and any past service cost that had not previously been recognized.

As mentioned above, gratuity scheme has become a defined benefit plan only after the decision taken during the year. So, the reconciliation of benefit obligation and plan asset has not been disclosed.

Actuarial Assumptions for defined benefit plan:

The key assumption used in the calculations are Demographic assumptions and Financial assumptions.

Demographic Assumptions:

a. Mortality Rate:

Age	Mortality Rate
21	0.001068
22	0.001101
23	0.001131
24	0.001156
25	0.001177

b. Withdrawal Rate:

Age up to 30 years	5.00% per annum
Age 31 – 40 years	5.00% per annum
Age 31 – 50 years	5.00% per annum
Age above 50 years	5.00% per annum

Financial Assumptions:

- a. Discount Rate: 6.50% with reference to market yields on Government bonds issued by Nepal Rastra Bank as on 16 July 2019.
- b. Salary Increase: 7.50% per annum

Sensitivity analysis:

Parameter	Impact of change by 100 basis points	
	Increase	Decrease
Discount Rate	56,387,282	67,521,840
Salary Increment Rate	67,251,693	56,522,589
Withdrawal Rate	61,221,677	61,946,563

iii. Other long-term employment benefits

Employees have a statutory entitlement to payment of 90 days cash equivalent of accumulated un-availed annual / home leave and accumulated leave excess of 90 days will be encashed while in service. Also, employees have a statutory

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entitlement to payment of 45 days cash equivalent of accumulated sick leave and accumulated sick leave excess of 45 days will be encashed while in service.

The obligation for such long-term employee benefits is calculated using the projected unit credit method and is discounted to its present value based on an actuarial valuation. Service cost, interest cost and actuarial gain/loss are recognized in the profit or loss statement.

2.11 Other financial liabilities

Other financial liabilities which includes creditors arising out of reinsurance arrangements and direct insurance arrangement, borrowings and other payable, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis

2.12 Payables and receivables related to insurance contracts

Receivables and payables are recognized when due. These include amounts due to and from agents and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. Commissions earned and payable are recognized in the period in which relevant premiums are written.

2.13 Contingencies

In the normal course of business, contingent liabilities may arise from litigation and other claims against the Company. Potential liabilities that are possible but not probable of crystallizing or are very difficult to quantify reliably are treated as contingent liabilities. Such liabilities are disclosed in the notes but are not recognized.

2.14 Fair value measurements

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. The management determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

2.15 Revenue Recognition

(i) Insurance premium revenue

Premium income has been recognized in accordance with Insurance Regulations & financial directive that is not consistent with Nepal Financial Reporting Standards which requires revenue to be recognized on an accrual basis. Gross premium income is recognized on cash basis as and when it is due. Cash received in advance is recognized as premium income during the period to which they relate. For single premium business, revenue is recognized on the date on which policy is effective. Premium ceded to the reinsurer during the year has been separately recognized under "Premium ceded to Reinsurer".

(ii) Fees and commission income

Fees and commission income includes reinsurance commission, surrender charges and other charges. Reinsurance commission income has been recognized on accrual basis based on the balance confirmation received from reinsurer in accordance with reinsurance agreement. Fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognized over those future periods.

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(iii) Investment income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(iv) Other income

Other income includes profit on sale of fixed assets, finance income, foreign currency exchange revaluation gain and other miscellaneous income. The revenue recognition policy relating to finance income from fair value measurement of financial assets is set out under note 2.22 The recognition policy relating to foreign currency exchange revaluation gain/loss is set out under note 2.17.

2.16 Benefits, Claims and Other expenses recognition

(i) Gross benefits and claims paid

Gross benefits and claims for insurance contracts include the cost of all benefit and claims paid during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims.

(ii) Claims ceded to reinsurers

Claims ceded to reinsurers are recognized as and when gross claims are recognized as per reinsurance arrangement.

(iii) Gross change in contract liabilities

Gross change in contract liabilities include change in insurance contract liabilities of participatory and non-participatory insurance contracts represented by change in life insurance fund, provision for unexpired risk reserve and outstanding claims. Additional 15% is recognized as required by Insurance act in case of outstanding claims.

(iv) Change in contract liabilities ceded to reinsurers

Reinsurer's portion under gross change in insurance contract liabilities is recognized as and when there is change in contract liabilities.

(v) Other operating and administrative expenses

All other operating and administrative expenses are recognized on accrual basis.

(vi) Taxation

Income Tax

Income tax on the profit or loss for the year comprises current taxes and deferred taxes. Income tax is recognized in the profit or loss statement except to the extent that it relates to items recognized directly to equity.

Current tax

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Income tax rates applicable to company is 25%.

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(vii) Net realized gains and losses

Net realized gains and losses recorded in the statement of profit or loss include gains and losses on financial assets and properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortized cost and are recorded on occurrence of the sale transaction.

2.17 Foreign currency transactions

- i. The functional currency of the Company and its subsidiaries is determined on the basis of the primary economic environment in which it operates. The functional currency of the Company is Nepalese Rupee (NPR).
- ii. In preparing the financial statements the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.
- iii. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.
- iv. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.
- v. Exchange differences on monetary items are recognized in Statement of Profit and Loss in the period in which they arise.

2.18 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. Leases that do not transfer substantially all of the risks and rewards of ownership of an asset to the Group are classified as operating leases. Operating lease payments for non-cancellable lease agreements are recognized as an expense in the statement of profit or loss on a straight-line basis over the lease term. However, the Company has not entered into any non-cancellable lease agreements.

2.19 Regulatory minimum Assigned capital

The company has maintained minimum assigned capital as per requirement of section 8 of Insurer's Registration and Insurance Business Directive, 2073.

The assigned capital as on 16 July 2019 (31 Ashad 2076) is NPR 2,114,902,118(2.11 Arba) as calculated below:

Particulars	Amount (NPR)
HO Fund	75,444,600
Contingency Reserve	15,000,000
Other Reserve (Capital Fund)	223,304,723
Retained Earnings	1,971,152,795
Total	2,284,902,118
Less: Proposed Dividend	(170,000,000)
Assigned Capital after proposed dividend	2,114,902,118

Also, as per requirement of section 19(2) of Insurer's Registration and Insurance Business Directive, 2073 the company has transferred 20% of current year profit (profit as per financial statements prepared as per financial directive issued to Life Insurers) to capital fund. The total accumulated balance as on 16 July 2019 (31 Ashad 2076) is NPR 223,304,723.

2.20 Proposed Dividend

The company has proposed NPR 170,000,000 as cash dividend out of current year profit after complying the requirement of directive as mentioned in 2.19.

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2.21 Management of Insurance and Financial Risk

The Company's activities expose it to a variety of risks, including insurance risk, financial risk, credit risk, and the effects of changes in property values, debt and equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management program focuses on the identification and management of risks and seeks to minimize potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place which help manage liquidity and seek to maximize return within an acceptable level of interest rate risk.

This section summarizes the way the Company manages risk.

a) Insurance Risk

The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The following table discloses the maximum insured risk (sum at risk) by the class of business in which the contract holder operates and included in terms of the policy. The amounts are the carrying amounts of the insurance liabilities (gross and net of reinsurance) arising from insurance.

31 Ashad 2076		Maximum Insured Loss				
Class of Business:		NPR 0 m-NPR 15m	NPR 15 m- NPR 250m	NPR 250 m- NPR 1000m	NPR 1000m+	Total
Life Assurance Business						
Anticipated Endowment Policy	Gross	2,364,869,857	-	-	-	2,364,869,857
	Net	1,994,663,212	-	-	-	1,994,663,212
Endowment Policy	Gross	4,283,810,484	-	-	-	4,283,810,484
	Net	3,069,342,252	-	-	-	3,069,342,252
Other Policy-Future Care DPS	Gross	49,113,753,633	-	-	-	49,113,753,633
	Net	22,341,749,749	-	-	-	22,341,749,749
Micro Insurance Policy	Gross	61,726,563,723	-	-	-	61,726,563,723
	Net	61,726,563,723	-	-	-	61,726,563,723
Term Insurance Policy	Gross	84,907,389,473	-	-	-	84,907,389,473
	Net	84,907,389,473	-	-	-	84,907,389,473
Total	Gross	202,396,387,169	-	-	-	202,396,387,169
	Net	155,174,350,653	-	-	-	155,174,350,653
32 Ashad 2075		Maximum Insured Loss				
Class of Business:		NPR 0 m-NPR 15m	NPR 15 m- NPR 250m	NPR 250 m- NPR 1000m	NPR 1000m+	Total
Life Assurance Business						
Anticipated Endowment Policy	Gross	3,021,384,238	-	-	-	3,021,384,238
	Net	2,129,429,238	-	-	-	2,129,429,238
Endowment Policy	Gross	3,886,525,246	-	-	-	3,886,525,246
	Net	2,662,948,548	-	-	-	2,662,948,548
Other Policy-Future Care DPS	Gross	36,581,677,379	-	-	-	36,581,677,379
	Net	20,141,563,596	-	-	-	20,141,563,596
	Gross	31,031,395,563	-	-	-	31,031,395,563

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31 Ashad 2076	Maximum Insured Loss					
Class of Business:		NPR 0 m-NPR 15m	NPR 15 m- NPR 250m	NPR 250 m- NPR 1000m	NPR 1000m+	Total
Micro Insurance Policy	Net	31,031,395,563	-	-	-	31,031,395,563
Term Insurance Policy	Gross	37,324,840,052	-	-	-	37,324,840,052
	Net	9,785,100,830	-	-	-	9,785,100,830
Total	Gross	111,845,822,479	-	-	-	111,845,822,479
	Net	65,750,437,776	-	-	-	65,750,437,776

b) Financial Risk

The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities.

These risks arise from open positions in interest rate which is exposed to general and specific market movements. The risk that the Company primarily faces due to the nature of its investments and liabilities is interest rate risk.

The Company manages these positions within an Asset Liability Management (ALM) and Credit Risk Management (CRM) framework that has been developed to achieve investment returns in excess of its obligations under insurance contracts. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders.

The Company has exposure to the following risks arising from financial instruments:

(i) Price Risk

The Company is not exposed to equity securities price risk because there are no investments in quoted and unquoted shares. Also, the Company is not exposed to commodity price risk.

(ii) Cash flow and fair value interest rate risk

There are no borrowings, so company is not exposed to interest rate risk.

(iii) Credit Risk

The Company has exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- Receivables arising out of direct insurance arrangements;
- Receivables arising out of reinsurance arrangements; and
- Reinsurers' share of insurance liabilities.

Other areas where credit risk arises include cash and cash equivalents, government bonds and deposits with banks and other receivables.

Reinsurance is issued to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The credit worthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings if available or historical information about counter party default rates. The Company classifies counterparties without an external credit rating as below.

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseeable interruption of cash flow.

American Life Insurance Company
Notes to the financial statements for the year ended 31st Ashad 2076

Group1- new customers/ related parties.

Group2- existing customers/ related parties with no defaults in the past.

Group3- existing customers/ related parties with some defaults in the past. All defaults were fully recovered.

The amount that best represents the Company's maximum exposure to credit risk at 31st Ashad 2076 is made up as follows:

Maximum exposure to credit risk before collateral held	Credit Classification	2075/76	2074/75
Government Bonds	Group 2	2,053,269,324	2,199,862,116
Fixed Deposit with Commercial Bank	Group 2	16,357,509,518	14,163,467,989
Fixed Deposit with Development Bank	Group 2	80,000,000	-
Equity Investment	Group 2	200,000	-
Loans to Life Policyholders	Group 2	941,745,500	920,089,173
Agent Loan	Group 2	1,456,064	1,998,601
Employee Loan	Group 2	414,182	494,048
Employee Advance	Group 2	23,971,814	16,290,574
Trade and Security Deposit	Group 2	277,388	390,265
Reinsurance receivables	Group 2	18,082,312	11,558,155
Cash and cash equivalents	Group 2	328,747,485	197,755,607
Total		19,805,673,587	17,511,906,528

Surrender values of the life insurance policies are held as collateral for loans on life policies. None of the above assets are past due or impaired.

Receivables arising out of Direct and Reinsurance Arrangements are summarized below:

Particulars	Direct Insurance Arrangements		Reinsurance Arrangements	
	2075/76	2074/75	2075/76	2074/75
Neither past due nor impaired	-	-	18,082,312	11,558,155
Past due but not impaired	-	-	-	-
Impaired	-	-	-	-
Gross	-	-	18,082,312	11,558,155
Less: allowance for impairment	-	-	-	-
Net	-	-	18,082,312	11,558,155

(iv) Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn.

The Company is exposed to daily calls on its available cash for claims settlement and other administration expenses. The Company maintains cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

American Life Insurance Company
Notes to the financial statements for the year ended 31st Ashad 2076

The following table summarizes the maturity profile of the financial assets, financial liabilities and insurance contract liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable.

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognized insurance liabilities. Unearned premiums have been excluded from the analysis as they are not contractual obligations.

American Life Insurance Company
Notes to the financial statements for the year ended 31st Ashad 2076

As at 31st Asadh 2076	Carrying Amount	Up to 1 year	1–5 years	5–15 years	Over 15 years	No maturity date	Total
Assets							
Investments at amortized cost							
Government Bonds	2,053,269,324	366,962,060	-	1,685,325,000	-	-	2,052,287,060
Fixed Deposit with Commercial Bank	16,357,509,518	15,307,509,518	1,050,000,000	-	-	-	16,357,509,518
Fixed Deposit with Development Bank	80,000,000	80,000,000	-	-	-	-	80,000,000
Equity Investment	200,000	-	-	-	-	200,000	200,000
Loans to Life Policyholders	941,745,500	164,893,854	445,042,899	301,237,732	30,571,015	-	941,745,500
Other loans and advances		-	-	-	-	-	-
Agent Loan	1,456,064	223,035	1,233,029	-	-	-	1,456,064
Employee Loan	414,182	36,677	400,680	-	-	-	437,357
Other financial assets		-	-	-	-	-	-
Staff Advance	23,971,814	3,459,025	22,026,377	-	-	-	25,485,402
Trade and Security Deposit	277,388	277,388	-	-	-	-	277,388
Reinsurance assets	1,545,466	1,545,466	-	-	-	-	1,545,466
Reinsurance receivables	18,082,312	18,082,312	-	-	-	-	18,082,312
Cash and cash equivalents	328,747,485	328,747,485	-	-	-	-	328,747,485
Total	19,807,219,053	16,271,736,819	1,518,702,985	1,986,562,732	30,571,015	200,000	19,807,773,552
Liabilities							
Insurance contract liabilities	17,087,687,657	-	-	-	-	17,087,687,657	17,087,687,657
Insurance payables	176,538,711	176,538,711	-	-	-	-	176,538,711
Reinsurance payables	18,969,813	18,969,813	-	-	-	-	18,969,813
Trade and other Payables							-
Payable to Agents	35,891,355	35,891,355	-	-	-	-	35,891,355
Service fee payable	42,195,144	42,195,144	-	-	-	-	42,195,144
Statutory dues	2,941,870	2,941,870	-	-	-	-	2,941,870
Payable to employees	8,542,075	8,542,075	-	-	-	-	8,542,075
Staff Bonus payables	68,254,695	68,254,695	-	-	-	-	68,254,695
Unpaid dividend	48,223,548	48,223,548	-	-	-	-	48,223,548
Other payables	1,018,646	1,018,646	-	-	-	-	1,018,646
Total	17,490,263,515	402,575,858	-	-	-	17,087,687,657	17,490,263,515

American Life Insurance Company
Notes to the financial statements for the year ended 31st Ashad 2076

As at 31st Ashad 2075	Carrying Amount	Up to 1 year	1–5 years	5–15 years	Over 15 years	No maturity date	Total
Assets							
Investments at amortized cost							
Government Bonds	2,199,862,116	516,689,628	629,968,210	1,828,742,448	-	-	2,975,400,286
Fixed Deposit with Commercial Bank	14,163,467,989	15,025,204,407	-	-	-	-	15,025,204,407
Loans to Life Policyholders	920,089,173	166,558,228	466,261,298	267,401,550	19,868,097	-	920,089,173
Other financial assets							
Agent Loan	1,998,601	980,170	1,018,431	-	-	-	2,824,159
Employee Loan	494,048	182,652	378,424	-	-	-	561,076
Staff Advance	16,361,147	11,610,497	5,678,771	-	-	-	17,359,841
Agent Advance	-	-	-	-	-	-	-
Trade and Security Deposit	390,265	390,265	-	-	-	-	390,265
Reinsurance asset	12,424,786					12,424,786	12,424,786
Reinsurance receivables	11,558,155	11,558,155	-	-	-	-	11,558,155
Cash and cash equivalents	197,755,607	197,755,607	-	-	-	-	197,755,607
Total	17,524,331,314	15,930,609,854	1,103,305,197	2,096,143,998	19,868,097	12,815,051	19,162,742,198
Liabilities							
Insurance contract liabilities	15,406,370,073	-	-	-	-	15,406,370,073	15,406,370,073
Insurance payables	129,968,043	129,968,043	-	-	-	-	129,968,043
Reinsurance payables	10,881,128	10,881,128	-	-	-	-	10,881,128
Trade and other Payables							-
Payable to Agents	32,433,426	32,433,426	-	-	-	-	32,433,426
Service fee payable	36,271,603	36,271,603	-	-	-	-	36,271,603
Statutory dues	2,453,501	2,453,501	-	-	-	-	2,453,501
Payable to employees	3,403,395	3,403,395	-	-	-	-	3,403,395
Staff Bonus payables	59,782,644	59,782,644	-	-	-	-	59,782,644
Unpaid dividend	48,223,548	-	48,223,548	-	-	-	48,223,548
Other payables	1,230,277	1,230,277	-	-	-	-	1,230,277
Total	15,731,033,206	276,439,585	48,223,548	-	-	15,406,370,073	15,731,033,206

American Life Insurance Company
Notes to the financial statements for the year ended 31st Ashad 2076

2.22 Fair Value Estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Company, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as fair value through profit or loss and fair value through other comprehensive income. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

American Life Insurance Company
Notes to the financial statements for the year ended 31st Ashad 2076

Figure in NPR

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

Amount in NPR

For year ended 31 Ashad 2076	Carrying Amount					Fair Value Hierarchy			
	Designated at fair value through profit or loss	Amortized Cost	Designated at fair value through OCI	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets									
Investments at amortized cost	-	18,490,978,842	-	-	18,490,978,842	-	-	18,490,978,842	18,490,978,842
Investments at Fair Value Through OCI	-	-	200,000	-	200,000	-	-	200,000	200,000
Loans to Life Policyholders	-	941,745,500	-	-	941,745,500	-	-	941,745,500	941,745,500
Other financial assets	-	26,119,448	-	-	26,119,448	-	-	26,119,448	26,119,448
Reinsurance receivables	-	18,082,312	-	-	18,082,312	-	-	18,082,312	18,082,312
Cash and cash equivalents	-	328,747,485	-	-	328,747,485	-	-	328,747,485	328,747,485
Financial Liabilities									
Insurance payables	-	176,538,711	-	-	176,538,711	-	-	176,538,711	176,538,711
Reinsurance payables	-	18,969,813	-	-	18,969,813	-	-	18,969,813	18,969,813
Trade and other payables	-	207,094,393	-	-	207,094,393	-	-	207,094,393	207,094,393

Amount in NPR

For year ended 32 Ashad 2075	Carrying Amount					Fair Value Hierarchy			
	Designated at fair value through profit or loss	Amortized Cost	Designated at fair value through OCI	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets									
Investments at amortized cost	-	16,363,330,113	-	-	16,363,330,113	-	-	16,363,330,113	16,363,330,113
Loans to Life Policyholders	-	920,089,174	-	-	920,089,174	-	-	920,089,174	920,089,174
Other financial assets	-	19,173,488	-	-	19,173,488	-	-	19,173,488	19,173,488

American Life Insurance Company
Notes to the financial statements for the year ended 31st Ashad 2076

Figure in NPR

For year ended 32 Ashad 2075	Carrying Amount					Fair Value Hierarchy			
	Designated at fair value through profit or loss	Amortized Cost	Designated at fair value through OCI	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
Reinsurance receivables	-	11,558,155	-	-	11,558,155	-	-	11,558,155	11,558,155
Cash and cash equivalents	-	197,755,607	-	-	197,755,607	-	-	197,755,607	197,755,607
Financial Liabilities									
Insurance payables	-	129,968,049	-	-	129,968,049	-	-	129,968,049	129,968,049
Reinsurance payables	-	10,888,486	-	-	10,888,486	-	-	10,888,486	10,888,486
Trade and other payables	-	183,806,617	-	-	183,806,617	-	-	183,806,617	183,806,617

American Life Insurance Company
Notes to the financial statements for the year ended 31st Ashad 2076 (16 July 2019)

Figures in NPR

Note: 4		
Intangible assets		
Particulars	Computer Software	Total
Balance at 31st Ashadh 2074 (15 July 2017)	<u>1,579,528</u>	<u>1,579,528</u>
Additions - Externally acquired	785,400	785,400
Adjustment during the year	-	-
Balance at 32nd Ashad 2075 (16 July 2018)	<u>2,364,928</u>	<u>2,364,928</u>
Additions - Externally acquired	2,575,383	2,575,383
Adjustment during the year	-	-
Balance at 31st Ashad 2076 (16 July 2019)	<u>4,940,311</u>	<u>4,940,311</u>
Amortization and impairment losses		
Balance at 31st Ashad 2074 (15 July 2017)	<u>327,559</u>	<u>327,559</u>
Charge for the year	537,745	537,745
Impairment losses	-	-
Balance at 32nd Ashad 2075 (16 July 2018)	<u>865,304</u>	<u>865,304</u>
Charge for the year	866,016	866,016
Impairment losses	-	-
Balance at 31st Ashad 2076 (16 July 2019)	<u>1,731,320</u>	<u>1,731,320</u>
Net book value		
At 31st Ashadh 2074 (15 July 2017)	<u>1,251,969</u>	<u>1,251,969</u>
At 32nd Ashad 2075 (16 July 2018)	<u>1,499,624</u>	<u>1,499,624</u>
At 31st Ashad 2076 (16 July 2019)	<u>3,208,991</u>	<u>3,208,991</u>

American Life Insurance Company
Notes to the financial statements for the year ended 31st Ashad 2076 (16 July 2019)

Figures in NPR

Note no: 5

Property, plant and equipment:

	Office Equipment	Furniture and Fixtures	Computers	Automobiles	Total
Cost					
Balance at 31st Ashadh 2074 (15 July 2017)	6,649,182	8,192,326	9,298,346	31,657,396	55,797,250
Additions	3,109,868	4,602,558	3,736,721	8,927,200	20,376,347
Disposals	-	-	-	(3,693,833)	(3,693,833)
Balance at 32nd Ashad 2075 (16 July 2018)	9,759,050	12,794,885	13,035,067	36,890,763	72,479,765
Additions	1,974,529	6,637,005	3,464,233	8,975,200	21,050,967
Disposals	(85,750)	(188,000)	(2,012,124)	(4,439,167)	(6,725,041)
Balance at 31st Ashad 2076 (16 July 2019)	11,647,829	19,243,890	14,487,176	41,426,796	86,805,691
Accumulated depreciation					
Balance at 31st Ashad 2074 (15 July 2017)	1,657,095	2,075,088	1,973,559	5,335,070	11,040,812
Charge for the year	2,415,700.00	2,159,251.00	3,456,665	8,314,532	16,346,148
Disposals	-	-	-	(1,198,000)	(1,198,000)
Balance at 32nd Ashad 2075 (16 July 2018)	4,072,795	4,234,339	5,430,224	12,451,602	26,188,960
Charge for the year	3,132,473	3,359,875	3,018,478	9,297,466	18,808,292
Disposals	(85,750)	(188,000)	(1,941,612)	(4,439,167)	(6,654,529)
Balance at 32nd Ashad 2076 (16 July 2019)	7,119,518	7,406,214	6,507,090	17,309,901	38,342,723
Net book value					
At 31st Ashadh 2074 (15 July 2017)	4,992,087	6,117,238	7,324,787	26,322,326	44,756,438
At 32nd Ashad 2075 (16 July 2018)	5,686,255	8,560,546	7,604,843	24,439,161	46,290,805
At 31st Ashad 2076 (16 July 2019)	4,528,311	11,837,676	7,980,086	24,116,895	48,462,968

American Life Insurance Company
Notes to the financial statements for the year ended 31st Ashad 2076 (16 July 2019)

Figures in NPR

Note no: 6
Income Taxes

A. Tax expense recognized in the Statement of Profit and Loss

	Year ended 32nd Ashad 2076 (16 July 2019)	Year ended 32nd Ashad 2075 (16 July 2018)
Current income tax charge	245,088,095	203,421,592
Prior year income tax adjustments	-	-
Deferred tax charge/(credit)		
Origination and reversal of temporary differences	(6,890,522)	20,522,803
Adjustments/(credits) related to previous years - (net)	-	523,852
Income tax expense reported in statement of Profit or Loss	(6,890,522)	21,046,655

B. Tax expense recognized in Other comprehensive income

	Year ended 32nd Ashad 2076 (16 July 2019)	Year ended 32nd Ashad 2075 (16 July 2018)
Deferred tax		
Adjustments/(credits) related to previous years - (net)	(724,667)	-
Income tax charged to OCI	(724,667)	-

C. Reconciliation of tax liability on book profit vis-à-vis actual tax liability

	Year ended 32nd Ashad 2076 (16 July 2019)	Year ended 32nd Ashad 2075 (16 July 2018)
Accounting Profit/ (Loss) before income tax	794,013,196	781,787,359
Enacted tax rate	25.00%	25.00%
Computed tax expense	198,503,299	195,446,840
Differences due to:		
Tax effect due to non taxable income	(1,016,212,403)	(885,814,845)
Due to difference in Depreciation Amount	634,352	916,292
Effect due to non deductible expenses	1,062,162,847	892,751,335
Impact of NFRS Adjustments	-	121,970
Income tax expense charged to the statement of Profit or Loss and OCI	245,088,095	203,421,592

D. Current tax asset / (liability) -net:

	Year ended 32nd Ashad 2076 (16 July 2019)	Year ended 32nd Ashad 2075 (16 July 2018)
Repatriation Tax	20,853,061	20,853,061
Advance Income Tax (Net of provision for tax till previous year)	424,311,305	370,896,932
Less: Income Tax Liability for the current year	(245,088,095)	(203,421,592)
Total	200,076,271	188,328,401

E. The movement in deferred tax assets and liabilities during the year ended 31st Ashad, 2076(16 July 2019):

	As at 1st Shrawan 2074 (16 July 2017)	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	As at 32nd Ashad 2075 (16 July 2018)
Deferred tax assets/(liabilities)				
Provision for Leave Encashment	1,305,228	531,700	-	1,836,928
Provision for Gratuity	9,379,948	272,002	-	9,651,950
Amortization of Government Bond	-	(303,485)	-	(303,485)
Depreciation	(806,563)	2,688,460	-	1,881,897
Provision for Housing Fund	24,235,332	(24,235,332)	-	-
	34,113,945	(21,046,656)	-	13,067,290
Movement during the year ended 31st Ashad, 2076	As at 1st Shrawan 2075 (17 July 2018)	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	As at 31st Ashad 2076 (16 July 2019)
Deferred tax assets/(liabilities)				
Provision for Leave Encashment	1,836,928	1,560,763	-	3,397,691
Provision for Gratuity	9,651,950	5,014,772	724,667	15,391,389
Amortization of Government Bond	(303,485)	247,734	-	(55,751)
Depreciation	1,881,897	67,253	-	1,949,150
	13,067,290	6,890,522	724,667	20,682,478

American Life Insurance Company
Notes to the financial statements for the year ended 31st Ashad 2076 (16 July 2019)

Figures in NPR

Note no: 7

Investments at amortized cost

Particulars	As at 32nd Ashad 2076 (16 July 2019)	As at 32nd Ashad 2075 (16 July 2018)
Government Bonds	2,053,269,324	2,199,862,124
Fixed Deposit with Commercial Bank	16,357,509,518	14,163,467,989
Fixed Deposit with Development Bank	80,000,000	-
Total	18,490,778,842	16,363,330,113

a) The carrying amounts disclosed above in respect of Government Bonds have been valued at amortized cost.

b) The amortized cost of Fixed Deposit with Commercial Banks are equal to its carrying value.

Note no: 7A

Investments at Fair Value Through Other Comprehensive Income

Particulars	As at 32nd Ashad 2076 (16 July 2019)	As at 32nd Ashad 2075 (16 July 2018)
Equity Investment	200,000	-
Total	200,000	-

a) The fair value of Equity Investment is equal to its carrying amount.

b) Equity share of Insurance Institute Nepal Limited (2000 shares @ NPR 100 each)

Note no: 8

Loans to Life Policyholders

Policyholder loans are granted up to 80% of the surrender value of a Life Insurance Policy at the rate approximately equivalent to market rate. The policyholders can repay the loan along with interest during the policy period or balance of loan and capitalized interest shall be deducted from maturity proceeds or death benefit. Policyholder loans are reviewed for impairment at each reporting date. Loans receivable as at reporting date as follows:

Particulars	Life Policyholders
Balance as at 1st Shrawan 2075 (17 July 2018)	920,089,174
Loans Granted During the Period	217,401,410
Interest Capitalized	22,523,172
Repayment During the Period	(218,268,255)
Balance as at 31st Ashad 2076 (16 July 2019)	941,745,500

a) The fair value of the policyholder loans are equal to its carrying value as these are given at competitive market rates.

b) Management has assessed the potential impairment loss of Loans to Life Policyholders as at 31st Ashad 2076 (16 July 2019). Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the Reporting date in respect of Loans to Life Policyholders.

c) The Company does not hold any collateral as security against potential default by policyholders other than surrender value.

Note no: 9

Other Financial Assets

Particulars	As at 31st Ashad 2076 (16 July 2019)	As at 32nd Ashad 2075 (16 July 2018)
Agent Loan	1,456,064	1,998,601
Employee Loan	414,182	494,048
Employee Advance	23,971,814	16,290,574
Trade and Security Deposit	277,388	390,265
Total	26,119,448	19,173,488

a) The carrying amounts in respect of Agent loan disclosed above reasonably approximate fair value at the reporting date.

b) Employee loans are initially measured at fair value of loan amount granted and subsequently measured at the amortized cost. The differential amount between fair value and actual loan amount at recognition date is booked as Prepaid Employee expense and amortized at the difference amount between finance income and actual income in subsequent years.

c) Employee advance includes salary advances and other operational advances. Salary advances are interest free advances given to staff and are recovered in 24 month in equal installments. Employee advance are initially measured at fair value of loan amount granted and subsequently measured at the amortized cost as per NFRS requirement. The differential amount between fair value and actual advance amount at recognition date is booked as Prepaid Employee expense and amortized at the amount equal to finance income booked in subsequent years.

American Life Insurance Company
Notes to the financial statements for the year ended 31st Ashad 2076 (16 July 2019)

Figures in NPR

Note no: 10

Reinsurance Receivables

	Balance at 32nd Ashad 2075 (16 July 2018)	Additions during the year	Reinsurance receivables received during the year	Balance at 31st Ashad 2076 (16 July 2019)
Anticipated Endowment Policy	647,369	775,740	(647,369)	775,740
Endowment Policy	-	844,865	(200,000)	644,865
Other Policy (Future Care - DPS)	9,735,786	28,293,781	(26,527,860)	11,501,707
Term Insurance Policy	1,175,000	12,061,144	(8,076,144)	5,160,000
Total	11,558,155	41,975,530	(35,451,373)	18,082,312

Note no: 11

Other Assets

Particulars	As at 31st Ashad 2076 (16 July 2019)	As at 32nd Ashad 2075 (16 July 2018)
Pre-payments	2,340,164	1,935,535
Deposit with Government authority under tax litigation	24,483,505	21,709,332
Prepaid Employee cost	1,536,763	1,100,781
Total	28,360,432	24,745,649

Note no: 12

Cash and Cash Equivalents

Particulars	As at 31st Ashad 2076 (16 July 2019)	As at 32nd Ashad 2075 (16 July 2018)
Balances with banks		
Local currency account		
In current accounts	120,106,829	7,559,206
In call accounts	207,399,332	189,353,273
Convertible currencies account		
In current accounts	1,241,326	789,628
Total	328,747,487	197,755,607

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

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**Note no: 13
Other equity**

	HO Fund	Deferred Tax Reserve	Contingency Reserve	Catastrophe Reserve	Housing Fund Reserve	Regulatory Reserve	Other Reserve (Capital Fund)	Retained Earnings	Total
Balance at 1st Shrawan 2074 (16 July 2017)	70,973,400	34,113,945	15,000,000	94,347,358	96,941,329	3,555,666	-	1,183,160,148	1,498,091,846
Profit for the year	-	-	-	-	-	-	-	557,319,110	557,319,110
Other comprehensive income	-	-	-	-	-	-	-	-	-
Deferred Tax Reserve	-	(21,046,656)	-	-	-	-	-	21,046,656	-
Housing Fund	-	-	-	-	-	-	-	-	-
Catastrophe Reserve	-	-	-	57,885,365	-	-	-	(57,885,365)	-
Foreign Exchange on HO Fund	4,471,200	-	-	-	-	-	-	-	4,471,200
Other Reserves (Capital Fund)	-	-	-	-	-	-	111,666,169	(111,666,169)	-
Balance at 32nd Ashad 2075 (16 July 2018)	75,444,600	13,067,289	15,000,000	152,232,723	96,941,329	3,555,666	111,666,169	1,591,974,380	2,059,882,156
Profit for the year	-	-	-	-	-	-	-	555,815,623	555,815,623
Other comprehensive income	-	-	-	-	-	-	-	(2,174,002)	(2,174,002)
Deferred Tax Reserve	-	7,615,188	-	-	-	-	-	(7,615,188)	-
Housing Fund	-	-	-	-	-	-	-	-	-
Catastrophe Reserve	-	-	-	55,209,464	-	-	-	(55,209,464)	-
Foreign Exchange on HO Fund	-	-	-	-	-	-	-	-	-
Other Reserves (Capital Fund)	-	-	-	-	-	-	111,638,554	(111,638,554)	-
Balance at 32nd Ashad 2076 (16 July 2019)	75,444,600	20,682,477	15,000,000	207,442,187	96,941,329	3,555,666	223,304,723	1,971,152,795	2,613,523,778

a) Deferred Tax Reserve has been maintained equivalent to the amount of Deferred Tax Asset recognized as per the directives of the Insurance Board.

b) Company has maintained accumulated contingency reserve of NPR 15,000,000.

c) Insurance Board in its letter Bi.Bi.Sha 239/ (2072/73) dispatch no 3087 dated 2 April 2016, advised the company to create catastrophic reserve equal to 10% of amount available for appropriation as per financial statements prepared as per financial directive issued to Life Insurers. Accordingly, in the current financial year, NPR 55,209,464 has been transferred to catastrophic reserve account with accumulated balance amount as of balance sheet date is NPR 55,209,464.

d) Company had created reserve for housing fund as per the provisions of Labor Act, 2048 and shown the same as part of other equity. Accumulated balance of housing fund stood at NPR. 96,941,329 as of 31st Ashad 2074 (15 July 2017). As per new Labor Act, 2074 enacted on September 4, 2017, allocation of employees housing reserve is not required, so the Company has not made such allocation from financial year 2074-75 (2017-18).

e) Regulatory reserve has been created as per Bi.Sa. 61 C.N. 2614(2075/76) dated 24 December 2018 (15 Poush 2075) issued by Insurance Board. Excess of retained earning amounting to NPR 3,555,666 in comparison to the retained earning as per previous GAAP on the transition date has been transferred to Regulatory reserve in the opening figures on 1st Shrawan 2073 (16 July 2016).

f) Other reserves (Capital Fund) has been created as per section 19(2) of Insurer's registration and Insurance Business Directive, 2073. The company has transferred 20% of current year profit (profit as per financial statements prepared as per financial directive issued to Life Insurers) to the capital fund.

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Note no: 14

Insurance Contract Liabilities

Particulars

		As at 31st Ashad 2076			As at 32nd Ashad, 2075		
		Insurance contract Liabilities	Reinsurance assets	Net	Insurance contract Liabilities	Reinsurance assets	Net
Life insurance contract liabilities	14(a)	16,283,445,176	-	16,283,445,176	14,866,331,214	-	14,866,331,214
Provision for claims reported and estimated handling expenses	14(b)	396,400,992	(1,545,466)	394,855,526	222,508,146	(300,000)	222,208,146
Provision for unearned premium	14(c)	407,841,489	-	407,841,489	317,530,714	(12,124,786)	305,405,928
Total		17,087,687,657	(1,545,466)	17,086,142,191	15,406,370,074	(12,424,786)	15,393,945,288

14 (a) Reconciliation of Life Insurance Contract Liabilities

	Anticipated Endowment Policy	Endowment Policy	Other Policy (Future Care-DPS)	Total Gross insurance contract liabilities
Balance at 1st Shrawan 2075 (17 July 2018)	4,586,939,525	7,011,558,708	3,267,832,981	14,866,331,214
Increase in Account Value during the year	-	-	1,956,501,926	1,956,501,926
Fees & Charges deducted	-	-	(613,867,620)	(613,867,620)
Cost of bonus	(177,869,125)	148,134,476	-	(29,734,649)
Changes in mathematical reserve	209,913,053	395,815,062	-	605,728,115
Credit of interest	-	-	332,842,128	332,842,128
Unapportioned surplus	(501,356,238)	(377,407,471)	-	(878,763,709)
Lapse and surrender rates	(77,090)	82,772	-	5,682
Expenses	18,041,791	26,360,297	-	44,402,088
Balance at 32nd Ashad 2076 (16 July 2019)	4,135,591,916	7,204,543,845	4,943,309,415	16,283,445,176

American Life Insurance Company
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14 (b) Reconciliation of Provision for claims reported and estimated handling expenses

	Anticipated Endowment Policy	Endowment Policy	Other Policy (Future Care-DPS)	Micro Insurance Policy	Term Insurance Policy	Gross Liabilities
<i>Balance of Death and A&H claims at 32nd Ashad 2075 (16 July 2018)</i>	148,499	31,934,321	3,378,446	625,450	10,626,975	46,713,691
<i>Balance of Maturity benefits at 32nd Ashad 2075 (16 July 2018)</i>	67,235,466	51,636,844	5,279,833	-	-	124,152,143
<i>Balance of Surrender Claims at 32nd Ashad 2075 (16 July 2018)</i>	-	-	-	-	-	-
<i>Balance of Incurred But Not Reported (IBNR) claims at 32nd Ashad 2075 (16 July 2018)</i>	-	2,329,135	1,081,474	-	22,601,826	26,012,435
<i>Balance of Reinsurance at 32nd Ashad 2075 (16 July 2018)</i>	-	-	(300,000)	-	-	(300,000)
<i>Required regulatory reserve @ 15%</i>	10,107,595	12,535,675	1,298,742	93,818	1,594,046	25,629,876
Balance at 32nd Ashad 2075 (16 July 2018)	77,491,560	98,435,975	10,738,495	719,268	34,822,847	222,208,145
Reported/Payable during the year :						
Death and A&H Claims reported during the year	10,961,683	14,704,571	68,600,629	136,434,107	117,981,327	348,682,317
Maturity benefits payable during the year	1,200,834,941	871,818,715	24,096,777	-	-	2,096,750,433
Surrender benefits payable during the year	48,096,595	100,802,728	84,773,529	-	-	233,672,852
Paid during the year :						
Death and A&H Claims paid during the year	(11,110,182)	(15,475,396)	(67,319,729)	(134,352,586)	(113,569,866)	(341,827,759)
Maturity benefits paid during the year	(1,157,154,828)	(807,720,850)	(26,842,361)	-	-	(1,991,718,039)
Surrender benefits paid during the year	(48,096,595)	(100,802,728)	(84,773,529)	-	-	(233,672,852)
Change in Incurred But Not Reported (IBNR) claims during the year	1,381,813	(1,102,346)	14,872,168	43,736,170	(13,664,952)	45,222,853
Reinsurance :						
Reinsurance Claim placed during the year	775,740	844,865	25,502,849	-	12,061,144	39,184,598
Reinsurance Claim received during the year	(775,740)	(844,865)	(26,748,315)	-	(12,061,144)	(40,430,064)
<i>Balance of Death and A&H claims at 31st Ashad 2076 (16 July 2019)</i>	-	31,163,496	4,659,346	2,706,971	15,038,436	53,568,249
<i>Balance of Maturity benefits at 31st Ashad 2076 (16 July 2019)</i>	110,915,579	115,734,709	2,534,249	-	-	229,184,537
<i>Balance of Surrender Claims at 31st Ashad 2075 (16 July 2018)</i>	-	-	-	-	-	-
<i>Balance of Incurred But Not Reported (IBNR) claims at 31st Ashad 2076 (16 July 2019)</i>	1,381,813	1,226,789	15,953,642	43,736,170	8,936,874	71,235,288
<i>Balance of Reinsurance at 31st Ashad 2075 (16 July 2019)</i>	-	-	(1,545,466)	-	-	(1,545,466)
<i>Required regulatory reserve @ 15%</i>	16,637,337	22,034,731	1,079,039	406,046	2,255,765	42,412,918
Balance at 32nd Ashad 2076 (16 July 2019)	128,934,729	170,159,725	22,680,810	46,849,188	26,231,074	394,855,526

American Life Insurance Company
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14 (c) Reconciliation of Provision for Unearned Premium

	Gross			Reinsurance			Net Insurance contract liabilities
	Micro Insurance Policy	Term Insurance Policy	Total Gross insurance contract liabilities	Micro Insurance Policy	Term Insurance Policy	Total Reinsurance of insurance contract liabilities	
Balance at 32nd Ashad 2075 (16 July 2018)	182,415,711	135,115,003	317,530,714	-	(12,124,786)	(12,124,786)	305,405,928
Premium written during the year	368,020,109	307,597,114	675,617,223	-	-	-	675,617,223
Premium earned during the year	(302,745,046)	(282,561,402)	(585,306,448)	-	-	-	(585,306,448)
Change in contract liabilities ceded to reinsurers	-	-	-	-	12,124,786	12,124,786	12,124,786
Balance at 31st Ashad 2076 (16 July 2019)	247,690,774	160,150,715	407,841,489	-	-	-	407,841,489

American Life Insurance Company
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Note no: 15

Provision for employee benefit

Particulars	As at 31st Ashad 2076 (16 July 2019)	As at 32nd Ashad 2075 (16 July 2018)
Provision for Gratuity (net)	2,925,728	-
Provision for Leave encashment	1,297,175	7,347,710
Total	4,222,903	7,347,710

The Company has parked funds for gratuity in Citizen Investment Trust (CIT) and for leave encashment in a separate bank account. The above figures of provision for gratuity for financial year ending on 31st Ashad 2076 (16 July 2019) and 31st Ashad 2075 (16 July 2018) are net of provision amount less the amount deposited in CIT amounting to NPR 58,639,826 and NPR 38,607,798, respectively. Similarly, provision of leave encashment for financial year ending on 31st Ashad 2076 (16 July 2019) and 31st Ashad 2075 (16 July 2018) are net of provision amount less the amount deposited in CIT amounting to NPR 12,293,587 and NPR Nil, respectively. The company has set aside additional liability determined as per actuarial valuation under this head. Refer note 2.10 for disclosures relating to employee benefits.

Note no: 16

Insurance payables

Particulars	As at 31st Ashad 2076 (16 July 2019)	As at 32nd Ashad 2075 (16 July 2018)
Premium Deposit	62,915,420	18,182,089
Premium Deposit without full details	5,771,836	2,407,754
Amount due to policy holders	107,851,455	109,378,206
Total	176,538,711	129,968,049

- a) The carrying amounts disclosed above reasonably approximate fair value at the reporting date.
b) Premium deposit represents the premium amount received from customer before the due date of receipt. Premium deposit without full details refers to direct bank deposits from customers where full details of the policyholder's details could not be identified.
c) Amount due to policyholders are benefits and claim payables to policyholders which is already due to be received by the customer but the customer has not collected the proceeds.

Note no: 17

Reinsurance payables

	Balance at 32nd Ashad 2075 (16 July 2018)	Additions during the year	Reinsurance payables paid during the year	Balance at 31st Ashad 2076 (16 July 2019)
Anticipated Endowment Policy	525,406	1,959,102	(1,982,029)	502,479
Endowment Policy	150,393	1,401,586	(574,526)	977,453
Other Policy (Future Care - DPS)	4,384,811	110,146,283	(102,071,053)	12,460,041
Micro Insurance Policy	-	-	-	-
Term Insurance Policy	5,827,876	34,782,892	(35,580,928)	5,029,840
Total	10,888,486	148,289,863	(140,208,536)	18,969,813

Note no: 18

Trade and other payables

Particulars	As at 31st Ashad 2076 (16 July 2019)	As at 32nd Ashad 2075 (16 July 2018)
Payable to Agents	35,891,355	32,433,426
Service fee payable	42,195,144	36,271,603
Statutory dues	2,941,870	2,453,501
Payable to employees	8,542,075	3,403,395
Staff Bonus payables	68,254,695	59,790,862
Unpaid dividend	48,223,548	48,223,548
Other payables	1,018,646	1,230,282
Total	207,067,333	183,806,617

- a) The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

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Note no: 19

Gross Premium

Particulars	2075-76 (2018-19)	2074-75 (2017-18)
Anticipated Endowment Policy	517,185,361	607,208,342
<i>First year premium</i>	28,758,424	28,450,991
<i>Renewal premium</i>	488,426,937	578,757,351
Endowment Policy	741,845,453	732,937,321
<i>First year premium</i>	118,769,416	110,910,545
<i>Renewal premium</i>	623,076,037	622,026,776
Other Policy (Future Care - DPS)	2,284,866,302	1,806,177,774
<i>First year premium</i>	854,680,480	798,390,859
<i>Renewal premium</i>	1,430,185,822	1,007,786,915
Micro Insurance Policy	368,020,109	247,247,146
<i>Single insurance premium</i>	368,020,109	247,247,146
Term Insurance Policy	307,597,114	233,589,779
<i>First year premium</i>	121,274,973	83,392,578
<i>Renewal premium</i>	132,626,008	87,885,647
<i>Single insurance premium</i>	53,696,133	62,311,554
Total First year premium	1,123,483,293	1,021,144,973
Total Renewal premium	2,674,314,804	2,296,456,689
Total Single insurance premium	421,716,242	309,558,700
Total	4,219,514,339	3,627,160,362

Note no: 20

Premiums ceded to Reinsurers

Particulars	2075-76 (2018-19)	2074-75 (2017-18)
Anticipated Endowment Policy	1,959,102	11,587,295
Endowment Policy	1,401,586	13,986,569
Other Policy (Future Care - DPS)	110,146,283	34,467,108
Term Insurance Policy	34,782,892	24,249,572
Total	148,289,863	84,290,544

Note no: 21

Fees and commission income

Particulars	2075-76 (2018-19)	2074-75 (2017-18)
Re-insurance Commission Income	85,327,014	48,584,242
<i>Anticipated Endowment Policy</i>	311,768	6,951,197
<i>Endowment Policy</i>	103,590	8,390,517
<i>Other Policy (Future Care - DPS)</i>	67,263,566	20,676,754
<i>Term Insurance Policy</i>	17,648,090	12,565,774
Surrender charges and other contract fees	4,425,222	4,479,443
Total	89,752,236	53,063,685

Note no: 22

Investment income

Particulars	2075-76 (2018-19)	2074-75 (2017-18)
Income from Government Bonds & Secured Government Securities	99,646,176	104,616,998
Income from Fixed Deposit with Commercial Bank	1,618,468,753	1,369,236,800
Income from Fixed Deposit with Development Bank	48,219	-
Income from call accounts	2,717,241	1,977,137
Income from Policy Loan	110,728,479	102,920,471
<i>Anticipated Endowment Policy</i>	35,306,108	60,228,446
<i>Endowment Policy</i>	59,120,378	34,959,170
<i>Other Policy (Future Care - DPS)</i>	16,301,993	7,732,854
Total	1,831,608,868	1,578,751,406

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Note no: 23
Other income

Particulars	2075-76 (2018-19)	2074-75 (2017-18)
Profit on Sales of Fixed Assets	2,022,070	493,482
Other finance income	1,572,680	924,353
Foreign Currency Exchange Revaluation Gain	-	1,175,094
Other Misc. income	722,822	209,806
Total	4,317,572	2,802,735

Note no: 24
Gross benefits and claims paid

Particulars	2075-76 (2018-19)	2074-75 (2017-18)
Anticipated Endowment Policy	1,216,361,605	1,209,422,098
<i>Death claims</i>	11,110,182	16,147,696
<i>Full Maturity Benefits</i>	1,047,195,774	528,406,773
<i>Partial Maturity Benefits</i>	109,959,054	131,771,798
<i>Surrender Claims</i>	48,096,595	52,155,056
Endowment Policy	923,998,974	480,940,776
<i>Death claims</i>	14,085,629	7,777,956
<i>Full Maturity Benefits</i>	807,720,850	370,575,101
<i>Surrender Claims</i>	100,802,728	101,164,495
<i>Other claims</i>	1,389,767	1,423,224
Other Policy (Future Care - DPS)	178,935,619	113,529,915
<i>Death claims</i>	67,319,729	48,770,139
<i>Full Maturity Benefits</i>	26,842,361	36,595,653
<i>Surrender Claims</i>	84,773,529	28,164,123
Micro Insurance Policy	134,352,586	19,491,250
<i>Death claims</i>	134,352,586	19,491,250
Term Insurance Policy	113,569,866	149,890,014
<i>Death claims</i>	113,190,668	149,620,868
<i>Other claims</i>	379,198	269,146
Total Death claims	340,058,794	241,807,909
Total Full Maturity Benefits	1,881,758,985	935,577,527
Total Partial Maturity Benefits	109,959,054	131,771,798
Total Surrender Claims	233,672,852	181,483,674
Total Other claims	1,768,965	1,692,370
Total	2,567,218,650	1,492,333,278

Note no: 25
Claims ceded to reinsurers

Particulars	2075-76 (2018-19)	2074-75 (2017-18)
Anticipated Endowment Policy	775,740	659,884
Endowment Policy	844,865	7,034,075
Other Policy (Future Care - DPS)	26,748,315	10,102,215
Term Insurance Policy	12,061,144	7,497,535
Total	40,430,064	25,293,709

Note no: 26
Gross change in contract liabilities

Particulars	2075-76 (2018-19)	2074-75 (2017-18)
Change in Life insurance contract liabilities	1,417,113,962	2,008,495,828
Provision for claims reported and estimated handling expenses	173,892,847	51,817,872
Provision for unearned premium	90,310,775	43,350,028
Total	1,681,317,584	2,103,663,728

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Note no: 27

Change in contract liabilities ceded to reinsurers

Particulars	2075-76 (2018-19)	2074-75 (2017-18)
Change in Life insurance contract liabilities	-	-
Provision for claims reported and estimated handling expenses	(1,245,466)	100,000
Provision for unearned premium	12,124,786	(3,535,570)
Total	10,879,320	(3,435,570)

Note no: 28

Other operating and administrative expenses

Particulars	2075-76 (2018-19)	2074-75 (2017-18)
Agent Commission	430,762,253	363,386,204
Service Fee	42,195,144	36,271,603
Medical Examination fee	3,587,914	3,072,595
Employee benefits expenses	227,269,119	182,917,789
Rent	29,726,533	26,571,790
Security and outsourcing expenses	43,424,688	29,253,059
Office running cost	5,389,585	5,364,149
Printing and stationery	11,170,560	10,655,191
Communication expenses	13,979,376	12,327,668
Training and development - agent	130,029,466	115,700,702
Depreciation & amortization	19,674,308	16,883,893
Travelling expenses	9,319,984	11,629,319
Advertisement and business promotion	8,272,878	7,942,566
Legal and professional expenses	772,018	617,412
Audit fee & expenses	462,000	462,000
Repair and maintenance	2,107,797	2,189,146
Insurance	1,455,923	908,856
Bank Charges	2,328,642	2,079,521
Fees and Charges	1,246,315	80,715
Fines and Penalties	400,093	-
Foreign Currency Exchange Revaluation Loss	34,384	-
Miscellaneous expenses	295,486	118,379
Total	983,904,466	828,432,559

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Note no: 28 (a)

Agent Commission

Particulars	2075-76 (2018-19)	2074-75 (2017-18)
Anticipated Endowment Policy	15,313,315	17,736,429
<i>First year premium</i>	6,404,390	6,809,033
<i>Renewal premium</i>	8,908,925	10,927,396
Endowment Policy	54,204,434	49,130,774
<i>First year premium</i>	28,757,598	25,662,575
<i>Renewal premium</i>	25,446,836	23,468,199
Other Policy (Future Care - DPS)	315,005,655	260,902,340
<i>Endowment Policy</i>	177,326,838	149,780,362
<i>First year premium</i>	137,678,817	111,121,978
Micro Insurance Policy	30,705,923	23,775,187
<i>Single insurance premium</i>	30,705,923	23,775,187
Term Insurance Policy	15,532,926	11,841,474
<i>First year premium</i>	8,421,880	6,423,374
<i>Renewal premium</i>	3,617,819	2,540,463
<i>Single insurance premium</i>	3,493,227	2,877,637
Total First year premium	220,910,706	188,675,344
Total Renewal premium	175,652,397	148,058,036
Total Single insurance premium	34,199,150	26,652,824
Total	430,762,253	363,386,204

Note no: 28 (b)

Employee Benefit Expenses

Particulars	2075-76 (2018-19)	2074-75 (2017-18)
Salary	107,776,942	91,416,151
Allowance - OT	766,740	697,091
Dashain Expense	7,023,222	6,497,246
Provident Fund Contribution	5,920,770	4,853,599
Gratuity Contribution	4,855,548	7,590,987
Defined benefit plan expenses	16,748,240	-
Leave encashment expenses	6,578,978	3,344,782
Training Expense	3,113,024	3,161,435
Medical Expense	334,402	259,558
Insurance	1,759,556	2,378,982
Recruiting Expense	122,783	106,514
Employee Benefit Misc.	4,449,662	3,053,742
Staff Bonus	67,819,252	59,557,702
Total	227,269,119	182,917,790

Note no: 29

Related party disclosures

(a) Relationship

ALICO Nepal is operating as the branch of foreign company 'American Life Insurance Company' incorporated under the laws of the United States of America.

Relationship	Related Parties
American Life Insurance Company, Wilmington, USA	Head office
MetLife Inc., Delaware, USA	Ultimate holding company

(b) Key management personnel

Key Management Personnel of the ALICO Nepal includes members namely:

1. Nirmal Kajee Shrestha, VP & General Manager
2. Ram Kumar Yadav, Head of Operation
3. Arun Basnet, Chief Distribution Officer
4. Rajiv Kumar Pathak, Chief Financial Officer
5. Purna Chandra Dahal, Head of Legal

(c) Transactions with key management personnel

Key Management Personnel compensation :

Particulars	Current year	Previous Year
Total Compensation	33,903,930	18,102,938

Note: - The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel inclusive of encashed leave amount (payment made) which is different from the expenses of leave that is accounted on actuarial basis.

Note no: 30

Contingent Liability

a) Tax dispute:

The Company filed self-tax assessment return to the Large Tax Payer's Office (LTPO) since the fiscal year 2066/67 to fiscal year 2074/75.

Appeal against disallowed expenses and carry forward balance dispute of NPR 66,237,179, NPR 12,259,489, NPR 32,436,815, NPR 66,991,539 NPR 56,817,006 and NPR 38,160,756 for the FY 2066/67, FY 2067/68, FY 2068/69, FY 2069/70, FY 2070/71 and FY 2071/72 respectively is pending decision at Department of Tax. The Company's final tax assessment from LTPO for fiscal year 2072/073 to fiscal year 2074/75 is pending as of the Balance Sheet date. The company has received the tax clearance certificate for Fiscal year 2074/75 from Inland Revenue Department.

b) Outstanding for settlement of investment : None

c) Underwriting Commitments: None

d) Not accepted/denied non insurance litigation/claim to the company: None

e) Guarantees issued by insurer or on behalf of insurer: None

f). Other Liabilities (Give details): None

American Life Insurance Company
Notes to the financial statements for the year ended 31st Ashad 2076 (16 July 2019)

Figures in NPR

Note no: 31

Presentation of Financial statement on current/non-current basis

	As at 31st Ashad 2076 (16 July 2019)			As at 32nd Ashad 2075 (16 July 2018)		
	Current	Non-current	Total	Current	Non-current	Total
ASSETS						
Intangible assets	-	3,208,991	3,208,991	-	1,499,624	1,499,624
Property, plant and equipment	-	48,462,968	48,462,968	-	46,290,805	46,290,805
Deferred tax assets	-	20,682,478	20,682,478	-	13,067,290	13,067,290
Financial assets						
Investments at amortised cost	15,755,453,841	2,735,325,001	18,490,778,842	14,580,515,645	1,782,814,468	16,363,330,113
Investments at Fair Value Through OC	-	200,000	200,000	-	-	-
Loans to Life Policyholders	164,893,854	776,851,646	941,745,500	166,558,228	753,530,946	920,089,174
Other financial assets	3,996,125	22,123,323	26,119,448	12,843,829	6,329,659	19,173,488
Reinsurance assets	1,545,466	-	1,545,466	-	12,424,786	12,424,786
Income tax receivables	200,076,271	-	200,076,271	188,328,401	-	188,328,401
Reinsurance receivables	18,082,312	-	18,082,312	11,558,155	-	11,558,155
Other assets	2,340,164	26,020,268	28,360,432	1,935,535	22,810,114	24,745,649
Cash and cash equivalents	328,747,487	-	328,747,487	197,755,607	-	197,755,607
Total assets	16,475,135,520	3,632,874,675	20,108,010,195	15,159,495,400	2,638,767,692	17,798,263,092
EQUITY AND LIABILITIES						
Equity						
Equity share capital	-	-	-	-	-	-
Retained earnings	-	1,971,152,796	1,971,152,796	-	1,591,974,380	1,591,974,380
Catastrophe reserve	-	207,442,187	207,442,187	-	152,232,723	152,232,723
Other equity	-	434,928,795	434,928,795	-	315,675,053	315,675,053
Total Equity	-	2,613,523,778	2,613,523,778	-	2,059,882,156	2,059,882,156
Liabilities						
Insurance contract liabilities	-	17,087,687,657	17,087,687,657	-	15,406,370,074	15,406,370,074
Provision for employee benefit	429,499	3,793,404	4,222,903	741,107	6,606,603	7,347,710
Insurance payables	176,538,711	-	176,538,711	129,968,049	-	129,968,049
Reinsurance payables	18,969,813	-	18,969,813	10,888,486	-	10,888,486
Trade and other payables	207,067,333	-	207,067,333	135,583,069	48,223,548	183,806,617
Total Liabilities	403,005,356	17,091,481,061	17,494,486,417	277,180,711	15,461,200,225	15,738,380,936
Total Equity and Liabilities	403,005,356	19,705,004,839	20,108,010,195	277,180,711	17,521,082,381	17,798,263,092

Note no: 32

Reconciliation of Total comprehensive income

As per the requirement of the regulator, the reconciliation between Total Comprehensive income reported as per previous GAAP and NFRS is presented below:

Particulars	2075-76 (2018-19)	2074-75 (2017-18)
Total comprehensive income as per previous GAAP (A)	558,192,767	558,330,847
Amortization of Government bonds	(990,896)	(874,356)
Provision for Leave Encashment (Actuarial valuation)	(2,178,644)	386,472
Provision for Gratuity (Actuarial valuation)	(2,898,669)	-
Impact on Deferred Tax due to NFRS adjustments	1,517,063	(523,852)
Total NFRS Adjustment (B)	(4,551,146)	(1,011,736)
Total Comprehensive Income for the year as per NFRS (A+B)	553,641,621	557,319,111



बीमा समिति BEEMA SAMITI

नेपालको बीमा नियमनकारी निकाय
Insurance Regulatory Authority of Nepal

गैरस्थलगत सुपरीवेक्षण ४५२ (२०७६/०७७) च.नं.५४४४



मिति: २०७७/०३/०५

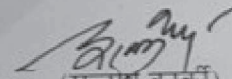
श्री मेट लाईफ (एलिको),
पुल्चोक, ललितपुर।

विषय: आ.व. २०७५/७६ को वित्तीय विवरण स-शर्त स्वीकृति बारे।

यस समितिमा प्राप्त तहाँको मिति २०७७/०१/१७ (च.नं. २१२/२०२०) को पत्र सम्बन्धमा लेखिदैछ।

बीमकको वित्तीय विवरण प्रतिको उत्तरदायित्व बीमकमा रहेको सर्वविदितै छ। लेखापरीक्षण भई समितिको स्वीकृतिको लागि पेश हुन आएको तहाँको आ.व.२०७५/७६ को समितिबाट जारी निर्देशन बमोजिमको वित्तीय विवरण सम्बन्धमा देहाय बमोजिमका शर्तहरू सहित स्वीकृत गरिएको व्यहोरा निर्णयानुसार जानकारी गराईन्छ।

१. बीमकको अण्डराइटिङ्ग तथा दावी भुक्तानी प्रकृया प्रभावकारी बनाउनु हुन।
२. बीमकको लेखा परीक्षण समितिलाई थप प्रभावकारी बनाउनु हुन।
३. बीमकको संस्थागत सुशासन इकाईका सुझावहरू कार्यान्वयन गर्नुहुन।
४. बीकमले छुट्टै संयन्त्र बनाई विवरण नखुलेका बीमाशुल्कको पहिचान गर्नुहुन।
५. बीमकको आन्तरीक तथा बाह्य लेखा परिक्षकले औल्याएका कैफियतहरू सुधार गर्नु हुन।


(सन्तोष कार्की)

प्रमुख, गैरस्थलगत सुपरीवेक्षण शाखा

क्र.सं. श्री बीमा समितिको मिति २०७७।०३।०५को पत्र मार्फत आ.व. २०७५।७६को वित्तीय विवरण स-शर्त स्वीकृत प्रदान गर्दा तोकिएका शर्तहरू माथि कम्पनीको जवाफ

१. बीमकले तहाँबाट समय समयमा जारी गरेको निर्देशन तथा बीमकको अण्डरराईटिङ्ग म्यानुयल तथा दावी भुक्तानी सम्बन्धी Standard Operating Procedure अनुसार बीमितलाई तोकिएको Turn Around Time (TAT) भित्र सेवा प्रदान गरी रहेको व्यहोरा अनुरोध छ । उक्त कार्यहरूको मासिक रूपमा प्रगति विवरण कार्यकारी प्रमुखलाई समेत पेश गर्ने गरिएको जानकारी गर्दछौं । साथै उक्त कार्यहरूलाई आगामी दिनमा थप प्रभावकारी बनाउने व्यहोरा समेत अनुरोध गर्दछौं ।
२. बीमकको लेखा परीक्षण समितिको बैठक हरेक त्रैमासिकमा हुने गरेको र बैठकमा आन्तरिक लेखा परिक्षक तथा बाह्य लेखा परिक्षकले औल्याइएका कैफियतहरू उपर छलफल हुने गरेको छ । देखिएका कैफियतहरू आगामी दिनहरूमा पुन दोहोरिन नदिन प्रभावकारी रूपमा गर्नु पर्ने कार्यहरूको बारेमा छलफल हुने गरेको र साथै आगामी दिनहरूमा यस कार्यहरूलाई थप प्रभावकारी बनाउने व्यहोरा अनुरोध गर्दछौं ।
३. संस्थागत सुशासन इकाईका सुभावहरू तोकिएको समयमै कार्यन्वयन गरिरहेको र यस कार्यहरूलाई थप प्रभावकारी बनाउने व्यहोरा अनुरोध गर्दछौं ।
४. विवरण नखुलेका बीमा शुल्कको पहिचान गर्न छुट्टै संयन्त्र बनाई पहिचान गरिरहेको तथा उक्त रकम न्युनीकरण गर्न प्रयास गरी रहेको व्यहोरा अनुरोध गर्दछौं ।
५. बीमकको आन्तरिक तथा बाह्य लेखा परिक्षकले औल्याइएका कैफियतहरू बीमकले action plan बनाई तोकिएको समय भित्र सुधार गरिरहेको तथा आगामी दिनहरूमा आन्तरिक नियन्त्रण प्रणाली थप प्रभावकारी बनाउने व्यहोरा अनुरोध गर्दछौं ।