National Insurance Corporation Act, 2025 (1968)

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Amending Act:

Act Number 20 of the year 2025 (1968)

An Act made to establish and provide for the
National Insurance Corporation

Preamble: Whereas, it is expedient to establish and provide for a national insurance corporation in order to mobilize domestic resources and capital and check spending of foreign currencies for the economic development of the country;

Now, therefore, be it enacted by His Majesty King Mahendra Bir Bikram Shah Dev on the advice and with the consent of the Rastriya Panchayat.

Chapter-1

Preliminary

1. Short title, extension and commencement: (1) This Act may be called as the "National Insurance Corporation Act, 2025 (1968)."
(2) This Act shall extend throughout Nepal.

(3) This Act shall come into force on such date as the Government of Nepal may, by a Notification in the Nepal Gazette, appoint.  

2. **Definitions:** Unless the subject or the context otherwise requires, in this Act:

(a) "Corporation" means the National Insurance Corporation established under Section 3.

(b) “Board” means the board of directors formed pursuant to Section 6.

(c) "Director" means the director of the Corporation appointed pursuant to this Act, and this term also includes the administrator and assistant administrator.

(d) "life insurance business" means the life insurance business set forth in clause (f) of Section 2 of the Insurance Act, 2049(…).  

(e) ......................  

**Chapter-2**

**Establishment, authorized capital and management**

3. **Establishment of the Corporation:** (1) There shall be established a corporation by the name of National Insurance Corporation.

(2) The Corporation shall be an autonomous body corporate with perpetual succession, and it may sue by its name and be also sued by the same name.

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(3) The Corporation may, subject to this Act and the Rules framed under this Act, acquire, use, sell and dispose of any movable and immovable property.

(4) The Corporation shall have a separate seal of its own for all of its activities.

4. **Authorized capital of the Corporation:** (1) The authorized capital of the Corporation shall be **Five Hundred Million Rupees**, \(^4\) which shall be divided into **Five Million** \(^5\) shares of One Hundred Rupees each. The paid-up capital of Corporation shall be as issued and raised by the Board with the prior approval of the Government of Nepal.

(2) The Corporation may, with the approval of the Government of Nepal, increase or decrease its authorized capital, by a Notification in the Nepal Gazette.

5. **Central office and branch of the Corporation:** (1) The central office of the Corporation shall be situated in Kathmandu.

(2) The Corporation may establish its branch or sub-branch within or outside.........Nepal\.\(^6\)

6. **Formation of Board of Directors and tenure of Director:** (1) The Corporation shall have a Board of Directors consisting of a maximum of Seven members, and the majority of members including the chairperson shall be appointed by the Government of Nepal, and the rest directors shall be appointed by the shareholders at the general meeting.

(2) The directors including the chairperson shall be appointed for three years, and upon expiration of their tenure, they may be re-appointed.

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\(^6\) Amended by the Republic Strengthening and Some Nepal Laws Amendment Act, 2066(2010).
(3) Notwithstanding anything contained in Sub-section (2), one director out of the directors appointed by the shareholders for the first time shall retire by lot.

(4) The directors shall receive such remuneration for each day of their attendance in the meeting of the Board as may be specified by the Government of Nepal.

7. **Disqualification for director:** Any of the following persons shall not be eligible to be appointed to the office of director:

   (a) Who is below 21 years of age, or
   (b) Who is of unsound mind or is insane; or
   (c) Who is a declared insolvent; or
   (d) Who is dismissed, with generally be disqualified for the government service in the future; or
   (e) Who is convicted by a court of a criminal offense involving moral turpitude; or
   (f) Who has personal interest of any kind in any contract or transaction of the Corporation; or
   (g) Who is an incumbent employee of the Corporation.

8. **Circumstance where office of director falls vacant:** (1) The office of director shall be deemed to have fallen vacant in the following circumstance:

   (a) If he or she suffers from any disqualification for appointment to the office of director as mentioned in Section 7;
(b) If the resignation tendered by the director is accepted by the Government of Nepal;

(c) If he or she absents from the meeting of the Board for more than Three consecutive meeting without giving a notice of reasonable reason for being so absent, or

(d) If a Two-thirds majority of the general meeting passes a resolution to remove him or her from the office of director.

(2) If the Government of Nepal thinks that it is not appropriate to continue any director in the office of director for the interest of the Corporation, the Government of Nepal may remove such a director at any time.

9. **Fulfillment of vacancy:** If the office of the chairperson or director appointed by the Government of Nepal falls vacant, the Government of Nepal shall make appointment, and if that of any director appointed by the shareholders, they shall make such an appointment, and the person so appointed shall hold the office for the remainder of the term of the predecessor.

10. **Meetings of the Board:** (1) The chairperson shall call meetings of the Board as required.

    Provided that, the meeting shall be called for at least Six times a year in a manner that an interval between any Two meetings shall not exceed Three months.

    (2) Notwithstanding anything contained in Sub-section (1), if at least Two directors makes a request in writing, accompanied by the agenda of intended discussion, the chairperson shall call the meeting accordingly.
(3) In the absence of the chairperson, meetings of the Board shall be presided over by a director selected by the directors from amongst themselves.

(4) No meeting of the Board shall be held unless it is attended by a majority of the directors.

(5) The decision of a majority in the meeting of the Board shall be binding, and, in the event of a tie, the presiding person may exercise the casting vote.

(6) A director who has any personal interest in any resolution to be discussed shall not be entitled to take part in that meeting.

11. **Management/operation:** The Board shall look after and manage all affairs of the Corporation, subject to general direction by the Government of Nepal.

12. **General Meeting:** (1) The Board shall call the annual general meeting of the shareholders within Three months of the expiration of each financial year; and even thereafter, it may be called as required.

(2) No general meeting may be held unless it is attended by Fifty One percent of shareholders in person or by proxy.

(3) Where any annual or other general meeting called is not attended by a quorum of shareholders as referred to in Sub-section (2), the Board shall call another general meeting within Seven days thereof. Any decision made by the attending shareholders or proxies at the meeting so called shall be valid.

(4) Any decision at the general meeting of the Corporation shall be made by a majority.
(5) The shareholders present at the annual general meeting shall consider the profit and loss account, balance sheet, auditor's report and the Board's report on the affairs of the Corporation for the previous year.

(6) A shareholder of the Corporation may cast vote at the rate of one vote for each share.

(7) No shareholder may exercise vote without being present at an annual general meeting in person or by proxy.

Chapter-3

Functions and Duties of the Corporation

13. Functions and duties of the Corporation: (1) It shall be the duty of the Corporation to carry on insurance business, subject to this Act and the rules framed under this Act.

(2) Without prejudice to the generality of Sub-section (1), the functions and duties of the Corporation shall be as follows:

(a) To carry on life insurance business,

(b) To make, or cause to be made, re-insurance,

(c) To make investment in such areas within.......Nepal as the Corporation thinks appropriate, and take necessary steps to safeguard and recover such investment,


\[9\] Amended by the Republic Strengthening and Some Nepal Laws Amendment Act, 2066 (2010).
(d) If the Corporation thinks just so to do, to take custody of any property furnished as a security with the Corporation and operate such a property on its own until the required time,

(e) To disburse loans against the security of movable, immovable property,

(f) To borrow loans against the security of such property of the Corporation as the Corporation thinks appropriate,

(g) To rent, sell or otherwise deal with any property of the Corporation,

(h) To assist the issue of, guarantee and underwrite, shares and debentures of any other corporations, and carry on the agency business,

(i) To invest abroad if the Corporation thinks reasonable,

(j) To invest in the share capital of other body corporate,

(k) To appoint agents and give commission to them,

(l) To provide guarantee,

(m) To purchase, sell, shares, bonds, debentures, letters of credit, movable, immovable properties etc, receive and give discount commissions and carry on brokerage,

(n) To carry on any kinds of relevant business as may be in the interest of the Corporation,

(o) To carry out any acts which are directly or indirectly in the interest of any national donation, benevolent
organizations of the Corporation and provide guarantee for the same,

(p) To provide for funds for providing provident funds, pension, gratuity and other facilities to the permanent employees of the Corporation,

(q) To issue debentures and preference shares.

Chapter-4

Fund, accounts and audit

14. **Fund of the Corporation**: The Corporation shall have a life insurance fund, to which incomes earned from the life insurance business shall be credited.

15. **Accounts**: Accounts of incomes and expenses of the Corporation shall be maintained in such form and manner as may be approved by the Government of Nepal.

16. **Audit**: (1) The annual general meeting shall appoint the auditor, and the remuneration of the auditor shall be as specified by the meeting. Such an auditor shall have obtained license to perform audit in accordance with the Nepal law.

   Provided that, audit shall be performed by the auditor designated by the Government of Nepal until the first annual general meeting is held.

   (2) The auditor may inspect and examine any accounts and documents of the Corporation, and it shall be the duty of all the concerned employees of the Corporation to render assistance in that act.

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(3) The auditor shall submit a copy of the audit report made by him or her to the Government of Nepal and another copy to the general meeting of the Corporation, and such a report shall clearly state the following matters:

(a) Whether annual accounts and profit and loss account have been so properly and duly maintained, clearly indicating all required matters as to reflect the actual financial condition of the Corporation or not;

(b) Whether the Corporation has provided any such explanation or information as sought or not, and if so provided, whether it is satisfactory or not.

(4) The Government of Nepal may, based on the report received pursuant to Sub-section (3), and on the advice of the general meeting, give direction to the Corporation for necessary reform or provision.

17. **Balance sheet and profit and loss:** (1) The Corporation shall furnish the balance sheet and profit and loss account of each financial year to the annual general meeting.

(2) Upon setting aside reserve, depreciation, bonus and similar other necessary amounts from the profits made in a financial year, such dividends as specified by the Board shall be distributed at the end of the financial year.

18. **Dissolution:** If a Two-thirds majority at the general meeting adopts a resolution to dissolve the Corporation for any reason, and the Board makes a report, accompanied by the reason for the same, to the Government of Nepal, the Government of Nepal may dissolve it in accordance with the prescribed mode.
Chapter-5

Miscellaneous

19. **Acts not to be invalid:** Any acts of the director or Board shall not be invalid by the reason only that any irregularity was made in the appointment or formation of the director or Board or that the office of any director falls vacant.

20. **Appointment of employees:** (1) The Corporation may appoint employees and advisors, as required, subject to the prevailing laws, in order to smoothly carry out its activities.

   (2) The terms and conditions of service of the persons appointed pursuant to Sub-section (1) shall be regulated by the rules framed under this Act.

21. **Liability of shareholders:** The liability of shareholders shall be limited.

22. **Inspection of books of account or other records of the Corporation:** In the course of any case, suit or other legal proceeding, any court or authority may inspect the books of account or other records of the Corporation in a manner not to obstruct the business of the Corporation, and it shall be the duty of the Corporation and concerned employee of the Corporation to produce such books of account or records to such a court or authority.

23. **Power to give direction to the Corporation:** The Government of Nepal may give necessary direction to the Corporation for the national interest or interest of the Corporation, and it shall be the duty of the Corporation to abide by such a direction.

24. **Saving of officers against loss or damage:** The directors or other officers of the Corporation shall not be held individually liable for any loss
or damage caused or to be caused from any act done or purported to be done by them in good faith in the course of performing their duties in accordance with this Act and the Rules framed hereunder, and no suit or complaint shall lie to any court against them in this regard.

25. **Delegation of powers:** The Board may so delegate any of its duties and powers as to be performed and exercised by any director, any sub-committee of directors or other officers of the Corporation.

26. **Punishment:**

   (1) If any person causes or attempts to cause loss to the Corporation by omitting knowingly or recklessly to do any such act or action as required to be done by him or her under this Act or the Rules framed under this Act or doing any such act or action as forbidden by this Act or such Rules, the amount in question of the loss, if any, shall be recovered from such a person and such person shall be liable to the punishment of imprisonment for a term not exceeding Three years or a fine of up to Three Thousand Rupees or with both punishments.

   (2) If any person uses the name of the Corporation in any prospectus or advertisement without obtaining written permission of the Corporation, the person shall be liable to the punishment of imprisonment for a term not exceeding Six months or a fine of up to One Thousand Rupees or with both punishments.

   (3) If any person obstructs the auditor assigned under Section 16 with his or her business or does not provide, except for any reasonable reason, such document or information to the auditor as requested by the auditor in accordance with law, such a person shall be liable to the punishment of a fine of up to One Thousand Rupees.

   (4) If any person knowingly or with *mala fide* intention violates the other matters set forth in this Act or the Rules framed hereunder, except
those set forth in Sub-sections (1), (2) and (3), such a person shall be liable to the punishment of a fine of up to One Thousand Rupees.

27. **Liabilities and functions of National Insurance Corporation**: The transactions and liabilities of the National Insurance Corporation Private Limited established in accordance with the prevailing laws prior to the commencement of this Act shall devolve on the Corporation established under this Act, and all acts and actions done and taken by the National Insurance Corporation shall be deemed to have been done and taken pursuant to this Act.

27A. 11**Power to hand over liability and asset of the Corporation**: Notwithstanding anything contained elsewhere in this Act, the Government of Nepal may hand over the incomes earned by the Corporation from the non-life insurance business prior to the commencement of this Section, liabilities of the Corporation in relation to that business and the assets set aside by the Corporation for that business to any such body carrying on the non-life insurance business as specified by the Government of Nepal by a notification in the Nepal Gazette.

28. **Liaison between the Corporation and the Government of Nepal**: In making contact by the Corporation with the Government of Nepal and *vice versa*, such contact shall be made through the Ministry of Finance, Government of Nepal.

29. **Powers to frame Rules**: (1) The Board may frame rules in order to accomplish the objectives of this Act. Provided that, these Rules shall not come into force without being approved by the Government of Nepal.

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(2) Without prejudice to the generality of powers conferred by Sub-section (1), the Corporation may frame Rules on the following matters in particular:

(a) Time, venue of the meetings of the Board and rules of procedures thereof,

(b) Delegation of authority by the Board to the chairperson, director or other administrative officer of the Corporation,

(c) Appointment, promotion, transfer, dismissal, remuneration, pension, gratuity, bonus, conduct, discipline, and terms and conditions of service of the employees and advisers of the Corporation,

(d) Terms of contract and bond to be made on behalf of the Corporation,

(e) Procedures for using the seal of the Corporation,

(f) Manner of performing the functions to be performed by the Corporation,

(g) Arrangement of all affairs to be carried out by the Corporation under this Act.

30. **Saving:** The matters set forth in this Act and the rules framed hereunder and the Insurance Act, 2025 (1968)\(^\text{12}\) and the rules framed under that Act shall be governed by the same, and the other matters shall be governed by the prevailing laws.

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\(^{12}\) The Insurance Act, 2025 (1968) was repealed by the Insurance Act, 2049 (1992).