

CHAPTER- I

INTRODUCTION

1.1 Background of the Study

Collecting the premium from the clients by issuing the insurance policies is one of the most important functions of any insurance companies. The insurance company takes certain premium against the risk bearing of insured properties. The rate, which the insurance company uses to calculate premium is fixed by the insurance board. (Beema Samiti, Government authorized controlling body to insurance companies.)

"Most of the Nepalese people are under the line of poverty. Low level of income makes only able to fulfill of their basic needs and they are not able to fulfill even safety needs. Economic, social accidents make them unbalances. Regarding this, Insurance is one way to be safety managing low income level. So this study is essential for insurance company. Insurance is contractual arrangement whereby one party agrees to compensate another party for the losses. The party who agrees to pay for losses is called insurer and the party whose losses causes the insurer to make claim payment called insured. The insurer receives premium from the insured for unexpected risk. Insurance is also a contract whereby one party called the insurer, agrees to indemnify the other party known as the insured on the happening of certain event." (*Pant; 2007*)

Furthermore, the wheel of development is accelerated by industrialization and industrialization is possible only the support of two big institution banking and insurance. Bank provides the needed fund to the industry where as insurance companies provided fund to the bank. The one pillar; banking, provides capital and help in the financial transaction of business in many ways. Another pillar of insurance, offer a high economic relief to different types of industrialist businessman and individuals. Insurance has become the pillar of alertness, courage, and eagerness to develop the life and living standard of common people, industrialist, and traders of today's world. Insurance is kind of financial mechanism, which provides financial security against

risk associated with human being. Insurance is equally important for common people and businessman. Insurance is developing industry of Nepal. It provides security to general people. Besides, it is one of the major employment generating sectors. Nepal still has a long way to go in accelerating the pace of its economic growth, industrialization, as well as human development. In Nepal, Insurance business is important not only as source of earning but also as one of the major employment generating industry.

All the individual sectors wish to provide maximum satisfaction to their customers. Their main objective is profit maximization through satisfying the clients by providing fast settlement of the claims. To maximize the profit, this depends up on the smooth operation of the insurance business. To run the business smoothly, it is highly important to manage to collect premium and investing them in profitable sectors.

The 25 insurance companies in Nepal include 18 in the private sector, three branches of foreign insurance companies, three joint-venture companies and a government-owned company. The total paid-up capital of those insurance companies, excluding the paid-up capital of branches of foreign insurance companies, stood at NRs 2.35 billion in 2011. The total paid-up capital (excluding the branches of foreign insurance companies) of all insurance companies was only NRs 46 million in 1990, but by 2005 it had climbed to NRs 2.28 billion. Likewise, the total capital investment of foreign insurance companies was meager at NRs 4 million in 1990, following which the figure decreased slightly to reach NRs 1.6 million in 2001. However, after 2001, it jumped markedly and stood at NRs 150 million in 2005, showing the growing importance of foreign insurance companies in Nepal.

The total collection of premiums, which amounted to NRs 244 million in 1990, also increased gradually to reach NRs 10.90 billion in 2009. Of the total premium income, premiums from life insurance accounted for 34.5 per cent in 1990. However, in 2009, that share went up to 60 per cent; the remaining 40 percent was generated by non-life sectors. The investible reserve fund also surged up accordingly and stood at NRs 31.52 billion in 2009. In 1996, it was just NRs. 3.07 billion. Interestingly, more than 80 per cent is kept in the form of fixed deposits in commercial banks. There has also been a steady rise in

employment in the insurance sector. In 1990, direct employment opportunities provided by the sector were 646, increasing to 3100 opportunities in 2011. (Sources: Bima Samiti's Annual Report 2066)

1.2 Brief Introduction of Shikhar Insurance Company Limited.

Shikhar Insurance Company has always been ensuring on world-class quality service. Its policies are varied in nature, and company has a wide range of non-life insurance schemes, which will ensure that customers have a life of comfort, free from worries.

Shikhar Insurance Company Ltd. (SICL) is an established General Insurance Company promoted by a young team of reputed Industrial and Business Houses involved in various fields like Aviation, Banking, Manufacturing, Trading, Travel Trade, Media Houses etc.

SICL is a company with a vision, geared up to face the every challenge that persists in the insurance industry. The challenges being developing policies as per the requirement of the client at an economical price, filling the void of the acute shortage of technical manpower in the insurance industry, introducing new products at par with international standards, creating capacities within the markets so that the outflow of the precious convertible currency can be minimized etc.

In today's world of uncertainty a sense of security is not only needed but it is an essential factor of life. Insurance provides us the security we need and keep our worries down.

The Company believes that the relationship between the insured and the insurers is one of confidence and trust. Our goal is to set the standard for the insurance industry by providing quality service that exceeds customers' expectations. The company has the right combination of dedicated service-oriented professionals for which one can always trust for an excellent service.

1.3 Statement of the Problem

People of the Nepal do not believe on the insurance. Although there are 25 companies in Nepal, but they are not able to convenience to the general Nepalese people who do not know at all about the insurance.

Nepalese businesses are facing many kinds of problems; like lack of sufficient numbers of industries, limited marketing opportunities, lack of public awareness about the insurance, and lack of profitable investment opportunities.

Depending on the type of insurance redistribution can take anywhere from a few months to many decades. Because of this delay between collecting and paying out funds, insurance companies invest their fund to bring extra revenues. Such investments help business and government's finance their operations and profits from those investment earning insurance companies can keep rates such lower than would otherwise be possible. Not all effects of insurance are positive ones. The possibility of earning insurance payment motives some people to attempt to cause damage or losses. Without the possibility of collecting insurance benefits for instant no one would think arson, the willful destruction of property by fire as a potential source of money.

Profitability of Insurance Company depends up on the policy for collecting of premium adopted by the insurance company. Traditional insurance policies and schemes are not satisfactory for a modern society. So the insurance company can concentrate the mind, giving training, seminar and workshop to the employees for professional efficiencies. This search study primarily focused on the premium collection and investment position of Shikhar Insurance Company.

The following issues on collection of premium and Investment of Shikhar Insurance Company has been raised.

-) How is the size of premium collection of each types of insurance portfolio?
-) Is there any attractive scheme for collection by providing discount and incentives to the policyholders to encourage paying the premium?
-) Is the government aware for applying the rules to cover all classes for insurance?

) Is there any evaluation of investment sector before investing the funds?

) Is traditional insurance policies and schemes are satisfactory?

) Is overall profitability of company satisfactory?

) Is there training seminar and assembly for the professional efficiencies?

1.4 Objectives of the Study

The main objective of this study is to analyze and evaluate the premium collection and investment position of Shikhar Insurance Company Limited. The specific objectives of this study are as follows:

-) To examine current status of Premium collection & investment position.
-) To analyze the trend of insurance premium collection.
-) To explore the investment position.
-) To analyze the trend of the settlement of the claims.

1.5 Significance of the Study

An insurance company plays a big role in the economics of Nepal. Government collects so many taxes from insurance company; it helps for the development of nation and insurance is saving of the money for future also.

Insurance benefits society by following individuals to share the risks faced by many people. But it also serves many other important economic and societal functions. Because insurance is available and affordable, banks can make loans with assurance the loans collateral (Property that can be taken as payment if a loan goes unpaid) is covered against damage, this increased availability of credit helps people buy homes and cars. Insurance also provides the capital that communities need to quickly rebuild and recover economically from natural disasters, such as tornadoes or hurricanes. Insurance itself has become a significant economic force in most industrialized countries. Employees buy insurance to cover themselves against work-related injuries and health problems.

Business also insures their property, including technology problems. Business also insures their property, including technology used in production, against damage and theft. Because it makes economic transactions, which benefits the economic operations

safer, insurance encourages business make economic transactions, which benefits the economic of the countries. Insurance companies perform a type of monetary redistribution. The insurance company collect premium and eventually redistribute that money as payment of the claims. Most of the study related to the study related to the insurance could found that is conducted as a whole industry and comparative study. This study helps to the researcher or readers who are interest to know about the premium collection and investment position of SICL. So, this study is needed to observe the status of premium collection and investment.

1.6 Limitations of the Study

Nepalese insurance industry is not mature in the premium collection schemes and investment. As the investment environment is irrational, the market statistics lead to false decision. Hence, this study is not for from several limitations of its own kind, which is weakening the heart of the study. To provide the real position of the company as well as tried to give unbiased outcome of the research. Following are the limitations of this study.

-) This study has been conducted only one non-life insurance company.
-) This research study has been conducted for the partial fulfillment of the requirement for the degree of master in business studies. Although SICL has been started its operation at 2061.07.26, this research does not include the data of 2061/062. It includes the premium collection and investment position of only the period of past five years 2062/063 to 2066/067. Now the company has been running in the fiscal year of 2068/069; due to the Annual General Meeting of the Company this study unable to incorporate the data of 2067/068.
-) The information is carried out through primary and secondary data. The accuracy of research also depends upon the available data.

1.7 Organization of the Study

The research study has been organized into following chapters:

Chapter I : Introduction

The first chapter deals with the background of the study; brief introduction of the company, statement of the problem, significance of the study, limitation of the study and organization of the study.

Chapter II : Review of literature

The second chapter deals with the conceptual framework and review of the study. Conceptual framework deals with the theoretical concept of insurance premium collection and investment. The review of the study contains pervious thesis, journal, articles related to this study.

Chapter III : Research Methodology

The third chapter explains the research methodology used in the study. It deals with research design, population and sample, source of data and data collection procedure and analysis tools.

Chapter IV : Presentation and Analysis of Data

The fourth chapter deals with the issues identified in the introduction chapter. This is the heart of the thesis in actual sense. This is the major part of the whole study in which collected data are analyzed and interpreted by the help of the financial tools. Major findings of the study are also discussed in this chapter.

Chapter V : Summary, Conclusion, and Recommendations

Finally the last chapter comes upon with the summary, conclusions and recommendations. This is suggestive to all the concerned authorities and researchers. Conclusion of the whole study is in this chapter.

CHAPTER II

REVIEW OF LITERATURE

This chapter includes the review of the theoretical background being accepted regarding the concept of insurance, premium collection, and investment positions. This chapter is divided into four parts; conceptual framework, review of legal provisions & bodies, review of journals & articles and review of the previous research. Conceptual framework includes the generally accepted theories. Review of legal provisions and bodies includes the rules and regulation regarding the insurance company in the context of Nepal. Review of journal and articles includes that what matters are focused relating to this study. And review of the previous research includes the brief review of previously conducted studies related to the study.

2.1 Conceptual Framework

Developing modern society plays various roles in a society. They bear a major character, the inevitable uncertainty surrounding. Due to the uncertainty and competition factor the concept of insurance and its evolution was enforced and these days it is for more strengthening due to very competitive business environment and many 'dropped down' situations. Thus the insurance seems as an auxiliary for the modern society and organized business company as well as individuals. Before getting into the concept of insurance and its major areas one must be clear enough to understand the risk and risk management, which are the pivot point of the concept.

2.1.1 Risk

In general, risk can be defined as the probability of the occurrence of unfavorable outcomes. However, risk has different context. In the context of insurance, it takes restricted sense and risk as a term mainly is used to mean the uncertainty of occurrence of economic loss. It eliminates the losses other than the economic loss and the uncertainty of the occurrence of loss on the subject matter will be basic requirement. Risk will be the element which makes insurance desirable and possible. If

there is no risk world then why anyone should be insured. Risk as a term, will be the composite of perils, loss and hazard, which are the intimate parts of the term risk used under the concept of insurance.

2.1.2 Peril

A peril is the cause of loss. Peril will be the matter that is capable of causing loss to the physical or human condition. Peril may be in the form of windstorm, explosion, premature death, accidents or else; loss: loss is an untimely decline in value or disappearance of value; it is the undesirable result of risk, usually in an unexpected or least relatively unpredictable manner; hazards: the acts or condition that increases likelihood of a loss are the hazards. It may be the condition that may create or increase the change of loss from a given peril.

2.1.3 Risk Management

After talking about risk, the risk management concept will also be the essence to understand the concept of insurance. Risk management is the systematic and efficient handling of pure risk. In simple words, risk management is the planning, organizing, directing, coordinating, and controlling process of risk. In practice, risk management is the device and process of decision making for either personnel or organizational risky situation. Risk management is a general management function that seeks to identify access and address the cause and effect of uncertainty and risk on an organization. This purpose of risk management is to enable an organization to progress towards its goals and objective path. The basic objective of risk management is to make the most effective pre loss arrangement for an effective post loss balance between needed available resources so that the contribution of the family or business is assured as viable unit. Thus insurance and its management will be a part of risk management, which falls within the risk financing aspect rather than risk controlling aspect.

2.1.4 Insurance

Insurance has been introduced to safeguard the interest of people from uncertainty by providing certainty of payment at a given contingency. Insurances companies mean the enterprises that are integrated part of the same business. The two are the wheels

of a cart. In the absence of one, the other cannot function. Before to know about insurance companies, concept we need to know about concept of insurance.

Insurance is defined as the equitable transfer of the risk of a loss, from one entity to another, in exchange for a premium. An insurer is a company selling the insurance. The insurance rate is a factor used to determine the amount, called the premium, to be charged for a certain amount of insurance coverage. The practice of appraising and controlling risk has evolved as a discrete field of study and practice.

It is quite hard to define insurance to satisfy every viewpoint of insurance. Insurance may be defined as a system of combining many loss exposures with the costs of the losses being shared by all of the participants. Insurance can be explained as a social device to accumulate funds to meet the uncertain losses arising through a certain risk to a person insured against the risk. For the economic growth of the country insurance provides strong hand and mind, protections against loss of property and adequate capital to produce more wealth. Through prevention of economics losses insurance protects the society against degradation. Thus, the present, future, potential human, and property resource are well protected lay insurance.

In some generic term, insurance is regarded as co-operative risk carrying, transfer of specializing risk carries, redistribution of actual loss. Etc. As a business institution, insurance gas been defined as a plan by which large number of people associate themselves and transfer to the shoulder of all risk that attach to an individuals. Thus, we come to know insurance as a device, which issue to minimize to block the risk through economic aspect.

The word insurance sometimes is applied to fund accumulated to meet certain losses as well as to a simple transfer of risk. But the accumulated definition of insurance must include either accumulation of a fund or transfer of risk but not necessarily both.

In practice insurance involves spreading loss over mare than one entity within a present period. In fact, insurance distribute the cost of the risk over a large group of individuals subjected to the some risk in order to reimburse the few who actually suffer from the risk.

2.1.5 Meaning of Premium

Premium is the consideration of price paid by the insured under the contract of insurance. Premium is calculated under the tariff fixed by the Insurance Board. The board fixes the tariff by observing risks involve in insured. Here applies higher the risks, and then higher the premium. Success and the failure of the insurance company depend up on the premium collection and investment position of the company.

“Insurance can also be defined as a contract whereby one party called insurer agrees to indemnify the other party known as the insured on the happening of certain event insured against in consideration of certain sum of money known as premium”. (*Pant; 2007*)

"In the motor insurance, the method of premium calculation varies according the types of vehicle and the type of cover. For private cars insured on a comprehensive basis the rated of the premium are based on the cubic capacity of the car, the insured's estimated value of the car and the geographical area in which it is used. Liability to the third parties and Act only liability policies are rated only according to the cubic capacity. Motor cycles and motor scooters insured on the comprehensive basis are rated according to the cubic capacity and the insured's estimated value. For commercial vehicles the rates, firstly, vary according to purpose of which the vehicles is used (e.g. carriage of goods, passengers, etc)". (*Kaikini; 2004*).

2.1.6 Meaning of Investment

“Investment” as a term is quite confusing and multi-faceted. In pure financial sense “The subsequent use of the term investment will be in the prevalent financial sense of the placing of money in the hands of others for their use, in return for a proper instruments entitling the holders to_ fixed income payments or the participation in expected profit”.(*Dowrite and Fuller, 2006*)

Insurance is the double edged weapon. On the one hand it provides capital to the financial security against future losses and test menthe other hand it provides security to the business. In other words insurance is one kind of security in real sense. The

industrial & commercial development is not possible unless they get a type of security, their capital would be idle, and unproductive if kept in a vault. The investment opportunities would on the other hand, make it possible for the industrialists and businessmen to reap the good profit. "Mainly there are two types of insurance business in insurance market in Nepal. Life and Non life insurance businesses, Life insurance premium is refundable but the non life insurance premium is non refundable to the insured. Life insurance company refunds the insurance premium to the insured with bonus in a certain agreed time period". (*Tikadia; 1997*).

Insurance companies have at their disposal large amount of money. This arises from the fact that there is a time gap between the receipt of premium and the payment of the claim. The premium may be collected in Shrawan and a claim may not occur until Ashad, if it occurs at all. This money is invested in a wide range of different forms of investment as prescribed in Insurance Act 1992. Investment can be calculated from the following formulae;

$$\text{Investment} = \text{Premium collection} - \text{Claims Paid} - \text{Survey Fee} - \text{Agency Commission} - \text{Management Expenses}$$

2.1.6.1 Factors Affecting the Investment

Besides above-mentioned basic principles, some basic factors really affect the investment policy and composition of the components. However, their degree of affecting power may vary. These are other factors that have significant affecting power:-

2.1.6.1.1 Regulatory Provisions

Regulatory provisions have the maximum impact upon the investment policies and the composition of portfolio. Usually, in every state there will be legal restrictions for the insurers to invest their funds in various components. Such restriction might be in the form of the limitation of the investment amount on particular securities or the allowed sectors of the investment. The insurer, not being able to revert such provisions, need to revert its policy and composition and hence, the investment policy may be diverted.

2.1.6.1.2 Management perception

Another factor affecting the investment policy and components will be the managements attitude as well as the self imposed limitation from their side. If management wishes to increase the yield, investment policy will be to divert the fund to the high yielding portfolios, rather than the mare safe but low yielding components or vice-versa. Beside this, the management may impose self-limitation of investment components according to the condition of the business and it is also capable of changing the investment portfolio.

2.1.6.2 Non-life Insurance and Investment

The Non-life or property and casualty insurance are the kind of institution, which are specially purposed to transfer the property and liability risk of other against some benefit. "Unlike life insurance companies, property and casualty insurance companies do not collect saving, they sell service, and their liability do not represent firms dollar (amount) obligations to policy holders" (*Dougall and Gaumnitz; 1980*)

"These components match with the principles like liquidity, marketability, security that are the essentials of the property and liquidity insurance funds these are the components, which can be transfer into cash in no times, and are needed, so that claims occurring through the maturity of the policy contract or cancellation can be meet. Since there will not be any provision like policy loan, the insurer need not bother about the claims accruing due to the demand of the policy loan". (*Clendenin; 1995*)

Regarding the property and liability and liability insurance funds, typical insurance policy therefore a) maintenance of a maximum invested position, employing all funds not dedded in cash and receivable b) investing policy holders and creditors money only in bonds c) investing the stockholders equity in bonds, preferred stocks or common stocks.

"Beside these, the political, legal, or socio-economic factors may also affect the investment policy and composition of an insurer. Insurance Act has fixed the General Business (Non Life) insurance company's investment of 65% funds in compulsory sectors and 35% on the other sectors. Among the compulsory sectors; 15% of investment should be in Nepal Rastra Bank bond, 50% on commercial & development bank, and out of other sectors; 15% on finance company and rest of 20% on the other sectors (share, bond of public Limited company". (*Sharma; 2007*)

2.1.7 Types of Insurance

"When insurance viewed as a generic term and defining the generic concept, it will take the forms like social insurance and private insurance. Here the social insurance means the insurance plan which are conducted by the Government and are usually

administered by the state or the Federal agencies as directed by the objective of providing minimum level of living standards and maintaining the society having enhanced justice and equal distribution of resources". (*Welshans and Melicher; 1980*)

This broad classification bears no boundary and is broadening enough to cover the fields like aid to Handicapped, provisions for the aged persons, or similar governmental social services. Whereas private insurance means those insurance plans sought by an individual or an organization to meet the recognized need for risk finance as well as risk controlling. This classification is extended up to a personal scheme of acquiring the risk financing or risk controlling, by means of buying the legal insurance, accumulating a portion of income as provision to tackle the uncertainties or getting into the activities which cause the withdrawal of own risk like leasing.

When view as specific institutional concept, it will only be relevant with the commercial insurance as a sub classification of private insurance. Commercial insurance, also, take vast number of forms as to meet the need of Families, Business institution or other social or other social elements, However, for the purpose of this study insurance will be classified according to the business viewpoint i.e. from the potential insurers view. When viewed from professional use insurance will take two broad forms as Life insurance and Non-Life insurance. In the study, similar classification will be done as to introduce the nature of the insurance contract and their special character of these lines of insurance as financial institutions.

In Nepalese context, there are two types of insurance business life and non life insurance companies.

2.1.7.1 Life Insurance

"Life insurance as a type of insurance plan conducted by the insurers is directly related with providing assurance against the economic part of total human life. Since the earning power of an individual is the greatest assets a person does have, it really will be the important part of human life. Life insurance is particularly concerned with that aspect of human life. Since the insurance or assurance of a person's life is impossible because of the certainty of death of a person once born, life insurance only provides assurance against the economic aspect of human life, not the assurance against the life, itself. Life insurance is

written to economically protect the insured against financial loss in the circumstances like living up to the age of retirement when will not have potential earning power, protecting insured's beneficiary if the untimely death of insured took place; or protecting the interest of the other parties, like insured's creditor who are economically associated with the life of insured".
(Mehar; 1998)

Life insurance can be defined as a contract by which the insurer, for a certain sum of money or premium proportionate to the age, health and other circumstances of the person, whose life is insured, if such person shall die within the period limited in the policy, will pay the sum specified to the person in whose favor such policy is guaranteed. Nepal Insurance Act, 1992 (Section-2) has defined life insurance as the contract of insurance effected on human life on the basis of age to pay a fixed sum to the assured or his nominee, on death or on the happening of any contingency dependent on human life in consideration of payment of a fixed installment premium by the assured. Life insurance as a distinct characterized insurance policy takes different forms in practice. In practice, such forms are explained as term life insurance, Endowment policy, whole life policy, and annuity.

Based upon these basis forms the institutions, providing the insurance or assurance to its clients customers, provide various kinds of insurance policies. Among them some will be the participating one and some will be non- participating i.e. to provide the gain on the accordingly amount to insured by the company. Some may follow an equal payment through the period, some in some defined period only or some in just single payment. Such life insurance can be done on single or joint basis to usually some organized sector conduct the joint life for their employers collectively. The term and condition of paying the premium to the insurer may also vary.

2.1.7.2 Non Life Insurance

"This part of insurance can be defined as the pure insurance. Non-Life insurance, known as General insurance is the insurance of property and liability risk of insured against some specified cost i. e. the premium. This part of insurance includes the insurance or risks transfer of the property and liability of insured where "property insurance, against loss arising from the

ownership or use of property, includes two general classifications. The first indemnifies the insured in the event of loss growing out of damages too, destruction of own property". (*Mehr; 1998*)

The second form pays damages, for which the insured is legally liable, the consequence of negligent acts that result in injuries to other persons or damage to their property. This is known as "Liability insurance". "Due to the nature and character holdings such insurance is regarded as the general form of insurance and the term 'insurance', itself generally, refer to this type. Under the scope of general insurance, every kinds of agreed risk might be included under agreed definition of loss but that must have some common principal.

Based upon the principles the insurer and insured may agree to accept every kind of risk and its transfer through the insurer. But the "Coverage written by the property and liability insurance may be divided into five types, physical damage or loss, Loss of income and extra expenses resulting from physical damage to property, Liability Health and Surety. In practice the insurers provides various kind of non-life insurance policies, which are based upon these classification. Among them, these are the practical forms.

The problem of risk is always present in human life and in their property. It can be minimized to some extent but it is impossible to avoid or eliminate losses altogether. The transferring of these risks is possible through the system of insurance. Insurance helps a person by protecting himself against every risk in the field of his activity. General insurance can be classified as -

- Personal insurance
- Property insurance
- Liability insurance
- Insurance of interest.

2.1.7.2.1 Fire Insurance Policy

"Fire insurance provides indemnity for loss damage caused by the fire. "Basic form of fire insurance offers protection to the insured against the destruction of physical property as a result of fire". (*Welshans and Melicher; 1980*)

Typical fire insurance does not cover the direct loss but with each other's consent insurer may provide such protection in the modified form of the basic fire insurance policy. The field of fire insurance can be modified or extended to include a number of perils closely allied to fire like windstorm. Earthquake, Riot and Strike Damage, Terrorism, Explosion, Landslide or else. Such contracts may be written not only to insure against the direct losses, but also the indirect losses. Usually, insurer charges the higher premium rate for such modified policies.

Fire insurance is a contract whereby the insurer in consideration of the premium paid, undertakes to compensate the insured for any loss that may result due to the occurrence of fire. Fire insurance means insurance against any loss caused by fire. Fire produces heat and light but either of them alone is not fire. But if lightning ignites (burns) something, the damage may be covered by a fire policy. The same is the case with electricity.

2.1.7.2.2 Marine Insurance Policy

Marine insurance is a branch of insurance. It has developed over centuries. It plays a very important role both in national as well as international trade. Marine insurance is closely connected with important commercial institutions like banking and shipping and assist the development of trade and commerce and thereby the economy of a country. Marine insurance is a contract under which the insurer undertakes to indemnify the insured against financial losses incidental to marine adventures losses that occurs during transit of goods either by rail, road, sea or air.

2.1.7.2.3 Automobile Insurance policy

Motor Insurance is one of the very popular classes of General Insurance. Motor Insurance forms a predominant portion of the insurance company's portfolio. In motor insurance, the motor vehicle is the property, which is exposed to loss, or damage. The insured has insurable interest on the motor vehicle, which entitles him to insure. The insured also has a legal liability towards third party for injury caused by the negligent use of the vehicle. So insured has insurable interest in liability insurance too.

2.1.7.2.4 Aviation Insurance policy

Aviation insurance is insurance which is designed specifically to meet the needs of aviators. There are a number of different types of available for a variety of aircrafts and pilots. Laws about aviation insurance tend to be less clearly defined than those regarding car insurance, which can make it difficult to choose the right policy and carrier.

Just as with insurance for other types of vehicles, there are a number of levels of coverage in aviation insurance policies, including liability coverage for accidents when the policyholder is at fault, theft and loss coverage, life insurance riders, and insurance for other types of situations, such as loss of cargo. The more services requested on a policy, the more expensive it will be. Coverage also varies depending on the type of craft: helicopters, sport planes, commercial airliners, and so forth are all covered differently.

2.1.7.2.5 Engineering Insurance Policy

Contractors All risk Insurance: Under this arrangement the hazards, perils and losses occurring from the mutually accepted risk class will be provided for the contractors, whether they are individuals or organization. Under this risk class, the loss occurring from natural disaster, accidents or other inevitable uncertainties will be incepted. It insures the contractors or builders financial sustainability though there occur heavy loss on contract, upon with they were working.

The rapid industrialization of the country in the past few decades has made increased use of machines in Industry. Use of machines increase production capacity but accidents and breakdowns cause disrupting in work and also huge loss will be incurred. It is difficult to anticipate the extended of loss. A prudent user of machines therefore seeks protection under the insurance cover.

2.1.7.2.6 Machinery all Risk insurance

Under this arrangement the loss occurring due to the damage of the machinery will be insured. Organization is failures of a machinery or damage on machinery cause greater loss either directly or indirectly, involve into this type of insurance arrangement. Such policy includes financing for the failed machinery, providing financial security against the indirect cost like repairing cost, cost of the idle workers or similar losses.

This Policy covers machinery which is necessary for the running of business against unforeseen and sudden physical loss or damage from any cause other than those specifically excluded.

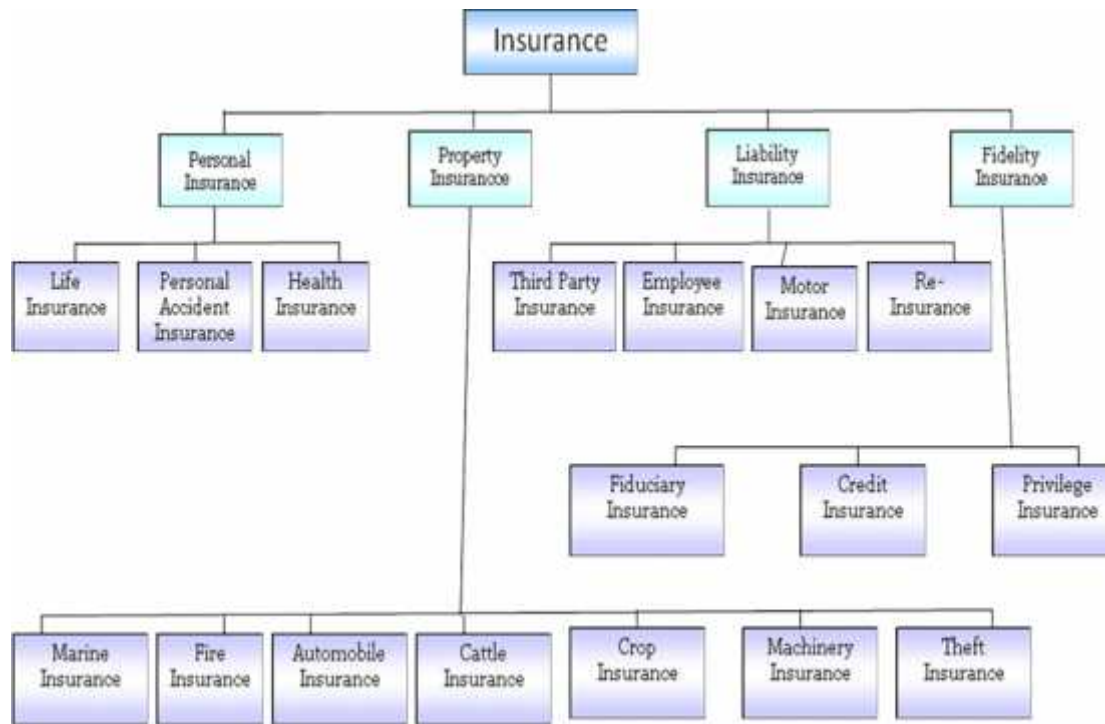
2.1.7.2.7 Miscellaneous Insurance Policy

"There exist many insurance covering different fields of risk classes. Since the insurers are ready to provide new kinds of insurance plans, there does not exist the limit on the kinds of insurance policies written. However, these are the practically important policy practices by the insurers":- (*Mehr; 1998*)

2.1.7.3 Types of Insurance from Risk Point of View

The types of the insurance on the basis of risk can be shown from following flow chart:

Chart: 2.1



Sources: Mishra, 2006

2.1.8 Reinsurance

"Reinsurance is another important insurance operation. This section discusses the meaning of reinsurance, the reasons for reinsurance, and the different types of reinsurance contracts. Reinsurance is the shifting of part or all of the insurance originally written by one insure to another insurer. The insurer that initially writes the business is called the ceding company. The insurer that accepts part of all of the insurance from the ceding company is called the reinsure". (Balachandran; 2005)

Reinsurance is the practice of mitigating insurance risks by sharing those risks with another insurance carrier in exchange for paying that other carrier a part of the premium. The practice makes it possible for larger policies to be written, but still have the

protected party only deal with the main insurance provider. This simplifies things for the customer and generally does not affect rates.

Typically, reinsurance is applied to larger insurance policies, but companies may also engage in the practice when they do not specialize in a particular insurance product. For example, if a policy is packaged to include health insurance for employees and worker's compensation insurance, the company bidding may feel more comfortable having some other company handle one of those two divisions. This not only helps to minimize risks to a single company, it also provides the opportunity for a company with more expertise in a certain area to step in and handle those matters.

Reinsurance is very important for insurance company with respect of reduce risk of insurance company. Today insurance company has more risk than existing due to modernized. Reinsurance creates trust to the insurance company by its client. It also helps to the company long life.

2.1.8.1 Reasons of Reinsurance:

Reinsurance is used for several reasons. The most important reasons include the following:

) Increase underwriting capacity

"Reinsurance can be used to increase the insurance the insurance capacity company's underwriting capacity to write new business. The company may be asked to assume liability for losses in excess of its retention limit. Without reinsurance, the agent would have to place large amounts of insurance with several companies or not accept the risk. This is awkward and may create ill will on behalf of the policyholder. Reinsurance permits the primary company to issue a single policy in excess of its retention limit for the full amount of insurance". (*Balachandran; 2005*)

) Stabilize profits

"Reinsurance can be used to stabilize profits. An insurer may wish to avoid large fluctuations in annual financial results. Loss experience can fluctuate widely because of social and economic conditions, natural disasters, and chance".
(Balachandran; 2005)

Reinsurance can be used to level out that effect of poor loss experience. For example, reinsurance may be used to cover a large exposure. If a large, unexpected loss occurs, the re-insurer would pay the portion of the loss in excess of sum specified limit. Another arrangement would be to have the reinsurer reimburse the ceding insurer for losses that exceed a specified loss ratio during which wish to stabilize its loss ratio at 70 percent. The reinsurer then agrees to reimburse the ceding insurer for part of all the losses of 70 percent up to some maximum limit.

) Reduce the unearned Premium Reserve

"Reinsurance can be used to reduce the unearned premium reserve. For some insurers, especially newer and smaller ones, the ability to write large amounts of new insurance may be restricted by the unearned premium reserve requirement. The unearned premium reserve is a liability item on the insurer's balance sheet that represents the unearned portion of gross premium on all outstanding policies at the time of valuation. In effect, the unearned premium reserve reflects the fact that premiums are paid in advance, but the period of protection has not yet expired. As time goes on, part of the premium is considered earned, while the remainder is unearned. It is only after the period of protection has expired that the premium is fully earned". (Kakikini; 2004)

A rapidly growing insurer's ability to write new business could eventually be impaired. Reinsurance reduces the level of the unearned premium reserve required by law and temporarily increases the insurer's surplus position. As a result the ratio of policyholder's surplus to net written premiums is improved, which permits the insurer to continue to grow.

) Other Reasons for Reinsurance

"An insurer can use reinsurance to retire from the business or from a given line of reinsurance or territory. Reinsurance permits the insurer's liabilities for exiting insurance to be transferred to another carrier; thus, the policyholder's coverage remains undisturbed". (*Balachandran; 2005*)

Finally, reinsurance can enable an insurer to obtain the underwriting advice and assistance of the reinsurer. An insurer may wish to write a new line of insurance, but it may have little experience with respect to underwriting the line. The reinsurer can often provide valuable assistance with respect to rating, retention limits, policy coverage, and other underwriting details.

2.1.8.2 Types of Reinsurance

There are two principal forms of Reinsurance:

1. Facultative Reinsurance
2. Treaty Reinsurance

2.1.8.2.1 Facultative Reinsurance:

"Facultative reinsurance is an optional, case by case method that is used when the ceding company receives an applications for insurance that exceeds its retention limit. Before the policy is used, the primary insurer shops around for reinsurance and contracts several reinsurance. The primary insurer is under no obligation to cede insurance, and the reinsurance. But if a willing reinsurer can be found, the primary insurer the reinsurer can then enter into a valid contract". (*Balachandran; 2005*)

Facultative reinsurance is a form of reinsurance in which a contract is negotiated for a specific insurance policy. This type of reinsurance is purchased when a policy is unusual or large and the original insurer is concerned about the liability risks. The policyholder is not informed that reinsurance has been taken out, in contrast with coinsurance, in which multiple insurers take

on the risk of a policy together. The other type of reinsurance is treaty reinsurance, in which a group of policies or risk categories are covered together.

2.1.8.2.2 Treaty Reinsurance:

"In this type of reinsurance all the risk falling under a specific department within a certain parameters arising a year would be automatically in predetermined proportion. There will be two types treaty reinsurance". (*Balachandran; 2005*)

Treaty Reinsurance refers to an established agreement between the insurance company and the reinsurer. Under the terms of the treaty, the insurance company is obligated to pass on a certain percentage of its business to the reinsures and the reinsures is to automatically accept this portion of the business. This is usually composed of a class of policies from the reinsurer. For example, the treaty agrees to cover casualty insurance policies. What happens is that the insurance company automatically passes on casualty risk to the reinsurance company. This can be contrasted to another type of reinsurance contract - the facultative policy, where the reinsurer makes a decision whether to accept a risk or not.

- a) **Proportion Treaties:** in this form of reinsurance the premium and the claims are share in the same proportion in which the risk is shared between the company and the reinsurance.
- b) **Non Proportional Treaties:** in non proportional form of reinsurance, the loss would be paid by the reinsures as per determined arrangement.

2.2 Review of Legal Provisions and Bodies in Nepalese Context

Every country has laws and regulations that determine who may sell and underwrite insurance and the circumstances under which they may do so. Minimum reserves, asset quality and quantity and capital requirements are usually specified. Special accounting standards may be mandated. In many countries prices and policy conditions are regulated. In Nepal Insurance Board (Beema Samiti) an autonomous body, established to develop, systemize, regularize and regulate the insurance business of Nepal under Insurance Act, 1992.

There is a provision of treating equally for national as well as international insurance companies. The Act does not restrict the pattern of ownership, location of business inside the country or the legal forms (e.g., subsidiaries vs. branches vs. joint ventures). In the case of foreign joint ventures, 20 per cent of the shares have to be issued to the public. However, the insurer is not allowed to operate life insurance and non-life insurance businesses side by side through the same organization. The Insurance Act, 1992 and Insurance Regulation, 1993 have incorporated various provisions that are related to prudential regulations. The insurer has to maintain a separate insurance fund for each category of insurance business. While creating a separate fund in the case of a life insurance business, the amount should not be less than the total liability as specified by the insurance policies. Similarly, in the case of a non-life insurance business, the amount should not be less than 50 percent of the net non-life insurance premiums.

The Insurance Board has also set investment norms. The insurance companies are required to invest at least 75 per cent of their total investment in government securities, treasury bills and fixed time bank deposits. The remaining 25 per cent can be invested in housing schemes, financial companies and debenture schemes of public limited companies apart from depositing in commercial banks.

2.2.1 Introduction of Insurance Board (Beema Samiti)

Beema Samiti (Insurance Board) an autonomous body, established to develop, systemize, regularize and regulate the insurance business of Nepal under Insurance Act, 1992.

Insurance Board (Beema Samiti) is the Insurance Regulatory Authority of Nepal. The line ministry is the Finance Ministry, Nepal. The word bema means Insurance and samiti denotes Board. Hence beema samiti is synonymous to Insurance Board. Which is constitutes to systematize, regularize, develop and regulate the insurance business with in the country under the Insurance Act 1992. This Samiti (Board) looks after all the insurance related activities in the State of Nepal. As a regulatory body, the Board's main concern is to create a professional, healthy and developed insurance market in Nepal.

This *Samiti* observes all the insurance related activities in the kingdom of Nepal. As a regulatory body the board's main concern is to create a professional, healthy and developed insurance market in Nepal. Furthermore after the restoration of democracy in Nepal in 1990 A.D., insurance environment began to change simultaneously along with other factors, thus to meet the requirements of the changing situation, the Insurance Act 1992 A.D. (Beema Ain, 2049 B.S.).

The preamble of Act clearly states the purpose of the this "to establish an Insurance Board to systematize, regularize develop and regulate the insurance business" to achieve the goal of the preamble, Beema Samiti (Insurance Board) is formed as an autonomous body the Insurance Act of 1992 A.D

National Life Insurance Co. Ltd, American Life Insurance Co. Ltd, Nepal Life Insurance Co. Ltd and Life Insurance Corporation (Nepal) Ltd, Surya, prime, Gurans and Asian Life insurance are providing life insurance services, Rastriya Beema Sansthan is providing both life and non life insurance services and rest of all are providing the non life insurance services in Nepal.

There are 26 insurance companies both in life and non life insurance business in Nepal. Which are came to operation under the Insurance Act 1992.

Insurance Board (Beema Samiti) is the Insurance Regulatory Authority of Nepal. The line ministry is the Finance Ministry, Nepal. The word bema means Insurance and samiti denotes Board. Hence beema samiti is synonymous to Insurance Board. Which is constitutes to systematize, regularize, develop and regulate the insurance business with in the country under the Insurance Act 1992.

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2.2.2. Functions, Duties, and Authority of Insurance Board

In order to systematize, regularize, develop and regulate the insurance business in the Kingdom, the following functions, duties and powers are conferred on Beema Samiti:

- J Provide suggestions to Nepal Govt. to formulate necessary policy for systematizing, regularizing, developing and regulating the insurance business,
- J Set out guidelines for insurers to invest their fund and prescribe the priority sectors for such investment,
- J Register and renew the Insurer, Insurance Agent, Surveyor or Broker and to cancel or cause to cancel such registration,
- J Arbitrate in the disputes, which arises between the insurer and insured,
- J Make decision on the complaints filed by the insurer regarding to the settlement of liability of the insurance,
- J Issue necessary directives to the insurer from time to time regarding insurance business,
- J Formulate necessary basis for the protection of interest of the insured, and
- J Do or caused to do other necessary functions regarding insurance business.

2.3 Review of Journals and Articles

Review of previous study entitles reviews of Journal, and articles and previous thesis related to this study.

Shrestha (2002), in his Article, "*Insurance Business: Opportunity and Threats*", has stated that the Govt. Properties including corporation is insured to Govt. Co. is priority basis, it is difficult to pursue in such corporation and Govt. Offices, so the

environment is not very positive. Only lip service from Govt., the economic growth of the country is very slow. People cannot afford to pay insurance premium. The sense for insurance unawareness and unconscious mass is very high. Thus insurance business is very challenging. One has to create the market tremendous market opportunity is felt due to the right person. After the formation of Nepal Insurance Association, the companies can plead their problem jointly to the Govt. and should to forward for the interest and benefit of insurers. This platform should be taken as an opportunity.

Pant (2007), in this article "*Insurance in Nepal Yesterday Today and Tomorrow*" has focused on the historical background of the Insurance Company in Nepal, today's status of the insurance company and future of the insurance company. In this article he has focused definition of insurance, importance of insurance, historical background of insurance and future status of insurance business in Nepalese context.

Khanal (2007), published in his working paper series on "*Banking and insurance services liberalization and development in Bangladesh, Nepal and Malaysia: A comparative analysis*" where he has focused status of insurance business in Nepal and deals regulatory body of insurance sector in Nepal i.e. Beema Samiti. In this study he has focused overview of the growth and importance of the banking and insurance sectors as well as of the regulatory frameworks in place in the three economies is then presented, followed by comparative case studies of bank performance according to ownership structure. He has also pointed out in his study Failure of insurance companies to undertake long-term investment In Nepal, the Insurance Board has set the investment norms. The insurance companies are required to invest at least 75 per cent of their total investment in government securities, treasury bills and fixed time bank deposits. This has led to hampering of long-term investment and encouragement of misallocation of savings.

Manandhar (2008) published an article entitled "*Challenges of Insurance Industry in Nepal*" has stated that the future upcoming threats in the field of insurance in reference to Nepal. Where he has focused problems related to collection of the premium, obstacles for grappling the insurance and insurance policy.

2.4 Review of Thesis

Some of the few researchers had conducted thesis relating to the Insurance. Among them least are related to the premium collection and Investment. In researchers opinion the review of thesis which was conducted by senior researcher helps to generate more idea regarding the thesis.

Ghale (1999) submitted his study on “*A comparative financial analysis of Nepal Insurance Company and National Life and General Insurance Company Limited.*” This study is descriptive and analytical too. He used both primary and secondary data in his study and analyzed the financial position, liquidity position, profitability position and other.

Mr. Ghale used five years data from 1990/91 to 1996/97 to analyze the study. He used mainly financial tools like ratio analysis, cash flow analysis to come in decision. After detailed study found the following conclusion.

-) Premium collection of both life and non life insurance shows growing trend of this business in the recent year of the study period.
-) The net profit percentage of Nepal Insurance Co. Ltd. is found better than Nepal Life and General insurance Company Ltd. but the liquidity position of both companies are found better.
-) Current assets turnover ratio of NLGI followed decreasing trend, which is the indication that the efficiency of utilizing current asset deteriorated over the period due to negligence of management. The average turnover on current assets on NIC was 24 paisa whereas NLGI's return was 15 paisa.

He has given the following recommendations:

-) Insurance premium fund should be invested in different sector other than HMG Bond in order to enhance the life standard of people, thereby increasing the insurance premium.
-) Raining to agents is must essential before their (agents) appointment in order to attract the insured.
-) NIC is advice to minimize the risk level by reducing debt participation and increasing equity proportion even though it is risk oriented institution.

Pathak (2000) submitted his study on “*Evaluation of Financial Performance of Nepal Insurance Company and Himalayan General Insurance Co. Ltd.*” The primary objectives of the study is too analyzed and to evaluate the financial performance of HGIC and NIC.

Mr. Pathak uses secondary data only to evaluate the financial performance. He uses the last 5 years. data since 1994/95 to 1998/99. He uses various financial ratios; cash flow statement analysis, trend analysis and test of hypothesis are used to accomplish the objectives.

The profitability ratio, which measures the insurance, companies capability to earn profit. The profitability ratio shows the following position of both companies.

He has given the following recommendations:

-) Both companies are suggested to increase their cash balance to meet their short-term obligation.
-) Both HGIC and NIC are suggested to improve total assets turnover ratio. The ratio can be improved by proper, effective, and optimum utilization of total assets and avoiding unnecessary investment in total assets.
-) HGIC is suggested to increase total revenue and gross profit for its sustainability and meet me competition.

-)] Insurance premium fund should be investment in different sector other than HMG bond in order to enhance the life standard of people thereby increase the insurance premium.

The relationship between these two theses is only on conceptual sector because; both studies are on insurance business. He has focuses on financial performance and he includes in his study premium collection and investment position also.

Those studies are related because premium collection is the major tasks of all insurance companies while investment property is the second major task. He mainly focused his study on financial performance.

Adhakari (2000) submitted his study on “*Insurance Industry in Nepal, A study on investment policies and practices:*” Thesis research work is basically concerned to find what are the main policies used to invest the collecting premium of insurance industries.

To conduct these researches, both primary both secondary data have been based used. The time period was six years from 1993/94 to 1998/99. This study has pointed out various finding and recommends action using different financial and statistical tools like ration analysis, cash flow, co-relation, standard deviation etc.

He has given the following recommendations:

-)] The insurer should enforce the diversification among the investment portfolio.
-)] The life assurers should concentrate on the diverse portfolio holding as compare with the non life insurers.
-)] While investing within the particular sector, insurer needs to consider the mutual inter-link, age of transaction too.

The relationship between Mr. Adhakari’s study and present study is on focusing on investment. Investment policies and position are related in each other because investment position will be sound, good, or bad according to investment policies. Like this principle of investment is useful for both investment policy and position. Both studies use financial and statistical tools. There are some gaps between these two studies. Mr. Adhakari’s study is for whole industries and this study is only one

insurance company and he focuses on the investment policy and this thesis focuses on both premium collection and investment position.

Aryal (2003) submitted his study on “*Evaluation the Financial Performance of NIC Ltd.*” In the thesis he has made an attempt to provide independent views of the financial performance of NIC and focusing on the challenges ahead of NIC. The major objective of the study is to evaluate the financial performance of NIC Ltd. the aims of study are presented as follows:

- a. To highlight various aspect relating to financial performance of Nepal Insurance Company Ltd.
- b. To study the trend of premium collection and payment of claim and utilization of available resources.
- c. To analyze the financial performance through the use appropriate tools.
- d. To provide a package of suggestions and possible guidelines to improve (he insurance business based on the finding of the study).

Mr. Aryal used all secondary data to analyze the financial performance. He used the data of 10 years since the fiscal year 1989/90 to 1998/99. Mr. Aryal used different financial tools like standard deviation, coefficient of variation, time series analysis, coefficient of correlation etc.,

He has given the following recommendation:

-) The company should improve the outstanding premium collection.
-) Claim should be paid in time and the company should extend its business area.
-) The company should make the effective investment policy and the business portfolio should diversify.
-) The company should establish research and development department.

Thapa (2004), submitted his study on “*Insurance Industry in Nepal, ‘A Comparative Study on Premium Collection and Investment Pattern,*” for thesis study he uses both primary and secondary sources of data. The period covered was for 1996/97 to 1999/2001.

The basic objective of this thesis is to examine how far the different insurance premium are collected and invested them properly.

He uses many financial and statistical tools like ratio analysis, standard deviation, and co efficient variation and f test etc. to analysis his study. Main finding of study are as follows;

-) The premium collection rate of Nepalese insurance industry has been fluctuating trend.
-) The insurance industry has not consisted in the investment proportion and various investment sector and investment portfolio too.
-) The co-efficient of correlation between premium and investment of Nepalese insurance industry has high degree of positive correlation with signification relationship.

He has given the following recommendations:

-) The entire insurance should follow the investment policy and improve it management and should maintain and make uniformity on premium collection under all insurance policies and should try to reduce in claim paid amount.
-) The insurer should enforce the diversification among the investment portfolio.
-) Insurance premium fund should be invested in different sector other than HMG Bond an Bank Fixed deposit in order to inherence the life standard of people thereby increase the insurance premium.
-) Insurer should try to remove fluctuation or premium collection, investment and Net income trend too.

The similarities between Mr. Thapa's study and this study are about premium and investment. Both studies use five years data to analyze premium and investment. There are gaps between these studies also. He has emphasis the investment patterns but this study emphasis on premium collection and investment position. He uses all non life companies but this study is based on only one non life insurance company.

Aryal (2010) conducted a study on “*Premium Collection and Investment Position of Prudential Insurance Company Limited*”, “A Comparative Study on Premium Collection and Investment Pattern,” for thesis study she uses both primary and secondary sources of data. The period covered was for 2060/061 to 2064/065.

The basis aim of this study is to define current situation of Prudential Insurance Company Ltd and find out the premium collection and investment position of it.

She uses financial and statistical tools such as ratio analysis, standard deviation, and co efficient variation main finding of her study are as follows;

-) Calculated ratio fire premium to total premium collection in each year following the fluctuating trend. Its claim paid ratio was small portion to total claim. So it seems most profitable business of the company.
-) One of a major portion of premium collection in this company is Marine insurance premium. It shows that the marine insurance is riskier than fire insurance.
-) The contribution of Motor premium collection was highly fluctuation in the trend. The above analysis shows the highest portion of total claims was adopt by motor claims of this company. It seems motor insurance too risky and bad sector in this company.
-) Engineering insurance premium holds smallest portion in this company. The analysis shows that engineering claims was a smaller portion to total claims paid. But, comparing the collection of premium and claim paid, we can't say it was a less risky business.

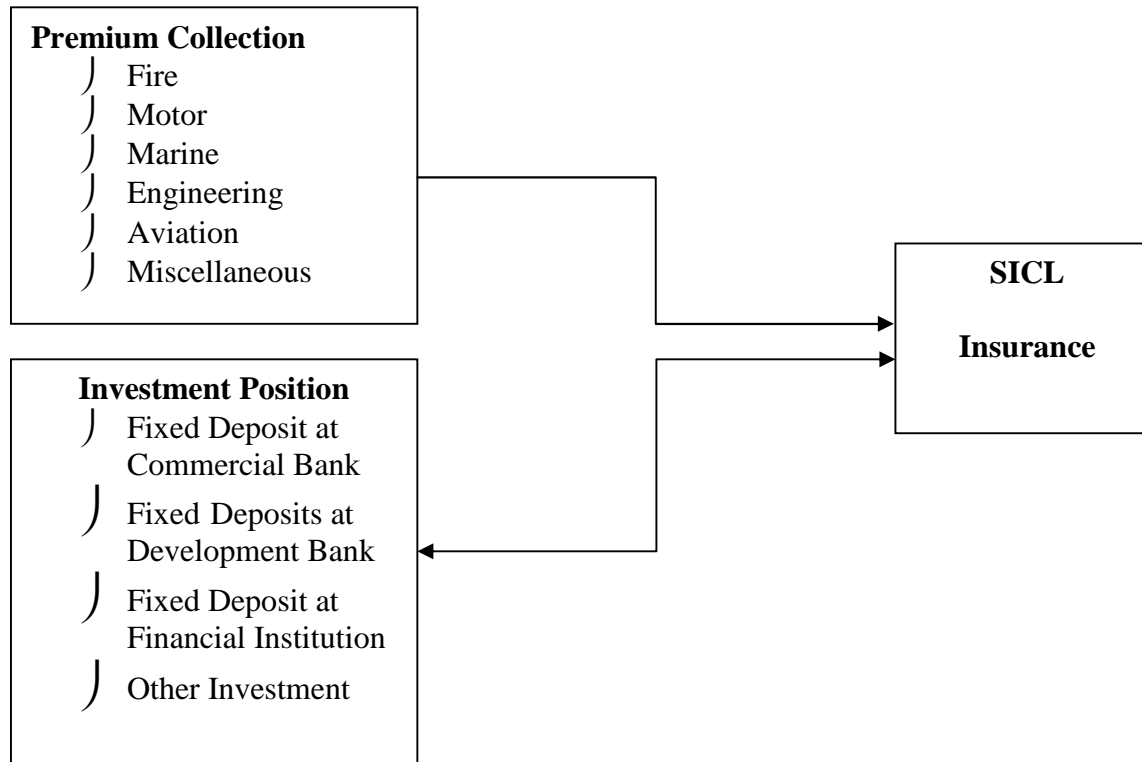
She has given the following recommendations:

-) She has suggested company to focus more attention in fire business to collect the premium in respect to little by little growth of fire premium collection.

-) Marine insurance premium collection holds the higher portion premium in total premium which is good signal for the company. But the claim ration is in fluctuating trend. So the company should be selective in marine insurance to maintain claim ratio profitability.
-) Motor insurance is the good source of raising insurance premium, but it seems most risky business of the company. The highest portion of the total claims was adopted by the motor claim. So, the company should take good strategies for taking vehicle business.
-) Engineering and miscellaneous insurance premium hold fewer portion in total premium collection. Both have premium collection ratio in fluctuating trend and claim paid ratio also in fluctuating trend. Even though these business are profitable so, the company should give more emphasis in such type of business for company growth.
-) According to the analysis of investment position of this company in different sector of investment it seems good but not satisfactory. For this; the company should select more returnable and less risky sector of investment.
-) For excellent investment decision as well as new product, company should take independent research and development department. R & D department will help to meet future goals of the company as well as the betterment of the company.

There is close relationship between Aryal's study and this study because both studies are about premium and investment position of Non-life Insurance Companies. Both studies use five years data to analyze premium and investment. There are gaps between these studies also. Her emphasis the premium collection and investment patterns of Prudential Insurance Company but this study emphasis on premium collection and investment position of SICL. Aryal mainly focused only the premium collection and investment position but this study also focused the role and regulation of Insurance Board regarding the investment directives.

Figure: 2.2: Study Model



2.3 Research Gap

Previous studies have been focusing on the premium collection and investment position of Prudential Insurance Company Ltd. But this study also focused the position of claim. She has emphasis the premium collection and investment position of Prudential Insurance Company Ltd.

There is close relationship between Thapa's study and this study because both studies are about premium and investment. Both studies use five years data to analyze premium and investment. There are gap between these studies also. Thapa emphasis the investment patterns but this study emphasis on premium collection and investment position. Thapa uses all non life insurance companies but this study is based on only one non life insurance company. That is SICL.

There are some research gaps between these two studies. Mr. Adhakari's study is for whole insurance industries and this study is only one insurance company and Mr. Adhakari focuses on the investment policy and this thesis focuses on position of premium collection and investment.

The previous thesis related to this study is limited in number. Only few researchers have done related to this study. This study is different from that study in the view of single insurance company, different research objectives, analytical ratios, major findings, and conclusion.

CHAPTER III

RESEARSH METHODOLOGY

By research methodology we mean an overall method used while taking part in research activity. To perform this activity, the chapter includes Research design, Population and sample, the sampling procedure, data gathering procedure and the data analysis procedures have been included.

3.1 Research Design

Research design is the main part of any research work. It is the preplan of any research or thesis work. A research design is the management of condition and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. To achieve the objective of this study descriptive and analytical research designs have been used. The research is so designed that the analysis and interpretation of the secondary data and primary data related to the evaluation of past behavior of the insurer relating to the premium collection and investment position of SICL.

3.2 Populations and Sample

There are all together twenty five insurance companies operating in the country. It will be lengthy, time-consuming, and vague while taking into consideration of all these institutions. So, this study undergoes to research the premium collection and investment position of Shikhar Insurance Company Limited among 25 insurance companies. Shikhar Insurance Company Limited is sample study among the non life insurance companies.

3.3 Sources of Data and Data Collection Procedures

This study is based on both secondary and primary sources of data and other information and relevant data have been collected from the publications of Insurance Board of Nepal, various publications journal articles booklets published of the government agencies and annual report of SICL. Primary data are presented and analyzed from the interviews and questionnaires to the top level middle level executives and lower level employees.

3.4 Analysis of Data

The data collected from SICL, Beema Samiti and authorities have been reorganized and refined in the form of table, charts and then necessary statement, ratios, trend analysis, percentage indices etc. have been established to establish the clear understanding.

3.5 Tools of Analysis

Data collected for the purpose to show premium collection and investment positions are analyzed through the use of two important tools. The first important tool is financial analyzed tool and second important tool is statistical tool. The following paragraphs are briefly discussed in this study.

3.5.1 Financial Analysis Tools

Generally, the financial analysis tools were used for the purpose of the assessment of the financial position to a particular organization. There were various tools in financial sector but for the purpose of this study ratio analysis was performed in the study. Certainly ratio analysis showed the position of the premium collection, investment, return and their contribution on overall performance.

3.5.1.1 Ratio Analysis

The term ratio refers as arithmetical relationship between two figures, in order to take rational decision of financial variability of the company, the ratio analysis is adopted. Ratio can be expressed as percentage, fraction and stated comparison between

numbers. It is an indicator yardstick or measuring rod or evaluating the financial performance and position of firm. In order to analyze premium collection and investment position of SICL, the following ratios are used.

Ratios related to SICL are given as below:

$$\text{Fire Premium to Total Premium Collection} = \frac{\text{Fire premium collection}}{\text{Total Premium collection}}$$

$$\text{Fire claim paid to total premium collection} = \frac{\text{Fire Claim Paid}}{\text{Total Claim Paid}}$$

$$\text{Marine Premium to Total Premium Collection} = \frac{\text{Marine Premium}}{\text{Total Premium Collection}}$$

$$\text{Marine claim paid to total claim collection} = \frac{\text{Marine Claim Paid}}{\text{Total Claim Paid}}$$

$$\text{Motor Premium to Total Premium Collection} = \frac{\text{Motor Premium}}{\text{Total Premium Collection}}$$

$$\text{Motor claim paid to total claim collection} = \frac{\text{Motor Claim Paid}}{\text{Total Claim Paid}}$$

$$\text{Engineering Premium to Total Premium Collection} = \frac{\text{Eng. Premium}}{\text{Total Premium Collection}}$$

$$\text{Engineering claim paid to total claim collection} = \frac{\text{Eng. Claim Paid}}{\text{Total Claim Paid}}$$

$$\text{Aviation Premium to Total Premium Collection} = \frac{\text{Aviation Premium}}{\text{Total Premium Collection}}$$

$$\text{Aviation claim paid to total claim collection} = \frac{\text{Aviation Claim Paid}}{\text{Total Claim Paid}}$$

Miscellaneous Premium to Total Premium Collection =

$$\frac{\text{Misc. Premium}}{\text{Total Premium Collection}}$$

$$\text{Miscellaneous claim paid to total claim collection} = \frac{\text{Misc. Claim Paid}}{\text{Total Claim Paid}}$$

Investment on Commercial Bank Fixed Deposits to Total Investment

$$= \frac{\text{Investment on Commercial Bank Fixed Deposit}}{\text{Total Investment}}$$

Investment on Fixed Deposit at Development to Total Investment

$$= \frac{\text{Investment on Dev. Bank Fixed Deposit}}{\text{Total Investment}}$$

Investment on Fixed Deposit at Financial institute to total Investment

$$= \frac{\text{Investment on Financial Inst. Fixed Deposit}}{\text{Total Investment}}$$

Investment on Share of Public Limited Company to total Investment

$$= \frac{\text{Investment on Share of Public Limited Company}}{\text{Total Investment}}$$

$$\text{Investment on other investment to total investment} = \frac{\text{Other Investment}}{\text{Total Investment}}$$

$$\text{Total Investment to Total Premium Collection} = \frac{\text{Investment}}{\text{Total Premium Collection}}$$

$$\text{Interest Earned to Total Investment} = \frac{\text{Total Interest and Dividend Earned}}{\text{Total Investment}}$$

3.5.2 Statistical Analysis Tools

Statistical tools are used for attaining accuracy on analysis and study. We can use different statistical tools to analyze and type of study. According to this study's objective here, mean, standard deviation, coefficient of correlation, Trend analysis and 'T' test were performed.

3.5.2.1 The Mean

Sample arithmetic mean is the sum of total valued to the number of values in the sample, thus

$$\text{Mean} = \frac{\text{Sum of total value}}{\text{Number of Value}}$$

$$\text{Mean } (\bar{X}) = \frac{X}{N}$$

3.5.2.2 Co-Efficient of Correlation

Co-efficient of correlation is used for measuring the magnitude of linear relationship between two variables. In this study to attained the relationship between "Premium Collection and Investment position". "Premium collection and claim paid" and Investment and net income earns, co-efficient of correlation is used.

If the value of co-efficient of correlation lies between +1 and -1, when co-efficient of correlation(r) = +1, it means there is perfect positive correlation between the variables, r = -1, it means there is perfectly negative correlation between the variables and r = 0 refers there is no relationship between variables. Among the various methods of finding out co-efficient of correlation, Karl Person's method is applied in this study.

3.5.2.3 Probable Error (P.E)

Probable error of the correlation coefficient denoted by P.E. is the measure of testing the reliability of the calculated value of r. If r be the calculated value of r from a sample of n pair of observations, then P.E. is denoted by

$$\text{P.E. (r)} = 0.6745 \left| \frac{[1 - Zr^2]}{\sqrt{n}} \right|$$

Where,

r = the value of correlation coefficient

n = number of pairs of observations

P.E. is used in interpretation whether the calculated value of r is significant or not.

If $r < \text{P.E.}$ it is insignificant, i.e. there is no evidence of correlation.

If $r > \text{P.E.}$ there is significant.

If $\text{P.E.} < r < 6\text{P.E.}$ nothing can be calculated.

3.5.2.4 Trend Analysis

In order to draw the varied calculation of investment and premium aspect some statistical tools are used. As a statistical tool trend analysis is used here to show the basic tendency of investment and premium components.

3.5.2.5 Standard Deviation

Standard deviation is commonly used to measure of risk. It shows the deviation of actual mean with average mean. Standard deviation measures the absolute dispersion or variability of a distribution. The greater variability or dispersion, greater the standard deviation for the greater will be the magnitude of the deviation of the value from variability, smaller the standard

deviation for the high degree of uniformity of the observation as well as homogeneity of series. Hence, standard deviation is extremely useful in judging the representative of mean.

$$\text{standard deviation ()} = \frac{\sqrt{\sum (X - \bar{X})^2}}{n}$$

3.5.2.6 Co-efficient of Variation (C.V.)

The corresponding relative measure of dispersion is known as the co-efficient of variation. it is used in such problems where the study needs to compare the variability of two or more then the series the higher co-efficient of variation of series refers more variable or less consistency or less uniformity and vice versa. It is calculated as follows.

$$\text{Co-efficient of Variation (C.V.)} = \frac{(u)}{\bar{X}}$$

where,

$$(\bar{X}) = \text{Mean}$$

$$= \text{Standard Deviation}$$

In this study, the coefficient of variation is calculating the measure the variability on net premium of various insurance portfolios.

In addition for the purpose of primary data analysis, SPSS-16 has been used.

CHAPTER-IV

DATA PRESENTATION AND ANALYSIS

The analysis of data consists of organizing, tabulating, performing statistical analysis and drawing inferences. So, this chapter deals with the presentation and analyzing of the data that we brought in the raw form to be processed so that understandable meaning is given.

The necessary data that are brought from the concerned institutions are organized and classified for analysis. The data is based on questionnaires, data collection forms, and note cards. They are tabulated and compared with the standard ones and presented in the graphs, charts and analyzed to find or check the relation. It is necessary to arrange the data so that it makes some sense to the researcher and so that it can later be presented to the reader of thesis.

The data and information are collected from the concerned Insurance Company, libraries, booklets, published reports, journals, internet website and for the primary data interview with the concerned officials are made and filled questionnaires from the respective Insurance Company are brought and they are organized and classified in such a form that it is easy for the analysis. The data are tabulated after the rearrangement of raw data. Then they are presented in the form of figures, graphs, charts so that it will be easy for the analysis.

The first part deals with presentation and analysis of secondary data while second part deals with analysis of primary data and third part include the major findings of the study. For the evaluation of the premium collection condition and composition among the portfolios, mean, standard deviation and coefficient of variance are used. For the comparison of all the respective matter in premium collection as well investment position are computed from various ratios in portfolio wise as following ways:

4.1 Analysis of Secondary Data

Collected row data from the company's annual report, Beema Samiti's Report has been analyzed in this section premium collection and investment related data are mainly analyzed in this heading.

4.1.1 Fire Premium to Total Premium Collection and Fire Claim Paid to Total Claim Paid

This ratio used to measure the collection of fire premium collection in total premium collection and fire claim paid to total claim paid. It represents the weight of fire premium collection and fire claim over the total premium collection and total claims paid respectively of SICL. It measure using following equation:

$$\text{Fire Premium to Total Premium Collection} = \frac{\text{Fire premium collection}}{\text{Total Premium collection}}$$

And

$$\text{Fire claim paid to total premium collection} = \frac{\text{Fire Claim Paid}}{\text{Total Claim Paid}}$$

Table: 4.1

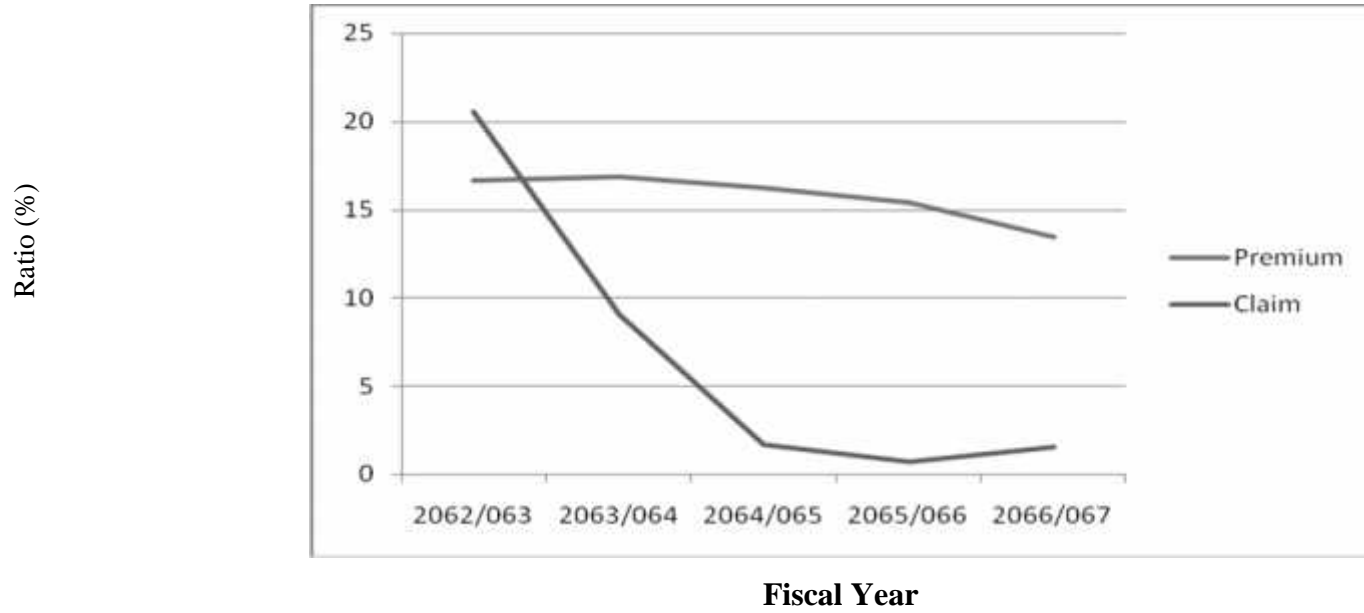
Fire Premium to Total Premium Collection and Fire Claim Paid to Total Claim Paid (in Ruppess)

Fiscal Year	Fire Premium Collection	Total Premium Collection	Ratio	Fire Claim Paid	Total Claim Paid	Ratio
2062/063	41382974	248017423	16.69	1928377	9376647	20.57
2063/064	54284165	321157397	16.90	1440771	15937087	9.04
2064/065	55912818	344383044	16.24	702347	42384377	1.66
2065/066	65285906	423656425	15.41	223852	32231093	0.69
2066/067	71207271	528919988	13.46	841414	54389672	1.55
Mean			15.74			6.70
S.D.			1.25			7.56
C.V.			8			113

Sources: SICL Annual Reports.

Figure: 4.1

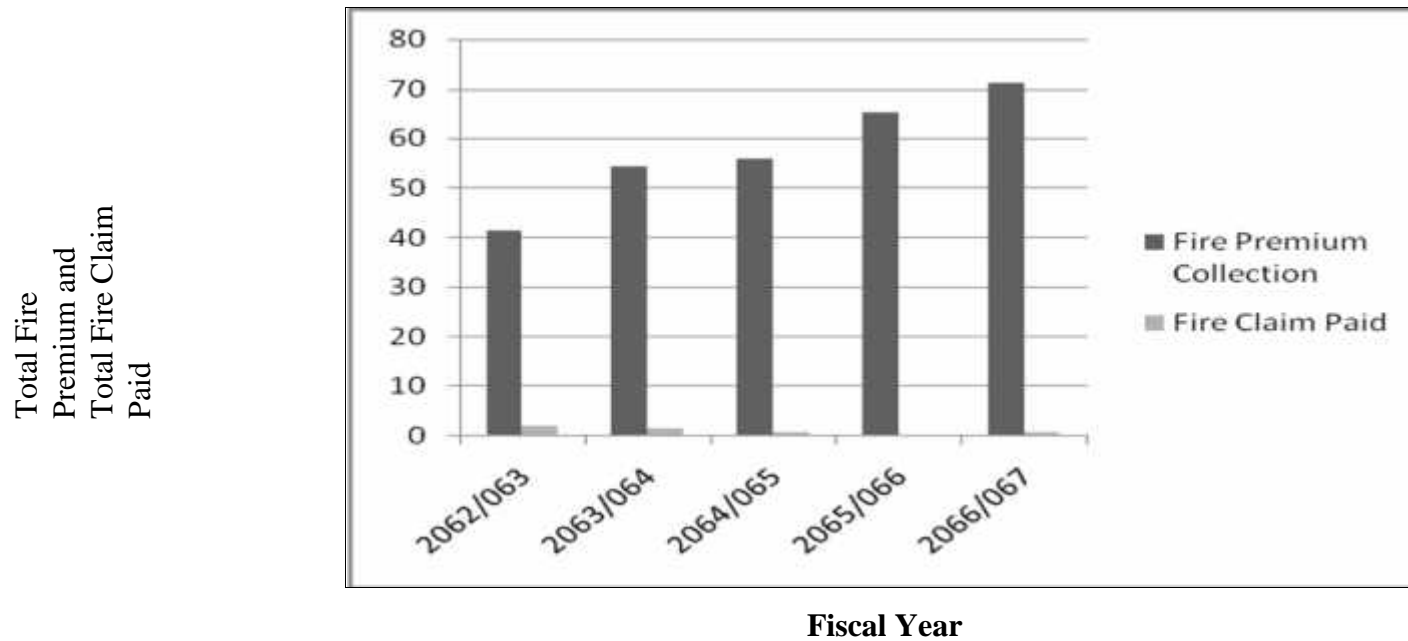
Fire Premium to Total Premium Collection and Fire Claim Paid to Total Claim Paid Ratio



Sources: Table 4.1

Chart: 4.1

Total Fire Premium and Fire Claim Paid to Total Fire Claim Paid Amount (In millions)



Sources: Table 4.1

Fire Insurance Premium holds one of a major portion of the total premium in the company. Above table shows the average of fire premium to total premium collection of SICL. According to the table highest collection of SICL is 16.69% in the year 2062/063 and lowest is 13.46% in the year 2066/067. The trend of collection of the fire premium is decreasing trend. The average fire premium collection to total premium collection in this 5 year is 15.74% S.D. is 1.25% and C.V. is 8%. from above calculation table cv has found that 8% that means more uniformity in collection of premium over five year.

The claim paid to fire insurance is decreasing trend except in the year 2066/067 of SICL. The highest portion of claims to total claims is 20.57% in the year 2062/063 and lowest is 0.69% in the year 2065/066. The average fire claim paid in this 5 year is 6.70% S.D. is 7.56% and C.V. is 113%. By this figure, we can understand that the fire insurance is a most profitable and less risky business of insurer.

4.1.2 Marine Premium to Total Premium Collection and Marine Claim Paid to Total Claim Paid

This ratio used to measure the contribution of marine premium collection in total premium collection and marine claim paid to total claim paid of the company. It represents the weight of marine premium collection and marine claim over the total premium collection and total claims paid respectively of SICL. It measure using following equation:

$$\text{Marine Premium to Total Premium Collection} = \frac{\text{Marine Premium}}{\text{Total Premium Collection}}$$

And

$$\text{Marine claim paid to total claim collection} = \frac{\text{Marine Claim Paid}}{\text{Total Claim Paid}}$$

Table: 4.2

Marine Premium to Total Premium Collection and Marine Claim Paid to Total Claim Paid (in Ruppess)

Fiscal Year	Marine Premium Collection	Total Premium Collection	Ratio	Marine Claim Paid	Total Claim Paid	Ratio
2062/063	18804710	248017423	7.58	569873	9376647	6.08
2063/064	22103872	321157397	6.88	537185	15937087	3.37
2064/065	20288814	344383044	5.89	1606215	42384377	3.79
2065/066	24463386	423656425	5.77	836414	32231093	2.60
2066/067	28402817	528919988	5.37	1204768	54389672	2.22
Mean			6.30			3.61
S.D.			0.811			1.35
C.V.			12.87292			37.4

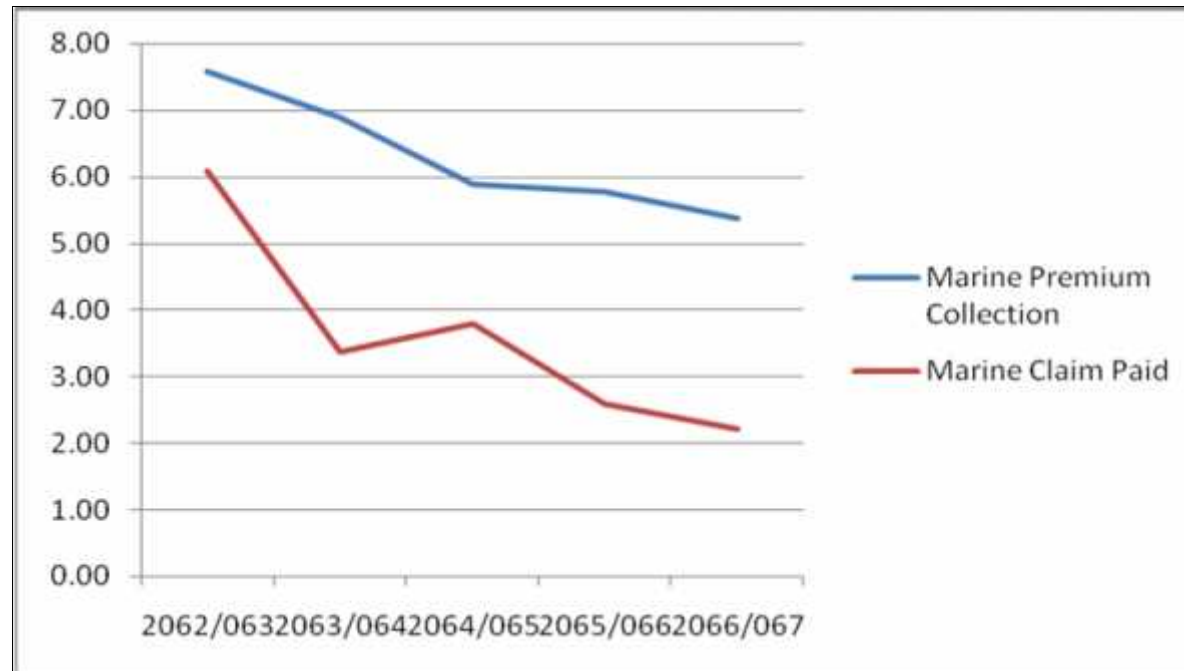
Sources: SICL Annual

Reports.

Figure: 4.2

Marine Premium Collection to Total Premium Collection and Marine Claim Paid to Total Claim Paid Ratio

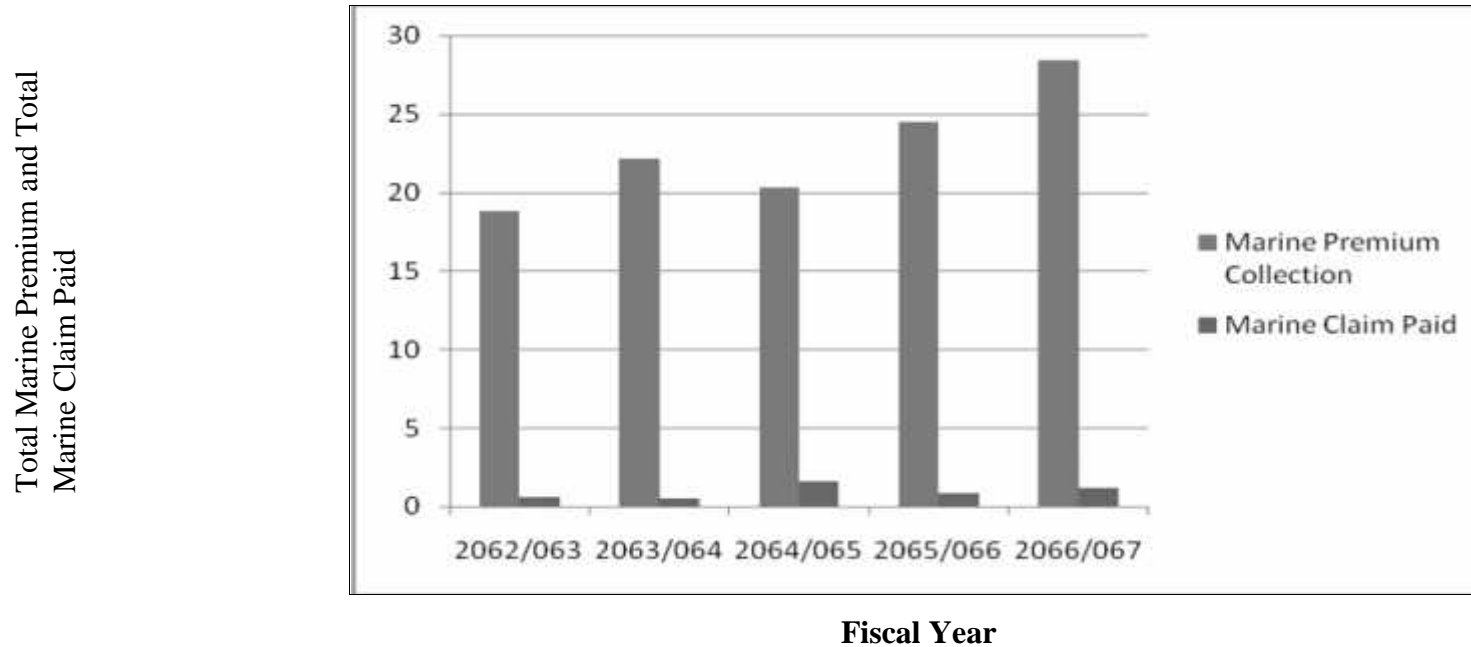
Ratio (%)



Fiscal Year
Sources: Table 4.2

Chart: 4.2

Total Marine Premium Collection and Marine Claim Paid to Total Marine Claim Paid Amount (in millions)



Sources: Table 4.2

One of the major portions of premium collection in this company is marine insurance premium. The highest premium collection of Marine Insurance premium of Insurer is 7.58% in the year of 2062/063 and lowest collection is 5.37% in the year 2066/067. It is decreasing trend over period of 2062/063 to 2066/067. The average marine premium collection to total premium collection in this five years period is 6.30%, S.D. is 0.81% and C.V. is 12.87%. That means the company has lose some portion of marine premium ratio to total premium ratio.

The claim paid to marine insurance is decreasing trend except in the year 2064/065 of SICL. The highest portion of marine claims to total claims is 6.08% in the year 2062/063 and lowest is 2.20% in the year 2066/067. The average marine claim paid

in this 5 year is 3.61% S.D. is 1.35% and C.V. is 37.4%. By this figure, it can said that the marine insurance is less riskier than fire insurance.

4.1.3 Motor Premium to Total Premium Collection and Motor Claim Paid to Total Claim Paid

This ratio is used to measure the contribution of motor premium collection in total premium collection and motor claim paid to total claim paid of the SICL. It shows the portion of share hold by motor premium collection in total premium collection and motor claim paid portion to total claim paid. The following equation is used to measure it.

$$\text{Motor Premium to Total Premium Collection} = \frac{\text{Motor Premium}}{\text{Total Premium Collection}}$$

And

$$\text{Motor claim paid to total claim collection} = \frac{\text{Motor Claim Paid}}{\text{Total Claim Paid}}$$

Table: 4.3

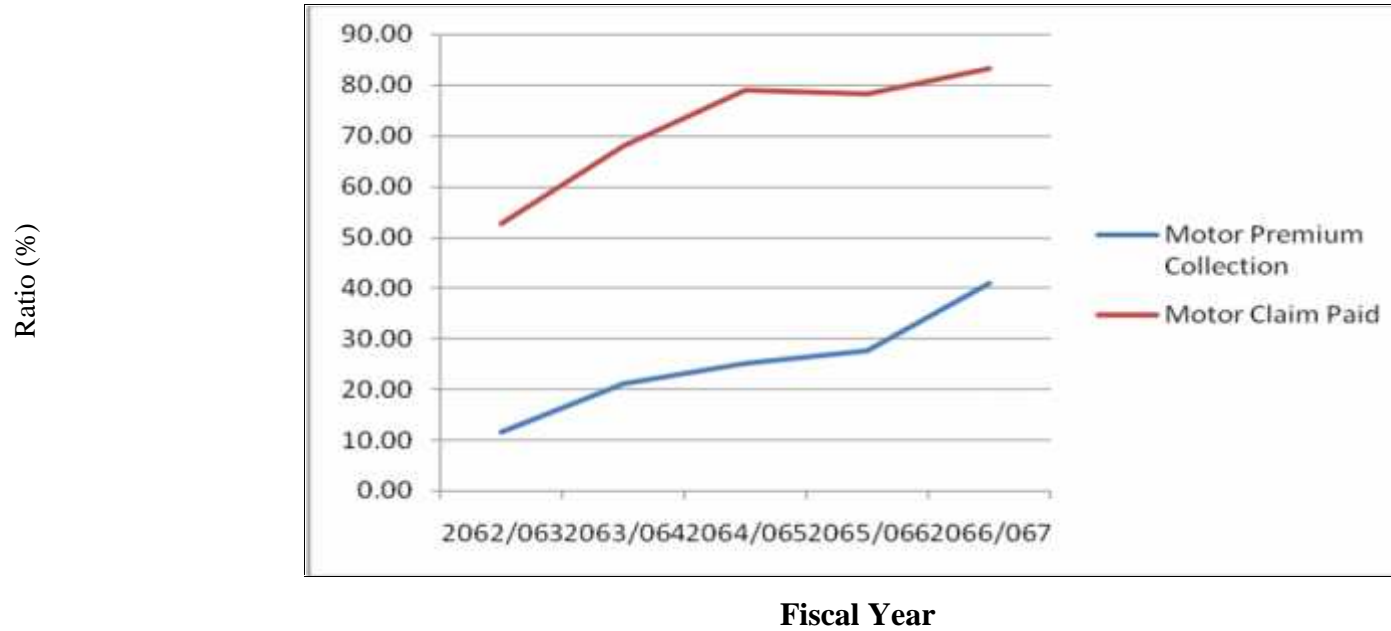
Motor Premium to Total Premium Collection and Motor Claim Paid to Total Claim Paid (in Rupees)

Fiscal Year	Motor Premium Collection	Total Premium Collection	Ratio	Motor Claim Paid	Total Claim Paid	Ratio
2062/063	28534513	248017423	11.51	4931225	9376647	52.59
2063/064	67410964	321157397	20.99	10839228	15937087	68.01
2064/065	86738361	344383044	25.19	33464623	42384377	78.96
2065/066	117154103	423656425	27.65	25191042	32231093	78.16
2066/067	216831426	528919988	41.00	45288402	54389672	83.27
Mean			25.27			72.20
S.D.			9.6			11.01
C.V.			38.00			15.24

Sources: SICL Annual Reports.

Figure: 4.3

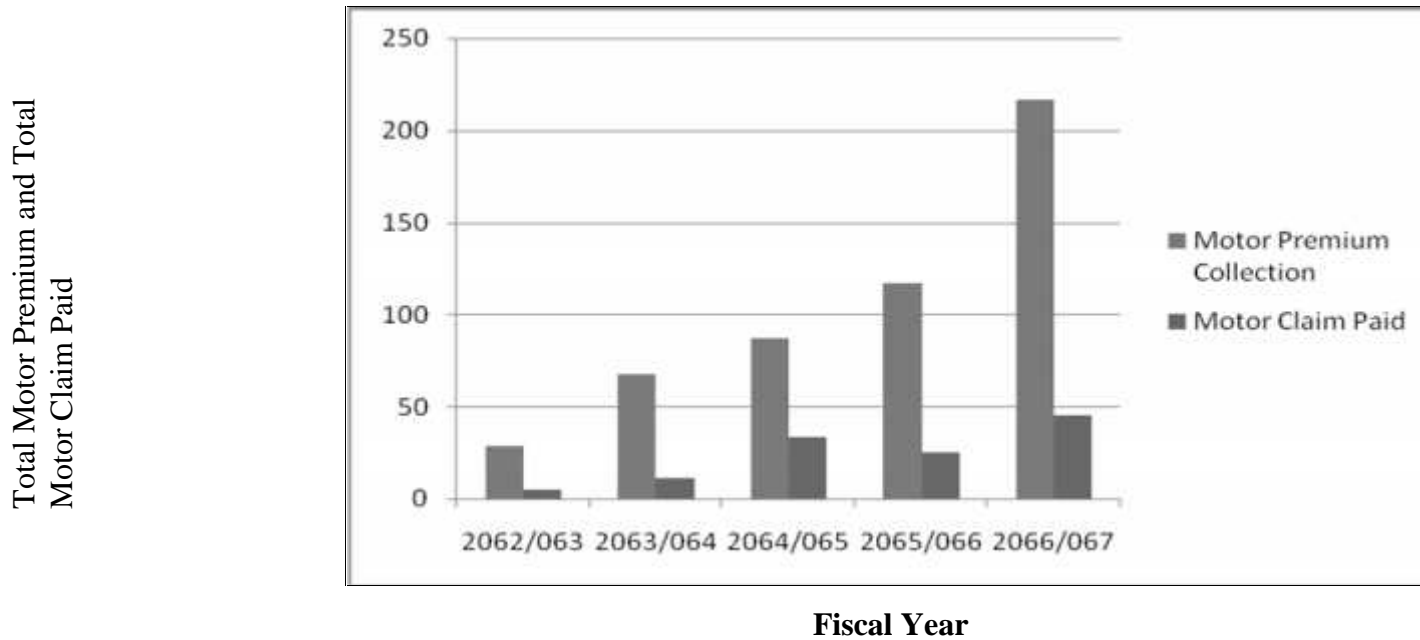
Motor Premium Collection to Total Premium Collection and Motor Claim Paid to Total Claim Paid Ratio



Sources: Table: 4.3

Chart: 4.3

Total Motor Premium Collection and Motor Claim Paid to Total Motor Claim Paid Amount (in millions)



Source: Table: 4.3

The contribution of Motor premium collection is occupied highest portion in compare with total premium of this company. Its contribution to total premium is increasing order. Its contribution is 11.51% in the year 2062/063 and highly increase in the year 2063/064 up to 20.99% than after continuously increase in the year 2064/065 and it continue to increase. The average motor premium collection to total premium collection in this five year period is 25.27%, S.D. is 9.6% and C.V. is 38%. That means trend of premium collection ratio more riskier business among other products.

The above table shows the highest portion of total claim paid is adopt by motor claims of this company. The highest portion of motor claim to total claim is 83.27% in the year 2066/067 and the lowest portion of the motor claim to total claim is 52.59% in the year of 2062/063. Its average claim paid within the five year is 72.20%, standard deviation and coefficient of variation are 11.01% and 15.24% respectively. It seems motor insurance too risky and bad sector of insurance in this company after aviation insurance.

From above figure, since the portion of premium collection is highest size in total premium collection, the claim paid to this sector also highest size in compare with total claim paid.

4.1.4 Engineering Premium to Total Premium Collection and Engineering Claim Paid to Total Claim Paid

This ratio is used to measure the collection of engineering premium collection in total premium collection and engineering claim paid to total claim paid. It shows the weight of engineering premium collection over the total premium collection and weight of engineering premium collection over the total premium collection and weight of engineering claim paid to total claim paid. It measure by using following equation.

$$\text{Engineering Premium to Total Premium Collection} = \frac{\text{Eng. Premium}}{\text{Total Premium Collection}}$$

And

$$\text{Engineering claim paid to total claim collection} = \frac{\text{Eng. Claim Paid}}{\text{Total Claim Paid}}$$

Table: 4.4

Engineering Premium to Total Premium Collection and Engineering Claim Paid to Total Claim Paid (in Ruppess)

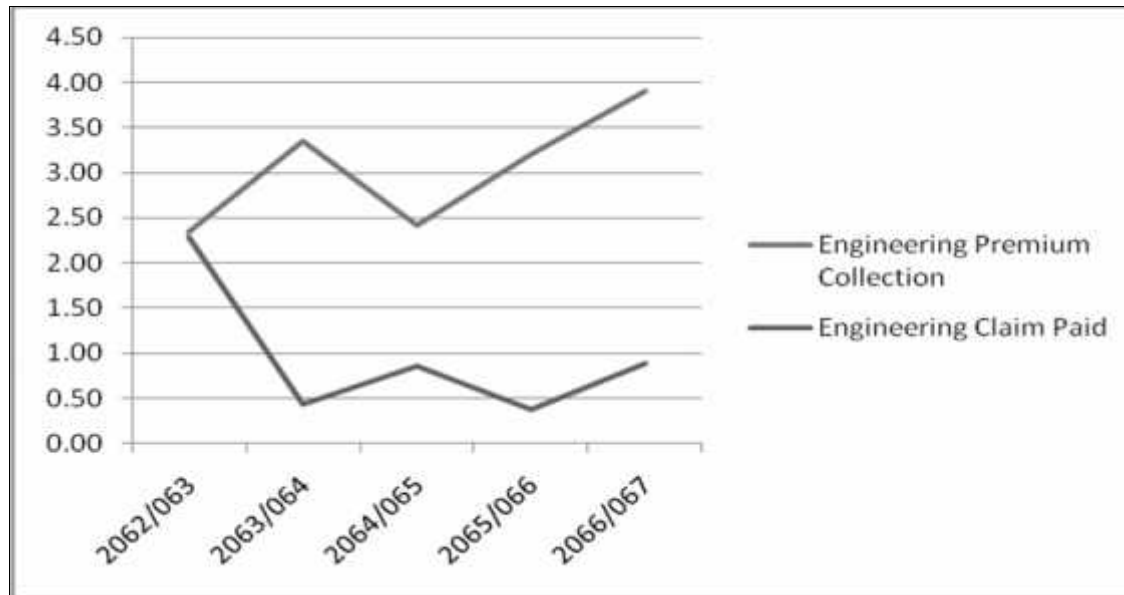
Fiscal Year	Engineering Premium Collection	Total Premium Collection	Ratio	Engineering Claim Paid	Total Claim Paid	Ratio
2062/063	5830296	248017423	2.35	214053	9376647	2.28
2063/064	10765984	321157397	3.35	70819	15937087	0.44
2064/065	8362488	344383044	2.43	365942	42384377	0.86
2065/066	13584115	423656425	3.21	122898	32231093	0.38
2066/067	20676931	528919988	3.91	487031	54389672	0.90
Mean			3.05			0.97
S.D.			0.59			0.69
C.V.			19.35			70.88

Sources: SICL Annual Reports.

Figure: 4.4

Engineering Premium Collection to Total Premium Collection and Engineering Claim Paid to Total Claim Paid Ratio

Ratio (%)

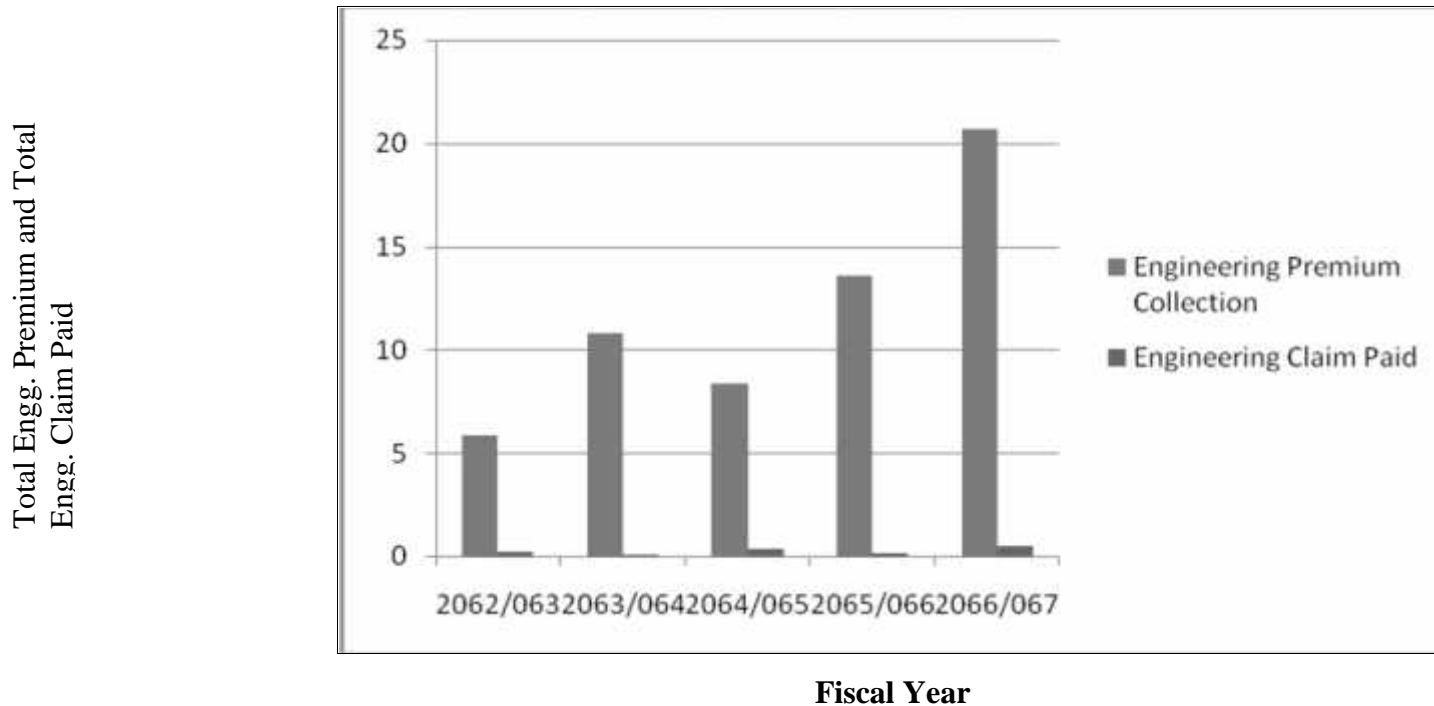


Fiscal Year

Sources: Table: 4.4

Chart: 4.4

Total Engineering Premium Collection and Total Engineering Claim Paid Amount (in millions)



Sources: Table: 4.4

Engineering insurance premium holds smaller portion in this company. The highest premium collection of this company is 3.91% in the year 2066/066. The average engineering premium collection to total premium collection ratio in this five years period is 3.05%, S.D. 0.59% and C.V. is 19.35%. It indicates that the collection of premium is less risky business.

The above table shows that engineering claims is a smaller portion to total claim paid. Its five years average claim is 0.97%, S.D. is 0.69% and C.V. is 70%. But comparing the collection of the premium and claim paid it is a risky business.

4.1.5 Aviation Premium to Total Premium Collection and Aviation Claim Paid to Total Claim Paid

This ratio is used to measure the collection of aviation premium collection in total premium collection and aviation claim paid to total claim paid. It reveals the percentage of aviation premium collection over the total premium and weight of aviation claim paid to total claim paid. It is measure by using following equation.

$$\text{Aviation Premium to Total Premium Collection} = \frac{\text{Aviation Premium}}{\text{Total Premium Collection}}$$

And

$$\text{Aviation claim paid to total claim collection} = \frac{\text{Aviation Claim Paid}}{\text{Total Claim Paid}}$$

Table: 4.5

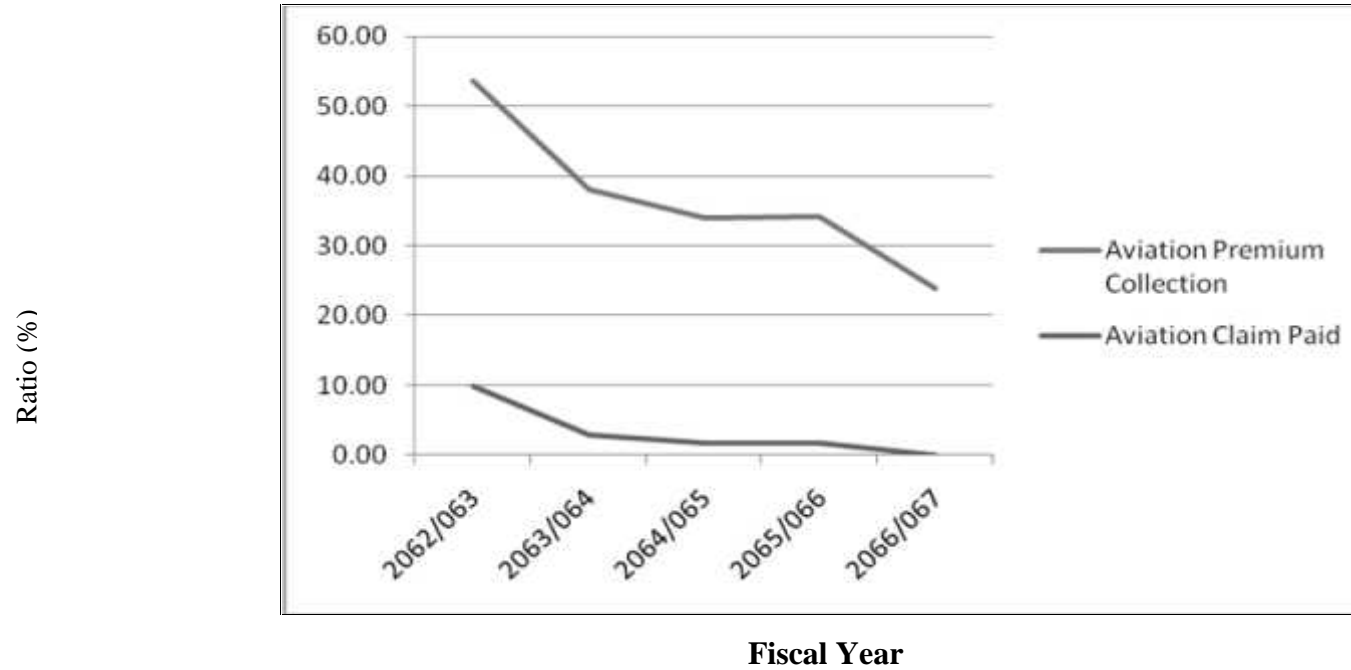
Aviation Premium to Total Premium Collection and Aviation Claim Paid to Total Claim Paid (in Ruppess)

Fiscal Year	Aviation Premium Collection	Total Premium Collection	Ratio	Aviation Claim Paid	Total Claim Paid	Ratio
2062/063	132971569	248017423	53.61	926570	9376647	9.88
2063/064	122186829	321157397	38.05	472787	15937087	2.97
2064/065	117290029	344383044	34.06	715271	42384377	1.69
2065/066	144900806	423656425	34.20	543903	32231093	1.69
2066/067	126278333	528919988	23.87	23435	54389672	0.04
Mean			31.98			3.24
S.D.			10.77			3.44
C.V.			33.67			106.02

Sources: SICL Annual Reports.

Figure: 4.5

Aviation Premium Collection to Total Premium Collection and Aviation Claim Paid to Total Claim Paid Ratio



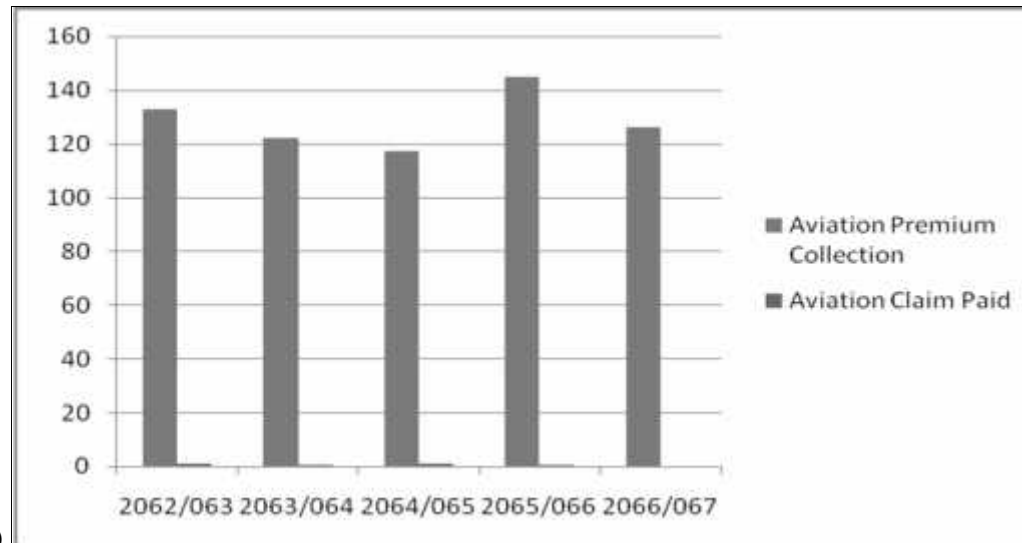
Sources: Table: 4.5

Chart: 4.5

Total Aviation Premium Collection and Total Aviation Claim Paid Amount

Total Aviation Premium and
Total Aviation Claim Paid

(in millions)



Fiscal Year

Sources: Table: 4.5

Aviation insurance premium holds highest portion in this company. The highest premium collection of Aviation Insurance premium of Insurer is 53.61% in the year of 2062/063 and lowest collection is 23.87% in the year 2066/067. It is decreasing trend till 2066/067. The average Aviation premium collection to total premium collection in this five years period is 31.98%, S.D. is 10.77% and C.V. is 33.67%.

The above table shows that aviation claims is a smaller portion to total claim paid. In the five year the company paid claim in decreasing order. In the company Collection Premium Ratio 2066/067 is 23.87% but claim paid ratio 2066/067 is 0.04% only. But comparing the collection of the premium and claim paid it is a very risky business. Its five years average claim is 3.24%, S.D. is 3.44% and C.V. is 106.2%.

4.1.6 Miscellaneous Premium to Total Premium Collection and Miscellaneous Claim Paid to Total Claim Paid

Insurance considers various policies in miscellaneous insurance. Therefore it is major source of premium collection. This ratio is used to measure the contribution of miscellaneous premium collection towards total premium collection and miscellaneous claim paid to total claim paid of the SICL. It shows the percentage of share hold by miscellaneous premium collection and claim paid in total collection and claim paid by the company the following equation is used to measure it.

$$\text{Miscellaneous Premium to Total Premium Collection} = \frac{\text{Misc. Premium}}{\text{Total Premium Collection}}$$

And

$$\text{Miscellaneous claim paid to total claim collection} = \frac{\text{Misc. Claim Paid}}{\text{Total Claim Paid}}$$

Table: 4.6

Miscellaneous Premium to Total Premium Collection and Miscellaneous Claim Paid to Total Claim Paid (in Ruppess)

Fiscal Year	Miscellaneous Premium Collection	Total Premium Collection	Ratio	Miscellaneous Claim Paid	Total Claim Paid	Ratio
2062/063	20493361	248017423	8.26	806549	9376647	8.60
2063/064	44405583	321157397	13.83	2576297	15937087	16.17
2064/065	55790534	344383044	16.20	5529979	42384377	13.05
2065/066	58268109	423656425	13.75	5312964	32231093	16.48
2066/067	67027743	528919988	12.67	6544622	54389672	12.03
Mean			12.94			13.27
S.D.			2.6			2.9
C.V.			20.09			21.86

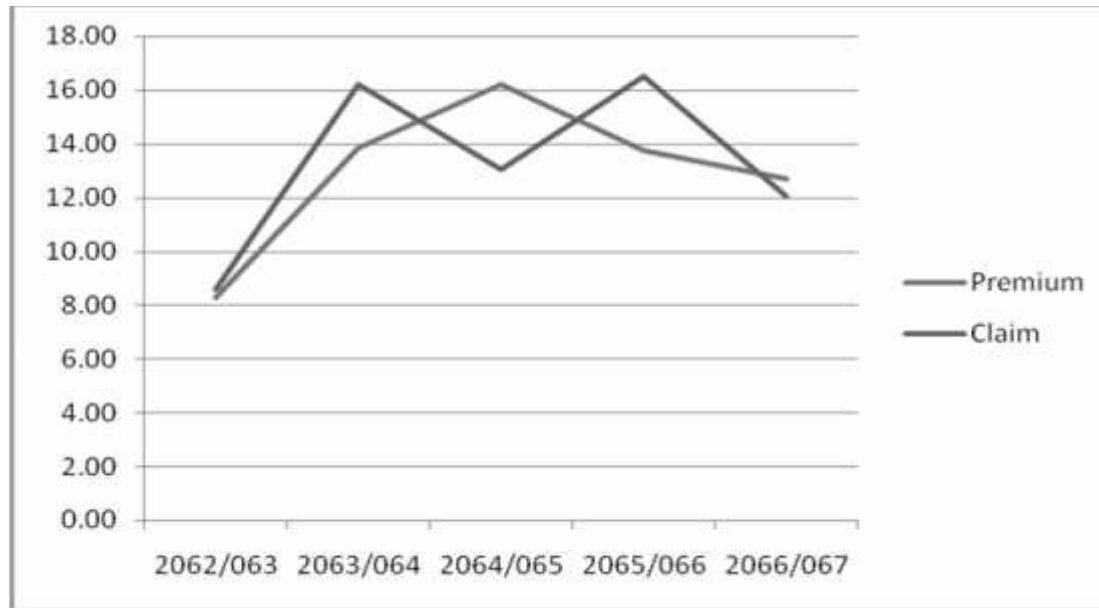
Sources: SICL Annual

Reports.

Figure: 4.6

Miscellaneous Premium Collection to Total Premium Collection and Miscellaneous Claim Paid to Total Claim Paid Ratio

Ratio (%)

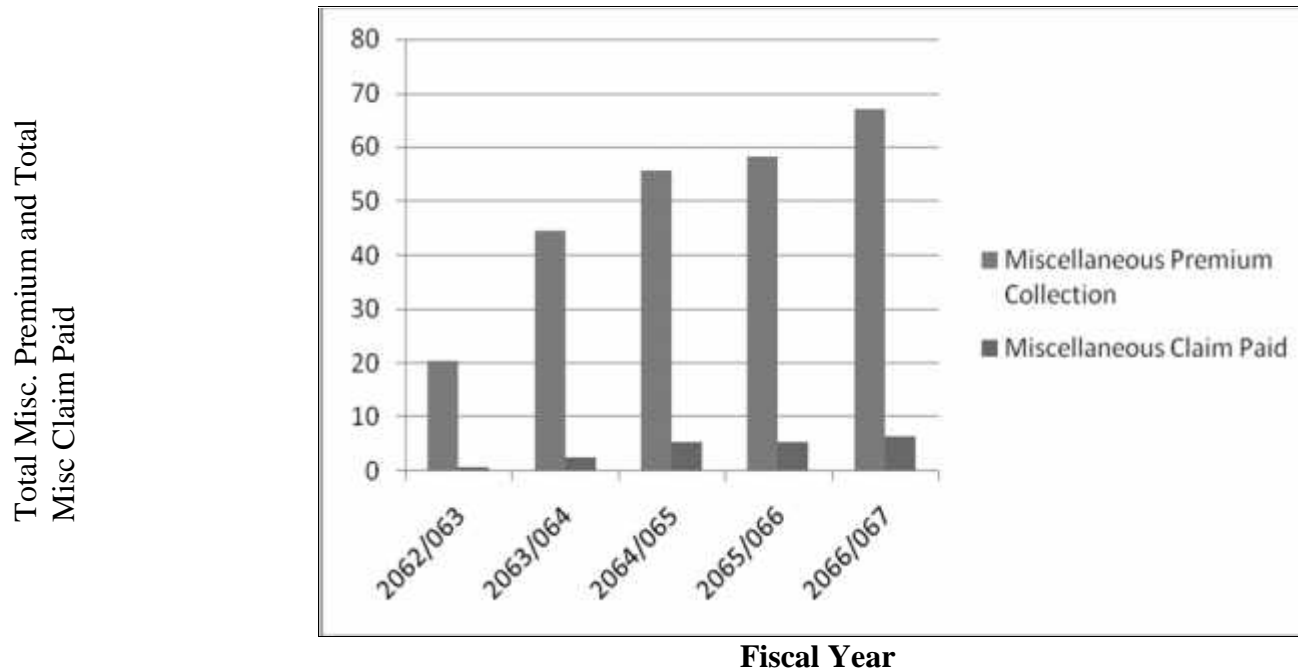


Fiscal Year

Source: Table: 4.6

Chart: 4.6

Total Miscellaneous Premium Collection and Total Miscellaneous Claim Paid Amount (in millions)



Sources: Table: 4.6

Miscellaneous premium holds median portion in this company. The highest premium collection of this company is 16.20% in the year 2064/065 and lowest contribution is 8.26% in the year 2062/063. The average miscellaneous premium collection to total premium collection in this five years is 12.94%, S.D. is 2.60% and C.V. is 20.09%.

The claim paid of miscellaneous insurance to total claim paid is fluctuating trends. The highest portion is 16.48% in the year 2065/066 and lowest portion is 8.60% in the year 2062/063. The average claims paid within these five years is 13.27%, S.D. is 2.9% and C.V. is 21.86%.

From above figure, since the portion of premium collection is medium size in total premium collection, the claim paid to this sector also medium size in compare with total claim paid.

4.1.7 Investment on Commercial Bank Fixed Deposits to Total Investment.

It is the ratio that measures the weight of commercial bank fixed deposits investment to total investment made by SICL. It is computed here using following equation.

Investment on Commercial Bank Fixed Deposits to Total

$$\text{Investment} = \frac{\text{Investment on Commercial Bank Fixed Deposit}}{\text{Total Investment}}$$

Table: 4.7

Investment on Commercial Bank Fixed Deposits to Total Investment

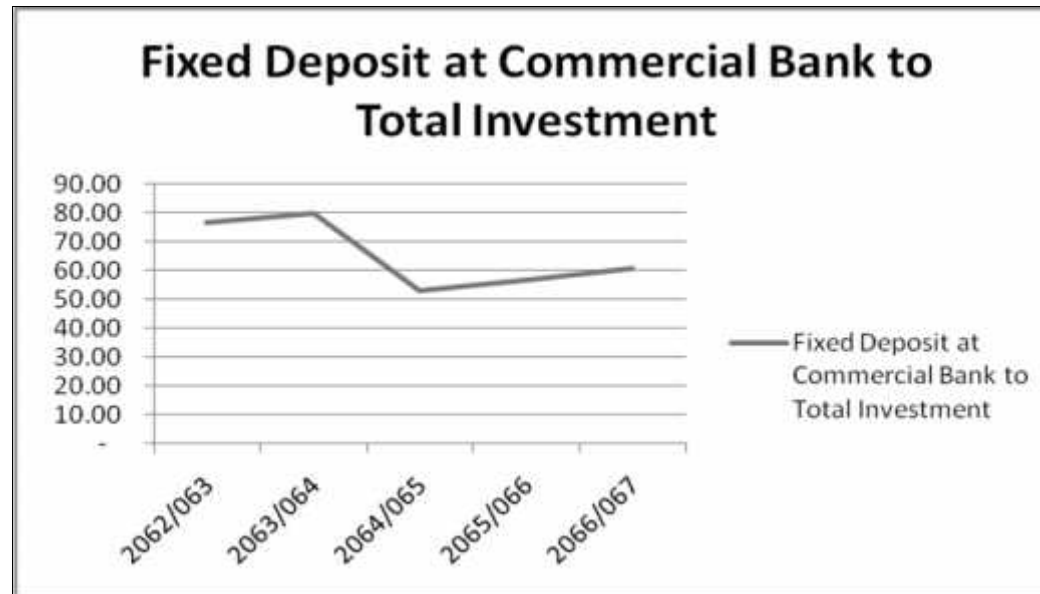
Fiscal Year	Fixed Deposits at Commercial Bank	Total Investment	Fixed Deposit at Commercial Bank to Total Investment Ratio
2062/063	93500000	122030127	76.62
2063/064	88500000	139406594	79.98
2064/065	83500000	158116114	52.81
2065/066	89200000	158167232	56.40
2066/067	145000000	239546429	60.53
Mean			65.27
S.D.			10.97
C.V.			16.81

Sources: SICL Annual Reports.

Figure: 4.7

Investment on Commercial Bank Fixed Deposits to Total Investment Ratio

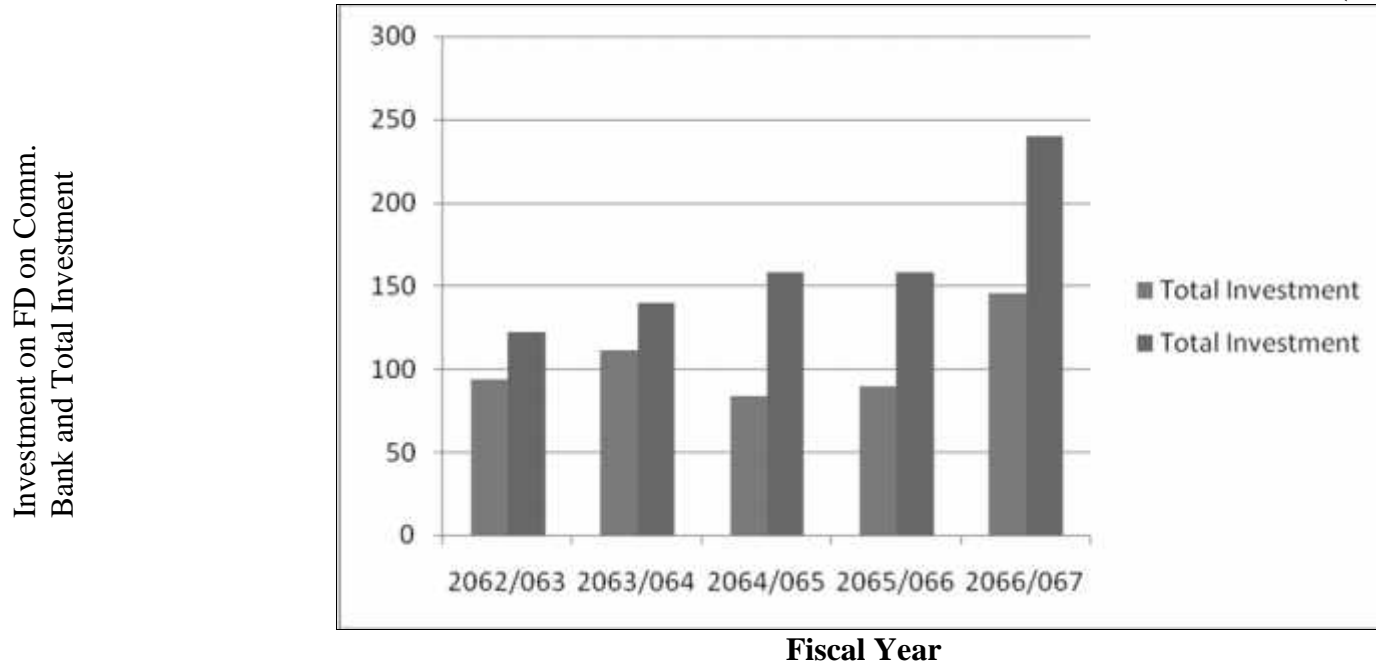
Ratio (%)



Fiscal Year

Source: Table: 4.7

Chart: 4.7
Investment on FD on Commercial Bank and Total Investment Amount (In Millions)



Sources: Table: 4.7

Shikhar Insurance Company Limited has its major portion of investment on commercial bank fixed deposit. Investment on commercial Bank fixed deposits on total investment of SICL is in decreasing trend except in the year of 2066/067. Its highest contribution is 79.98% in the year 2063/064 and lowest is 52.81% in the year 2064/065. According to the graph its contribution is gradual decrease in the early four years i.e.2062/063 to 2064/065 & then it slightly increase in the year of 2066/067. The average mean over five year is 65.27% S.D. is 10.92% and C.V. is 16.81%.

4.1.8 Investment on Fixed Deposit at Development Bank to Total Investment

It is the ratio that measures the weight of development bank fixed deposit to total investment made by the insurer. It is computed here by using following equation:

Investment on Fixed Deposit at Development to Total Investment

$$= \frac{\text{Investment on Dev. Bank Fixed Deposit}}{\text{Total Investment}}$$

Table: 4.8

Investment on Development Bank Fixed Deposits to Total Investment

Fiscal Year	Fixed Deposits at Development Bank	Total Investment	Fixed Deposit at Development Bank to Total Investment
2062/063	0	122030127	0.00
2063/064	25000000	139406594	17.93
2064/065	25000000	158116114	15.81
2065/066	17500000	158167232	11.06
2066/067	36000000	239546429	15.03
Mean			11.97
S.D.			6.38
C.V.			53.31

Sources: SICL annual Reports.

Figure: 4.8

Investment on Development Bank Fixed Deposits to Total Investment Ratio



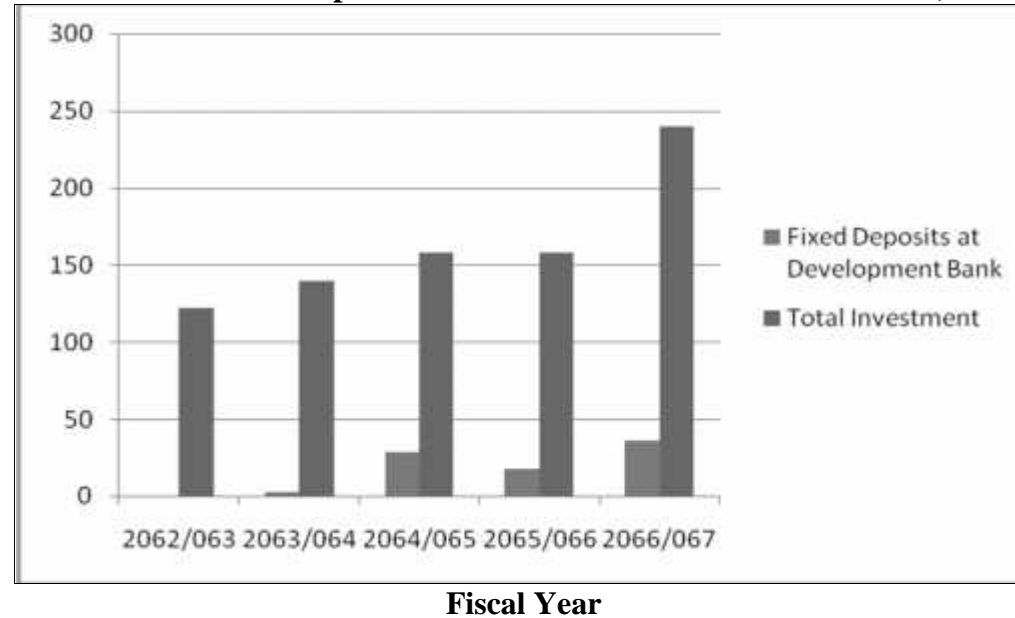
Ratio (%)

Fiscal Year

Sources: Table: 4.8

Investment on FD on Dev. Bank
and Total Investment

Chart: 4.8
Investment on FD on Development Bank and Total Investment Amount (In Millions)



Sources: Table: 4.8

The major sector of investment of this company is fixed deposit at development bank. According to the above table the highest portion of investment in this sector was 17.93% in the year 2064/065 and least 0.00% in the year 2062/063. The graph shows increasing trend of investment portion in this sector. Because it starts increasing order in first two years i.e. 2063/064 to 2064/065 and then after it starts to increase.

4.1.9 Investment on FD on Financial institute to total Investment.

It is the ratio that measures the weight of Financial Institution fixed deposit to total investment made by the insurer. It is computed here by using following equation:

Investment on Fixed Deposit at Financial institute to total Investment

$$= \frac{\text{Investment on Financial Inst. Fixed Deposit}}{\text{Total Investment}}$$

Table: 4.9

Investment on Development Bank Fixed Deposits to Total Investment

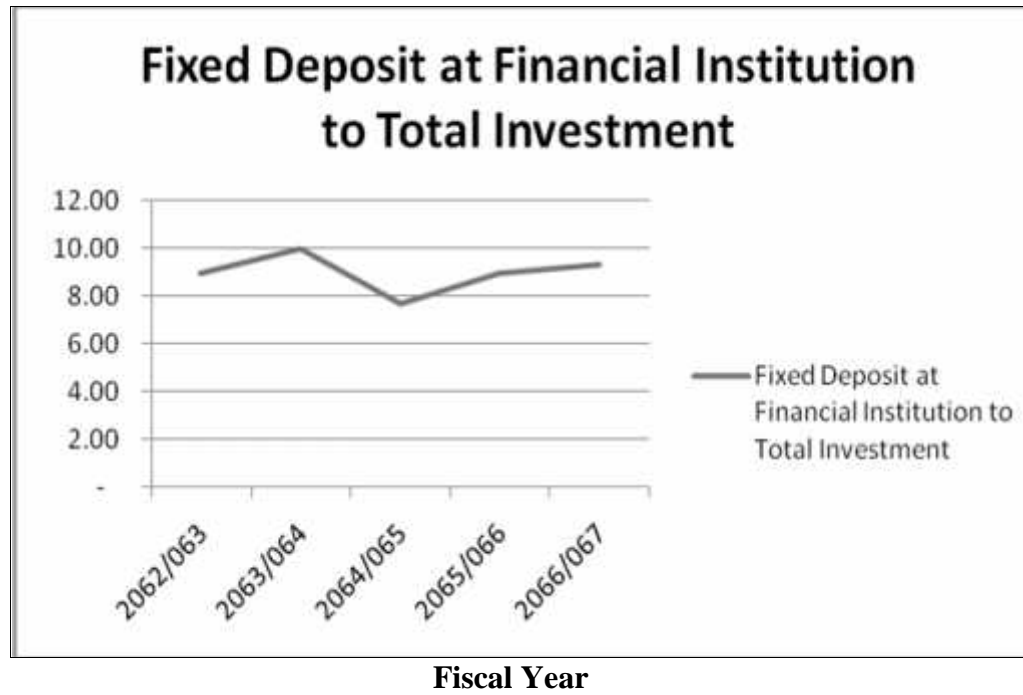
Fiscal Year	Fixed Deposits at Financial Institution	Total Investment	Fixed Deposit at Financial Institution to Total Investment
2062/063	10900000	122030127	8.93
2063/064	11650000	139406594	8.36
2064/065	12150000	158116114	7.68
2065/066	14120000	158167232	8.93
2066/067	22295000	239546429	9.31
Mean			8.64
S.D.			0.57
C.V.			6.60

Sources: SICL Annual Reports.

Figure: 4.9

Investment on Financial Institution Fixed Deposits to Total Investment Ratio

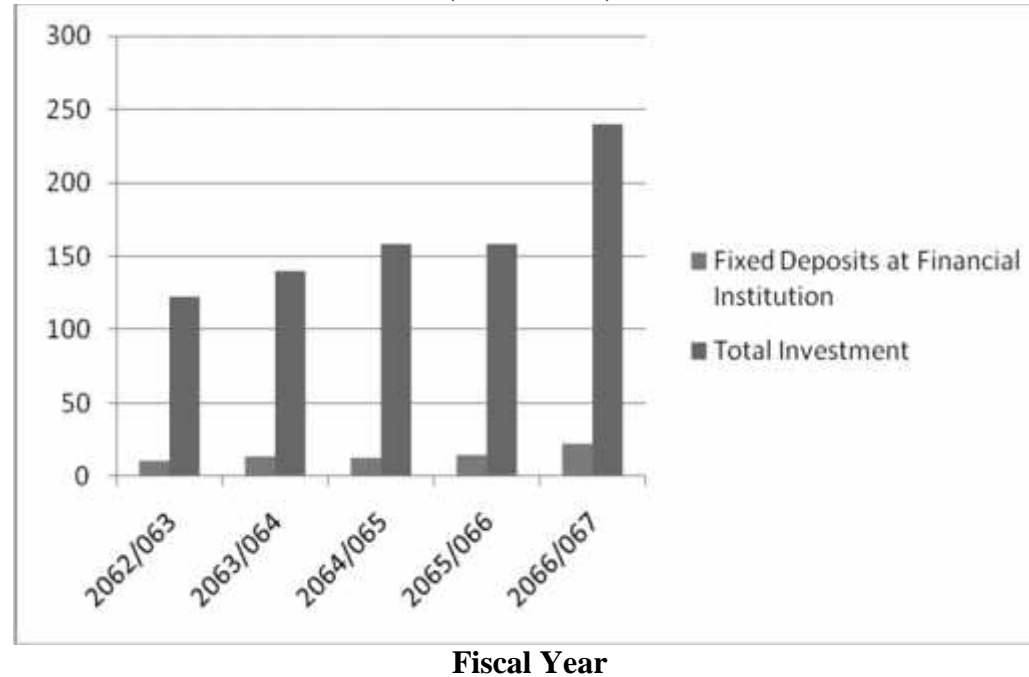
Ratio (%)



Sources: Table: 4.9

Investment on D on Financial Institution and Total Investment

Chart: 4.9
Investment on FD on Financial Institution and Total Investment Amount
(In Millions)



Sources: Table: 4.9

Another major investment sector of this company is investment in fixed deposit of Financial Companies. According to the above table the highest portion of investment in this sector was 9.91% in the year 2063/064 and the least was 7.68 % in the year 2064/065. The graph shows that the investment in FD of Financial Institution was increasing order up to in 2063/064 and then it starts decreasing in the year of 2064/065 and again it starts to increase up to 2066/067.

4.1.10 Investment on other investment to total investment

Other investment means investment on government bond, debenture, Bank fixed deposit, etc. like Insurance Pool, mutual fund etc. It is the ratio that measures the weight of other investment to total investment made by the SICL. It is computed by using following equation:

$$\text{Investment on other investment to total investment} = \frac{\text{Other Investment}}{\text{Total Investment}}$$

Table: 4.10

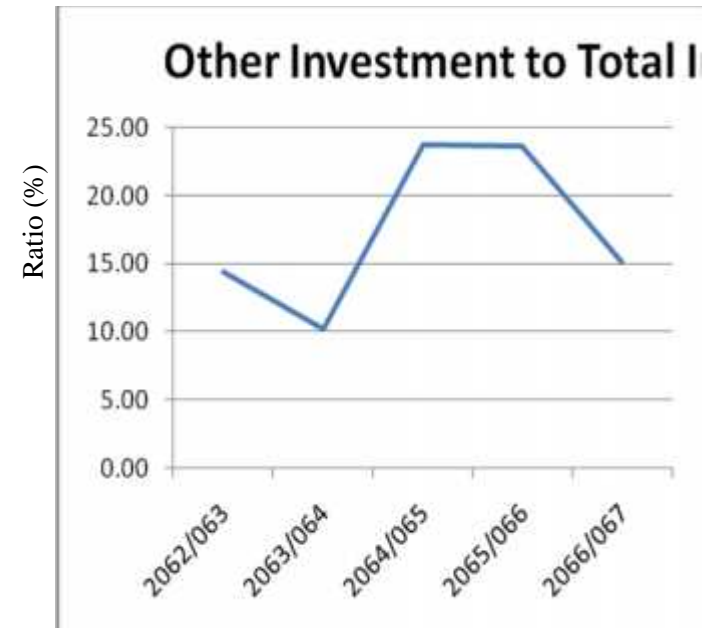
Investment on Other Investment to Total Investment

Fiscal Year	Other Investment	Total Investment	Other Investment to Total Investment
2062/063	17630127	122030127	14.45
2063/064	14256595	139406594	10.23
2064/065	37466114	158116114	23.70
2065/066	37347232	158167232	23.61
2066/067	36251429	239546429	15.13
Mean			17.42
S.D.			9.43
C.V.			31.13

Sources: SICL Annual Reports.

Figure: 4.10

Investment on Other Investment to Total Investment Ratio

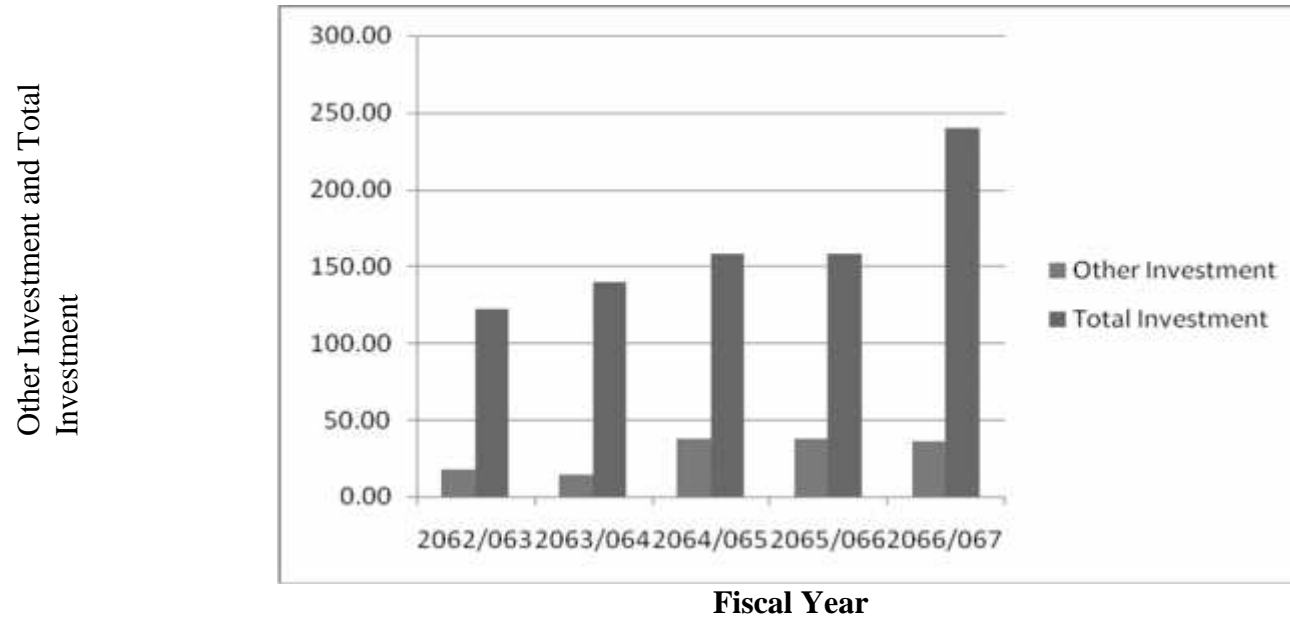


Fiscal Year

Sources: Table: 4.10

Chart: 4.10

Investment on Other Investment to Total Investment Amount (In million)



Sources: Table: 4.10

There was highly fluctuation in investment on other investment portion to total investment. Its highest contribution was 23.70% in the year 2064/065 and least was 10.23% in the year 2063/064. The portion of investment in this sector was dramatically increased till the year 2065/066. Then after it again highly decrease in the year 2066/067. As a whole, it show fluctuating trend of investment in this sector.

4.1.11 Total Investment to Total Premium Collection Ratio

It shows the ratio of investment with comparison on premium collection. This ratio measures the investment ration in percentage. This ratio helps to shows what proportion of collected invested in different sector in aggregate. That ratio is calculated by using this equation.

$$\text{Total Investment to Total Premium Collection} = \frac{\text{Investment}}{\text{Total Premium Collection}}$$

Figure: 4.11

Total Investment to Total Premium Collection

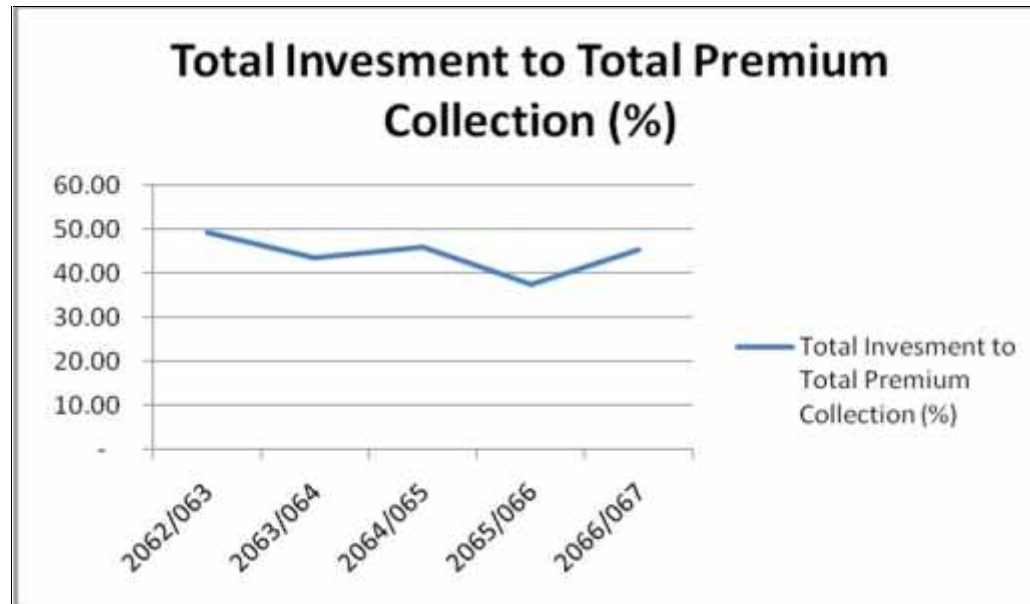
Fiscal Year	Total Investment	Total Premium Collection	Total Investment to Total Premium Collection (%)
2062/063	122030127	248017423	49.20
2063/064	139406594	321157397	43.41
2064/065	158116114	344383044	45.91
2065/066	158167232	423656425	37.33
2066/067	239546429	528919988	45.29
Mean			44.23
S.D.			3.92
C.V.			8.86

Sources: SICL Annual Reports.

Figure: 4.11

Total Investment to Total Premium Collection Ratio

Ratio (%)

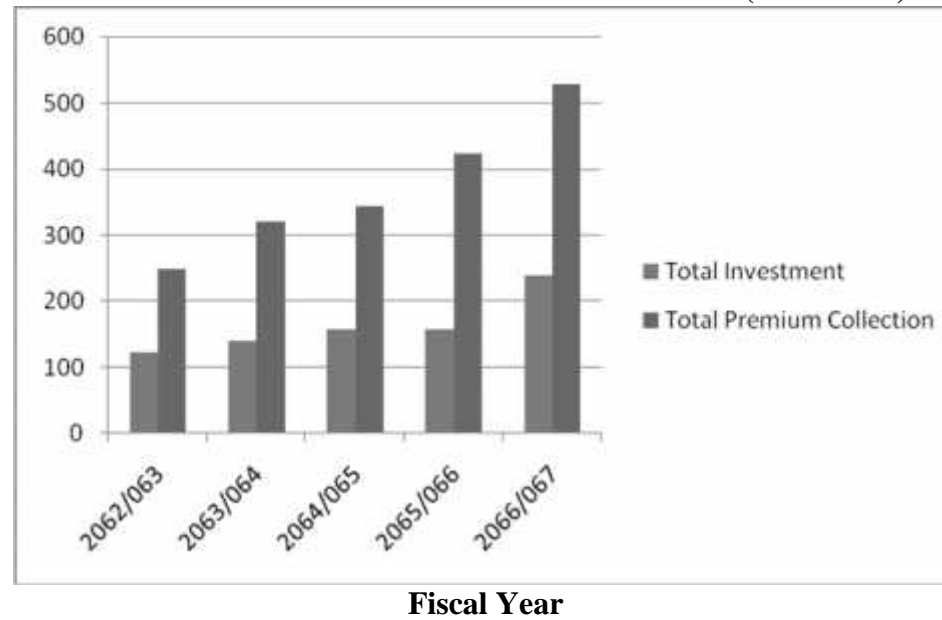


Fiscal Year

Sources: Table: 4.11

Total Investment and
Total Premium

Chart: 4.11
Investment to Total Premium Collection Amount (in millions)



Sources: Table: 4.11

The investment on total premium calculation ratio of Shikhar Insurance Company Limited is decreasing order in the first two year 2062/063 to 2063/064 and then it starts to increased in the yaer of 2064/065. The highest ratio is 79.20% in the year 2062/063 and lowest in the year 2062/063. The average mean over the 5 years period is 44.23%, S.D. is 3.92% and C.V. is 8.86%. From above calculation and figure we found that the company has retained its portion of investment on total premium in steady situation. Which indicate the satisfactory situation of the company.

4.1.12 Interest Earned to Total Investment Ratio

This ratio is used to show the return from dividend and interest on total investment. This ratio actually represents the earning capacity of an insurer by investing its all collected premium and other capital fund. Higher the ratio higher will be the income as interest and dividend. This ratio is calculated by using following equation:

$$\text{Interest Earned to Total Investment} = \frac{\text{Total Interest and Dividend Earned}}{\text{Total Investment}}$$

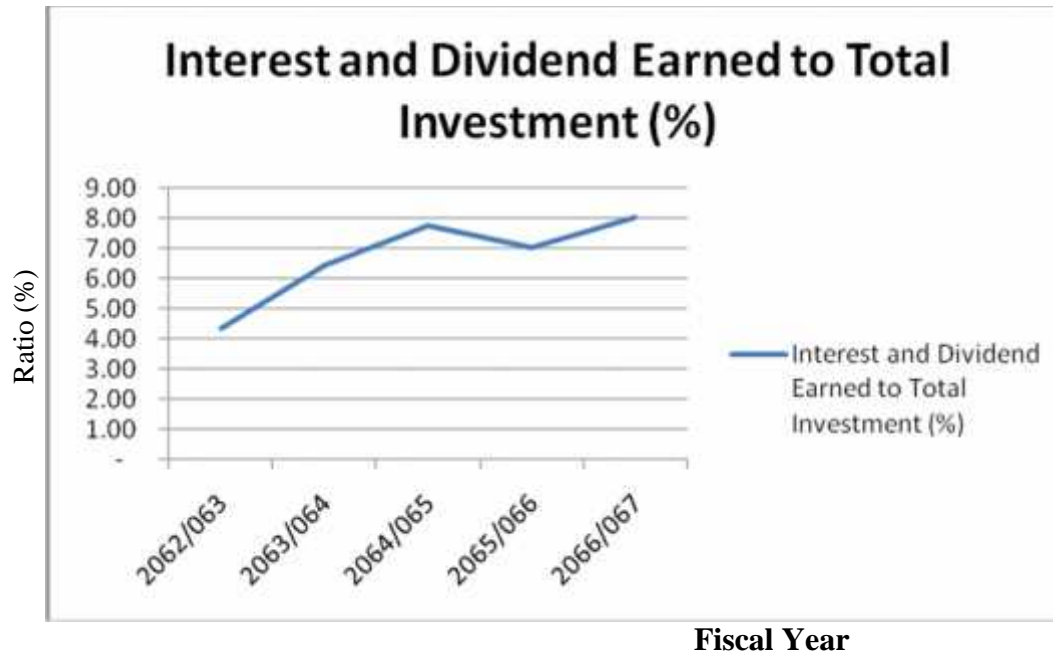
Table: 4.12

Interest and Dividend Earned to Total Investment

Fiscal Year	Interest and Dividend Earned	Total Investment	Interest and Dividend Earned to Total Investment (%)
2062/063	5314459	122030127	4.36
2063/064	8939327	139406594	6.41
2064/065	12251542	158116114	7.75
2065/066	11089874	158167232	7.01
2066/067	19182582	239546429	8.01
Mean			6.71
S.D.			1.30
C.V.			19.38

Sources: SICL annual Reports.

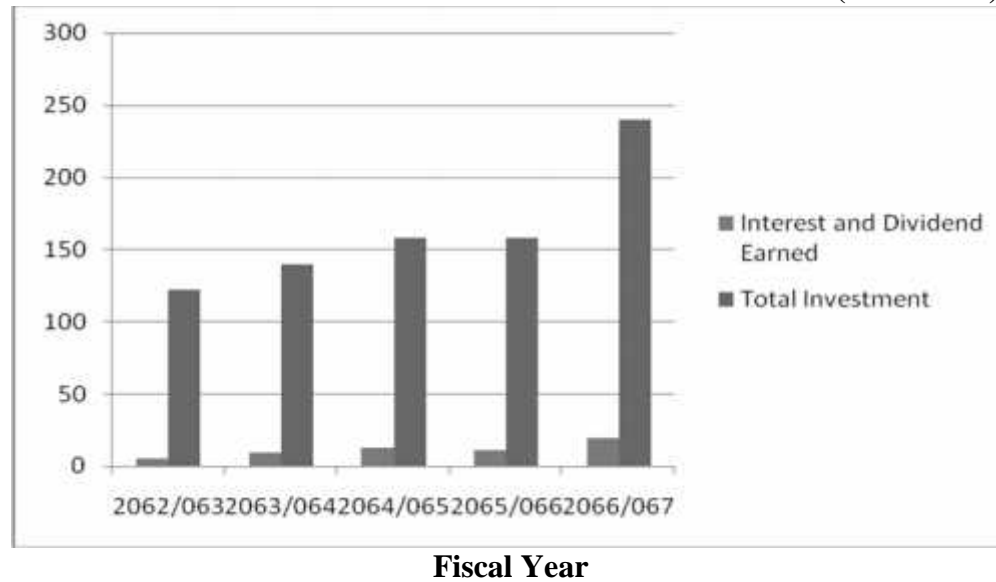
Figure: 4.12
Interest and Dividend Earned to Total Investment (%)



Sources: Table: 4.12

Interest and Dividend Earned to Total Investment

Chart: 4.12
Interest and Dividend Earned to Total Investment Amount (in millions)



Sources: Table: 4.12

The above table shows a ratio of Interest and Dividend earned on total investment of the SICL. The ratio is highly increasing in Interest and Dividend earned to total investment. Its higher contribution is 8.01% in the year 2066/067 and the least is 4.36% in the year 2062/063. As a whole, it shows increasing trend of interest and dividend earned on total investment. The average interest and dividend earned to total investment in this five years period is 6.71%, S.D. is 1.30% and C.V. is 19.38%.

4.1.13 Relationship between Premium Collection and Investment of SICL

To analyze the relationship between premium collection and investment position of SICL, correlation coefficient is calculated. The result of correlation analysis is presented in table below:

Table 4.13
Relationship between Premium Collection and Investment of SICL

Coefficient of Correlation(r)	r²	6×P.E.	Probable Error P.E.(r)	Sig. / Insig.
0.939	0.882	0.213	0.03559	Significant

Sources: Appendix –VIII

From the above calculation, the co-efficient of determinants (r^2) measure degree of liner association or correlation between two variables one of which is the dependent variable and other is independent. In case of SICL, the co-efficient of determination is 0.882, which means that the variation is independent variable (Premium Collection) explains 88.2% of dependent variable (Investment). Generally probable error used to measure the significant relation between two variables. In case of this study the significance relationship between premium collection and investment is measured by calculating probable error of correlation of co-efficient. Since the co-efficient of correlation(r) is greater than the $6 \times P.E.$ (r), therefore it can be concluded that the relation between the two variables is significant.

4.1.14 Relationship between Premium Collection and Claim Paid by SICL

To analyze the relationship between premium collection and claim paid by SICL, correlation coefficient is calculated. The result of correlation analysis is presented in table below:

Table 4.14
Relationship between Premium Collection and Claim Paid by SICL

Coefficient of Correlation(r)	r²	6×P.E.	Probable Error P.E.(r)	Sig. / Insig.
0.864	0.7464	0.0765	0.459	Significant

Sources: Appendix -IX

From the above calculation, the co-efficient of determinants (r^2) measure degree of liner association or correlation between two variables one of which is the dependent variable and other is independent. In case of SICL, the co-efficient of determination is

0.863, which means that the variation is independent variable (Premium Collection) explains 86.3% of dependent variable (Claim Paid). Generally probable error used to measure the significant of the relation between two variables. In case of this study the significance relationship between premium collection and claim paid by calculating probable error of correlation of co-efficient. Since the co-efficient of correlation(r) is greater than the $6 \times P.E. (r)$, therefore it can be concluded that the relationship between the two variables is significant.

4.1.15 Relationship between Interests Earned Investment of SICL

To analyze the relationship between Interest Earned and Investment of SICL, correlation coefficient is calculated. The result of correlation analysis is presented in table below:

Table 4.15
Relationship between Interests Earned Investment of SICL

Coefficient of Correlation(r)	r^2	$6 \times P.E.$	Probable Error P.E.(r)	Sig. / Insig.
0.976	0.9525	0.085	0.0143	Significant

Sources: Appendix –X

In above calculation, the co-efficient of determinants (r^2) measure degree of liner association or correlation between two variables one of which is the dependent variable and other is independent. In case of SICL, the co-efficient of determination is 0.976, which means that the variation is independent variable (Investment) explains 97.6% of dependent variable (Interest). Generally probable error used to measure the significant of the relation between two variables. In case of this study the significance relationship between Interest and investment measure by calculating probable error of correlation of co-efficient.

Since the co-efficient of correlation(r) is greater than the 6×P.E. (r), therefore it can be concluded that the relationship between the two variables is significant.

4.1.16 Total Claim Paid to Total Premium Collection Ratio

It is the ratio that measures the total risk involves in total premium collection by the company. This relation reveals the portion of total premium that goes to total claim by the company. It is computed here, by using following equation:

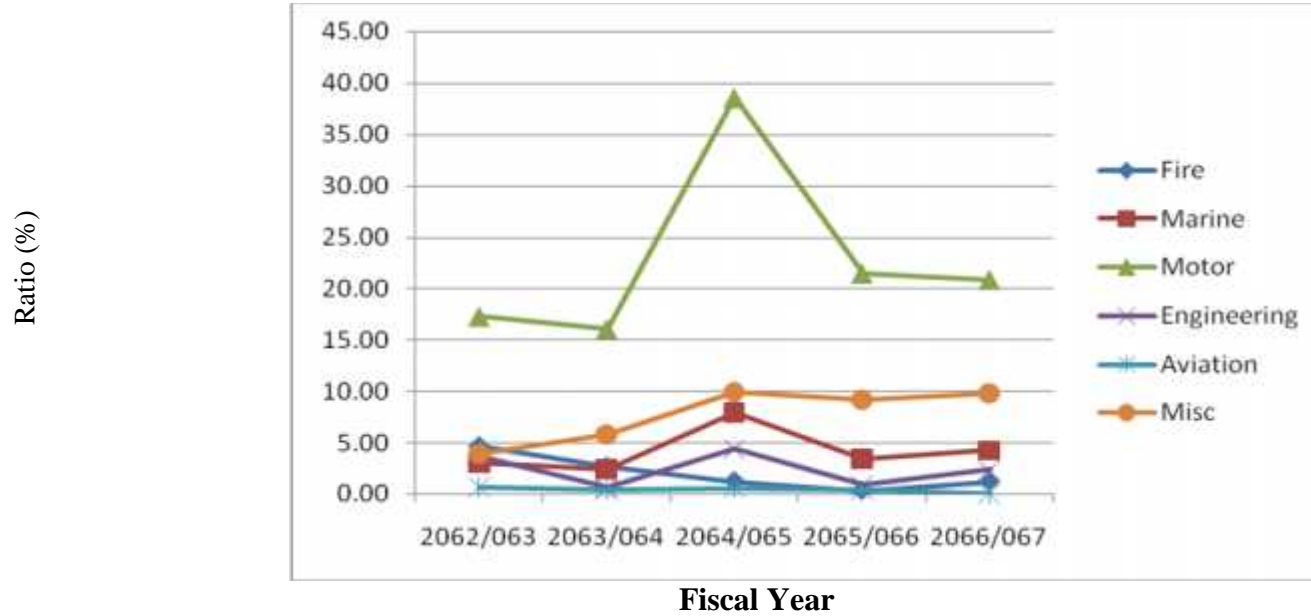
$$\text{Total Claim Paid to Total Premium Collection} = \frac{\text{Total Claim Paid}}{\text{Total Premium Collection}}$$

Table 4.16
Total Claims Paid to Total Premium Collection Ratio

Insurance Products	Fiscal Year					Mean	S.D.	C.V.
	2062/063	2063/064	2064/065	2065/066	2066/067			
Fire	4.66	2.65	1.26	0.34	1.18	15.74	1.25	8
Marine	3.03	2.43	7.92	3.42	4.24	6.30	0.811	12.87
Motor	17.28	16.08	38.58	21.5	20.89	25.27	9.6	38
Engineering	3.67	0.66	4.38	0.9	2.36	3.05	0.59	19.3
Aviation	0.7	0.39	0.61	0.38	0.02	31.98	10.77	33.67
Misc	3.94	5.8	9.91	9.12	9.76	12.94	2.6	20.09

Sources: Appendix-IV

Figure: 4.13
Total Claim Paid to Total Premium Collection Ratio



Sources: Table: 4.16

The above table and figure shows the relationship between claim paid and premium collection of different products. According to the standard deviation and C.V. motor insurance seems more risky than other business of SICL. The above table shows that the second risky business of SICL is aviation insurance and misc. & engineering business are less risky. From point of view of ration, the highest portion of motor claim to total motor premium is 38.58% in the year of 2064/065 and then decrease till 2066/067. According to the figure motor and fire insurance seems the most profitable business in this company.

4.1.17 Trend Analysis

4.1.17.1 Trend Analysis of Fire Premium Collection to Total Premium Collection Ratio

This heading analyze the trend of premium collection to total premium collection ratio of SICL five years study period and projects trend of coming three years. The following table describes the trend value of fire premium collection to total premium collection ratio of SICL for eight year.

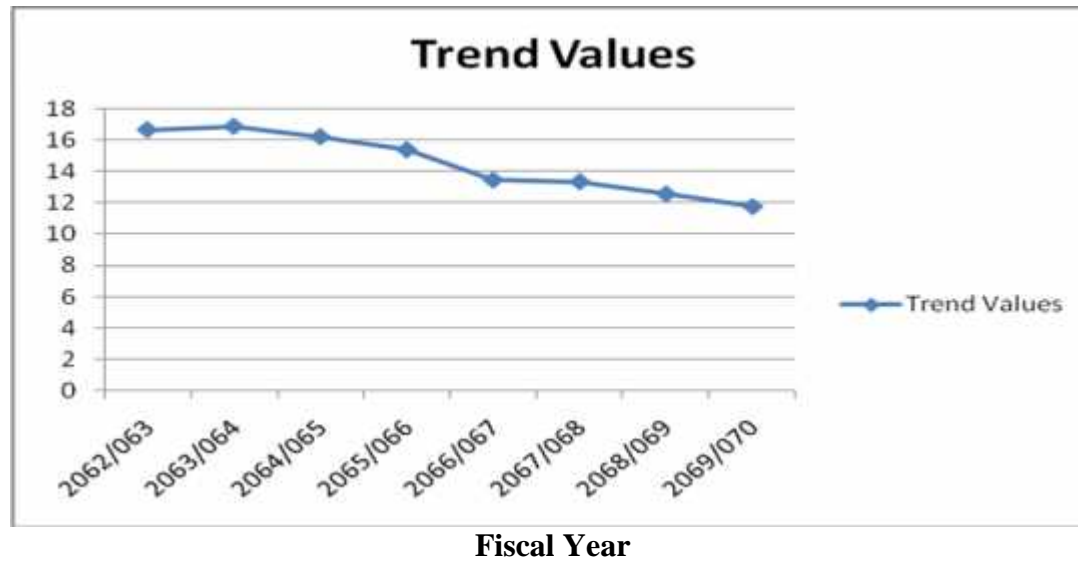
Table 4.17
Trend value of Fire Premium Collection and Total Premium Collection Ratio

Fiscal Years	Trend Values
2062/063	16.69
2063/064	16.90
2064/065	16.24
2065/066	15.41
2066/067	13.46
2067/068	13.36
2068/069	12.57
2069/070	11.76

Appendix- IX

Figure: 4.14
Trend value of Fire Premium Collection and Total Premium Collection

Trend Value



Sources: Table: 4.17

From the above table and figure, it shows that the fire premium collection to total premium collection ratio of SICL is in decreasing trend. Other thing remaining the same, the ratio of fire premium collection ratio of SICL will be 11.76 the year ended 2069/070.

4.1.17.2 Trend Analysis of Investment on FD at Commercial Bank to Total Investment Ratio

This heading analyze the trend of premium collection to total premium collection ratio of SICL five years study period and projects trend of coming three years. The following table describes the trend value of fire premium collection to total premium collection ratio of SICL for eight year.

Table :4.18

Trend Analysis of Investment on FD at Commercial Bank to Total Investment Ratio

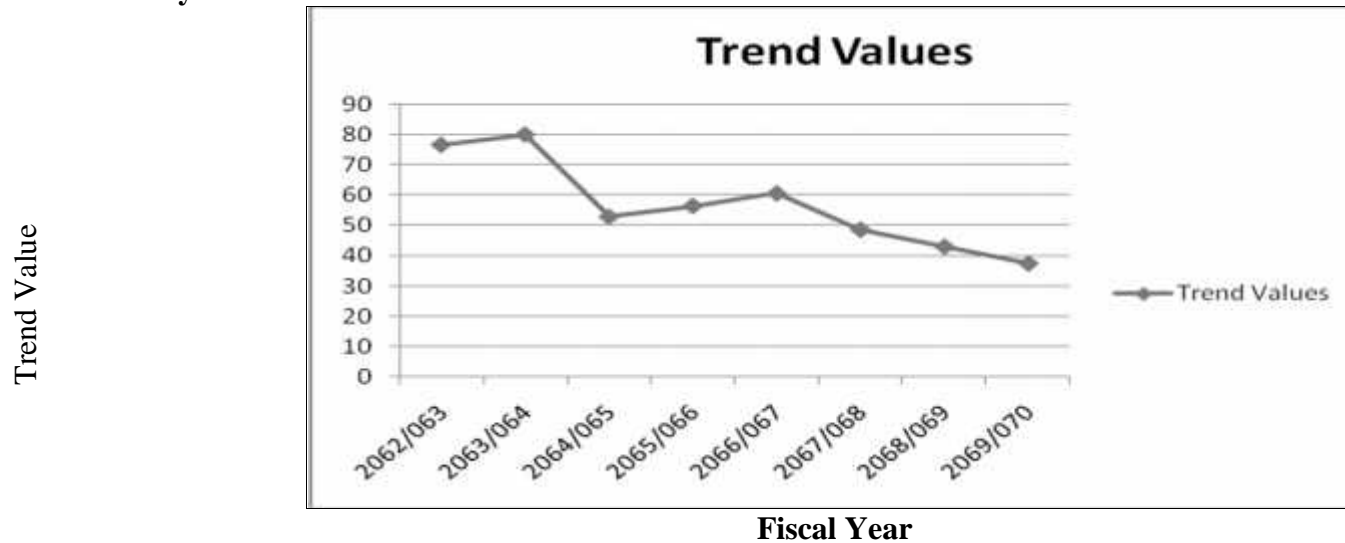
Fiscal Years	Trend Values
2062/063	76.62

2063/064	79.98
2064/065	52.81
2065/066	56.40
2066/067	60.53
2067/068	48.55
2068/069	42.95
2069/070	37.37

Source: Appendix- X

Figure: 4.15

Trend Analysis of Investment on FD at Commercial Bank to Total Investment Ratio



Sources: Table: 4.18

From the above table it has been found that the investment on fixed deposit at commercial bank to total investment ratio of SICL is in decreasing trend. Other thing remaining the constant, investment on fixed deposit at commercial bank to total investment will be 37.37 at the end of fiscal year 2069/070.

4.2 Analysis of Primary Data

The primary data facilitates to know how executives views about the status of premium collection and investment of SICL, what they think is major factor for a successful operation of company. The primary data also help to test empirically the different hypothesis views and options concernig premium collection and investment position. Analysis of primary data deals with qualitative aspect of status of premium collection and investment. The qualitative aspects are exmined by distributing questionnaires to top, middle and lower level employees among 19 employees of SICL. This analysis is mainly based on opinions and thinking of the respondents.

4.2.1 Status of Premium Collection

Regarding the query about status of premium collection of SICL; most of the respondents 52.63%responded that the status of the premium collection is excellence, and then 47.37% responded that the status of the premium collection is good.

Table 4.19
Status of Premium Collection

Excellence	Good	Satisfactory	Total No of Respondents
10	9	0	19
52.63%	47.37%	0.00%	100%

Sources: Field survey 2012

4.2.2 Meeting of Target Premium

With respect to the query about meeting of target premium of SICL; majority of the respondents 42.11% responded that the company is able to meet the target premium while 47.37% responded that the company is collect premium nearly enough and then 10.53% has responded that the company is not able to collect premium not enough to the target premium .

Table 4.20

Meeting of Target Premium

Enough	Nearly enough	Not Enough	Total No of Respondents
8	9	2	19
42.11%	47.37%	10.53%	100%

Sources: Field survey 2012

4.2.3 Problems in collecting Premium

In relation to the query about problems in collecting premium in SICL; majority of the respondents 84.21% responded that the company sometimes faces the problems in collecting premium, 15.79% respondents have responded that the company always faced problems in collecting the problem while no responses were to state that the company faced problem in collecting premium.

**Table 4.21
Problems of Premium Collection**

Always	Never	Sometimes	Total No of Respondents
3	0	16	19
15.79%	0.00%	84.21%	100%

Sources: Field survey 2012

4.2.4 Medium of Premium Collection

In relation to the query about problems in collecting premium in SICL; majority of the respondents 89.47% responded that the company sometimes faces the problems in collecting premium, and then 10.53% respondent have responded that the company never faced problem in collecting premium and no respondents have responded that the company always faced problems in collecting the problem .

Table 4.22
Medium of Premium Collection

Direct	Through Agent and Marketing	Both(Direct and Agent and Marketing)	Total No of Respondents
0	2	17	19
0.00%	10.53%	89.47%	100%

Sources: Field survey 2012

4.2.5 Means of Premium Collection

In respect to the query about means of premium collection in SICL; most of the respondents 89.47% responded that the company collect the premium in the form of both and remaining 10.53% respondents have responded that the company collect the premium in form of by cheque and draft. No one responded that the company is not collecting premium in form of e-banking .

Table 4.23
Means of Premium Collection

By Cash	By Cheque and Draft	Both	Total No of Respondents
0	2	17	19
0.00%	10.53%	89.47%	100%

Sources: Field survey 2012

4.2.6 Regarding the Beema Samiti's Investment Directives are conducive to the Investment policies of company?

In relation to question about the Beema Samiti's investment directives are conducive to the investment policies; most of respondents 63.16% responded that the Beema Samiti's investment directives are not conducive to the investment policies of company,15.79% responded that the Beema Samiti's investment directives are conducive to the investment policies of company and 21.05% have responded that they do not know anything. .

Table 4.24
Regarding the Beema Samiti's Directives for Company

Yes	No	Do not know	Total No of Respondents
12	3	4	19
63.16%	15.79%	21.05%	100%

Sources: Field survey 2012

4.2.7 Knowledge about Investment Position

In relation to question about the knowledge about the investment position of SICL; majority of the respondents 63.16% responded that the employee have a good knowledge, 10.53% responded that they have no idea and 26.32% have responded that they do not know anything.

Table 4.25
Regarding the Knowledge about Investment Position

Yes	No	Do not know	Total No of Respondents
12	2	5	19
63.16%	10.53%	26.32%	100%

Sources: Field survey 2012

4.2.8 Suitability of Investment Portfolio

In relation to question about the suitability of investment of SICL; majority of the respondents 78.95% responded that the suitable investment is fixed deposit, 21.05% of the respondents responded that the suitable investment option is gove. saving bond and no respondents have responded that the suitable investment portfolio is share of the poplar companies in view point of return.

Table 4.26
Regarding the suitability of Investment Portfolio

Fixed Deposits	Govt. Saving Bond	Share	Total No of Respondents
15	4	0	19
78.95 %	21.05 %	0.00%	100%

Sources: Field survey 2012

4.2.9 Option for Returnable Investment

In relation to question about the improvement options for returnable options for fruitful investment; most of the respondent 36.84% respondent at additional investment portfolio, 31.58% the option ' reduction of portion between compulsory and optional sectors and additional investment portfolio and the rest respondents 31.58 % responded both investment policy.

Table 4.27
Regarding the Option for Returnable Investment

Additional	Reduction of	Both	Total No of
-------------------	---------------------	-------------	--------------------

Investment Portfolio	portion between compulsory and optional sectors		Respondents
7	6	6	19
36.84 %	31.58 %	31.58 %	100%

Sources: Field survey 2012

4.2.10 Status of Return on Investment

In relation to question about the status of return on investment of SICL; grater number of the respondents 73.68 % responded that the status of return on invesment is good, while 26.32 % responded that the status of return on investment is satisfactory. And no one respondedents have responded trhat the return on investmnet is bad.

Table 4.28
Regarding the Status of Return on Investment

Good	Bad	Satisfactory	Total No of Respondents
14	0	5	19
73.68 %	0.00%	26.32 %	

Sources: Field survey 2012

4.2.11 Knowledge about the flowing rules regarding directives issued by Beema Samiti

In relation to question about knowledge rules following on investment prescribed by Beema Samiti in SICL; majority of the respondent 89.47 % responded that the company implement the codes of directives issued by Beema Samiti while remaining 10.53 % responded that the company do not know implement the codes of directives issued by Beema Samiti .

Table 4.29
Regarding the Beema Samiti's rules and directives

Yes	No	Do not know	Total No of Respondents
17	0	2	19
89.47%	0.00%	10.53%	100%

Sources: Field survey 2012

4.3. Major Findings of the study

4.3.1 Major Finding From Secondary Analysis:

1. Calculated ratio of fire premium to total premium collection in each year following the decreasing trend. It seems the profitable business of the company is fire premium. Company is able to maintain 15.74% average ratios. The highest ratio is 16.90% in the year 2063/064 and lowest is 13.46% in the year 2066/067.
2. Marine Premium collection in each year decreasing trend over five year's period. The average marine premium collection to total premium collection in this five years period is 6.30%, S.D. is 0.81% and C.V. is 12.87%.
3. The contribution of Motor Premium Collection is highest in the each of five fiscal year. The ratio of motor premium collection in each year is increasing order. So it is also a major profitable insurance product of the company. The portion of premium collection is highest size in total premium collection, the claim paid to this sector also highest size in compare with total claim paid.
4. The above analysis shows the highest portion of total claim paid is adopt by motor claims of this company. The highest portion of motor claim to total claim is 83.27% in the year 2066/067 and the lowest portion of the motor claim to total claim is 52.59% in the year of 2062/063. Its average claim paid within the five year is 72.20%, of total claim standard deviation and coefficient of variation are 11.01% and 15.24% respectively.
5. SICL has invested its major portion of investment in commercial bank's fixed deposit. Investment on Bank fixed on total investment of SICL is in fluctuation trend. Its highest contribution is 79.98% in the year 2063/064 and lowest is 52.81% in the year 2064/065. According to the analysis of graph its contribution is gradual decrease in the 2063/064 and then it gradually increase till 2066/067.

6. Another major sector of investment of this company is fixed deposit at development bank. According to the above table the highest portion of investment in this sector was 17.93% in the year 2063/064 and least 11.06% in the year 2065/066. The graph shows fluctuating trend of investment portion in this sector.
7. Another major investment sector of this company is investment in fixed deposit of Financial Companies. According to the above table the highest portion of investment in this sector was 9.31% in the year 2066/067 and the least was 7.68% in the year 2064/065. The graph shows that the investment in FD of Financial Institution was decreased in 2064/065. In overall the company has retained same ratio over five year.
8. The analysis shows aviation and motor insurance seems more risky then other business of SICL and second risky insurance business is aviation insurance. Misc. Engineering, Marine, Fire, insurance are less risky. According to the figure it seems fire and aviation insurance is most profitable business on this company from claim point of view.
9. The investment on total premium calculation ratio of Shikhar Insurance Company Limited is fluctuating trend. The highest ratio is 49.20% in the year 2062/063 and lowest in the year 2065/066. From above analysis and figure we have found that the in overall the ratio has slightly decreased on 2062/063 at the level of 49.20% to 45.29%. These indicate the satisfactory performance of the company.
10. The ratio of Interest and Dividend earned to total investment increasing trend except in the year 2065/066. Its higher contribution is 8.01% in the year 2066/067 and the least is 4.36% in the year 2062/063 The portion of interest earned to total investment is gradually increase till the year 2066/067. As a whole, it shows increasing trend of interest and dividend earned on total investment.

4.3.1 Major Finding From Primary Analysis:

1. In respect to the status of the company collecting premium majority of the respondent i.e. 56.63% have given the option 'excellence' then 'good' and no one responded on satisfactory.
2. With respect to the collecting target premium by the company, 47.37% of the respondents have given the option 'nearly enough', 42.11% have responded 'enough'.
3. In relation to the problems faced by the company regarding collecting premium, 84.21% of the respondent gave the answer option 'sometime', then 15.79% have responded 'always'.
4. Regarding the medium of collection premium, 89.47% of the respondents have given the option through 'both' i.e. through direct, agent and marketing then after 10.53% Of the respondent has responded on option 'through agent and marketing'.
5. In respect to the means of premium collection in SICL; 89.47% of the respondent responded that the collection of premium by the company is form the both by 'cash, cheque and draft' option, then 10.53% of the respondent has responded by 'cheque and draft'.
6. In respect to the questionnaire regarding the Beema Semite's investment directive for conducive to the investment policies 63.16% of the respondents have given the option 'Yes' then 21.05% respondents have given option 'Do not know'.
7. With respect to the questionnaire regarding knowledge about investment position of the company; 63.16% of the respondents have given their answer the option 'yes' and then 26.32% chosen option 'Do not know'.
8. In respect to the questionnaire suitability option of investment portfolio; mainly top level management given their own view regarding the answer "this is case wise there is no fixed module", and then 78.95% of respondent have chosen option 'fixed deposit' then 21.05% chosen 'govt. saving bond'.

9. Regarding the tips or method to improve for returnable investment; 36.84% of the respondents have chosen the option 'additional investment portfolio', 31.58% respondent has chosen the option 'reduction of portion between compulsory and optional sectors'.
10. With respect to the questionnaire regarding the status of return on investment 73.68% of the respondents have chosen the option 'good' and then 26.32% chosen the option 'satisfactory'.
11. In relation to the questionnaire regarding the implement the code of directives issued by Beema Semite; 89.47% of the respondents have chosen option 'yes' and then 10.53% chosen option 'Do not know'.

CHAPTER -V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

Insurance has been introduced to safeguard the interest of people from uncertainties by providing certainty of payment at a given contingency. According to nature, characteristics, and objective of the insurance company, they are also referred to as financial intermediaries. In the modern society's business age it plays vital role through risk bearing and providing certainty. Therefore insurance is a one of major pillar of economic growth of country.

In the scenario of Nepal, insurance business is one of the business, which has not any loss and it suffered at profit from establishment data till the date. Most of the companies are following the rules and regulation regulated by Beema Semite.

In respect to the trend of premium collection, investment, and profit; there is fluctuation trend on both premium collection and investment every year. Similarly there is also fluctuation trend on profit earned by the company. Therefore is no uniformity on premium collection, investment, and profit earned. The rate of premium of insurance policy, which regulated by Beema Semite is also unpractical and unscientific. Beema Semite is not able to play effective role in improvement of Insurance Industry. First of all Insurance Board should be change as per demand of market like Nepal Rostra Bank. It is needed to restudy and reanalyzed as per present condition and situation. The insurance act aimed regulation should be clear through to guide the investment related matter to a direction. The regulatory limits relating the investment should promptly changed according to the change in over all macroeconomic and money capital condition.

Insurance business plays the great role in the national financial system. The growing numbers of insurance companies are competing with each other to attract policyholders with different type of insurance policies. In this regard Shikhar Insurance Company Limited plays leading role for socio-economic development within the nation either by transferring risks of by

collecting scattered resources. In this study and attempt is made to provide independent views of the premium collection and investment position of SICL. On the basis of study some findings and recommendations are identified, which are useful to improve the future SICL on the premium collection and investment sector.

Among 25 insurance companies operating in Nepal, there are 17 insurance companies in non life insurance sector, only SICL is taken as my study from the non life insurance sector to evaluate the premium collection and investment position. The study analyzed the annual report of five years starting 2062/063 to 2066/067 has been taken into consideration for the purpose of the study.

5.2 Conclusion

Fire premium to total premium collection ratio is in slightly decreasing trend. Company is able to maintain average ratios. And also the claim paid ratio has decreasing trend except 2066/067. It seems one of the major profitable business is fire insurance premium.

The highest premium collection of Marine Insurance premium of Insurer is 7.58% in the year of 2062/063 and lowest collection is 5.37% in the year 2066/067. It is decreasing 2062/063 to 2066/067. So, the company should take initiative to increase its portion of collection with total premium.

The contribution of Motor premium collection is occupied highest portion in compare with total premium of this company. Its contribution to total premium is increasing order.

Aviation insurance premium holds nearly highest portion in this company. It is decreasing trend till 2066/067. The above analysis shows that aviation claims is a smaller portion to total claim paid. In the five year the company paid average claim 3.24% only. So it is also second riskier business of a company.

Engineering insurance premium holds smaller portion in this company. The above table shows that engineering claims is a smaller portion to total claim paid. But comparing the collection of the premium and claim paid it is a less risky business. Miscellaneous premium holds medium portion in this company. From the beginning the portion of miscellaneous insurance premium collection decreases in total premium collection continuous. The claim paid of miscellaneous insurance to total claim paid is fluctuating trends. From above analysis, since the portion of premium collection is medium size in total premium collection, the claim paid to this sector also medium size in compare with total claim paid.

SICL has invested its major portion of investment in commercial bank's fixed deposit. Investment on commercial Bank fixed deposits on total investment of SICL is in fluctuation trend. The major sector of investment of this company is fixed deposit at development bank. The initial phase (second year), the company had not invested any amount in the fixed deposit in development bank. After that year, the company started to invest such kind of investment. Another major investment sector of this company is investment in fixed deposit of Financial Companies. The company has changes its policy regarding the investment in such sector. So that investment in financial institution has found in fluctuating trend.

The investment on total premium calculation ratio of Shikhar Insurance Company imited is increase in the year 2062/063 to 2066/067. From analysis found that the company contineously increased the portion of premium in total investment. Which indicate the good performance of the company. The analysis shows fire insurance seems risky than other business of SICL then aviation insurance is also risky business. marine and miscellaneous business are less risky. According to analysis it seems fire insurance is the most profitable business in this company from claims point of view.

5.3 Recommendation

From the above study some major facts are found these findings are cited as follows;

1. Fire premium collection is in decreasing trend since F.Y 2066/67, the company should give more attention in fire business to collect premium. Fire claim paid is in decreasing trend except F.Y 2066/67. In overall the company has able to reduce fire claim paid which is good sign for the company.
2. Marine insurance premium collection hold average portion premium in total premium. Although Nepal is landlocked country and there is less possibility in marine insurance, the company able to collect higher portion in its total premium collection. It is good signal for the company from the point of view premium collection, also the claim ratio is in fluctuating and decreasing trend. So the company should give more attention for retain its contribution in total premium collection and company should be selective in marine insurance to maintain claim ratio and profitability.
3. Motor insurance premium collection seems increasing trend and its claim paid ratio is also in increasing trend. It seems risky business of the company. So, the company should make good strategies for taking vehicle business i.e. take only private vehicles business.
4. Aviation insurance premium hold higher portion in total premium collection. The trend of aviation insurance premium collection ratio is in decreasing order. The claim paid ratio is also gradually decreasing order. Despite of this decreasing order of the claim paid. The aviation insurance is risky business in point of view standard deviation. In Nepal the sector of aviation business is in growing up. So, the company should give continuities to collect premium from this sector.
5. Engineering and Miscellaneous insurance premium hold fewer portions in total premium collection. Both have premium collection ratio in fluctuating trend and claim paid ratio also in fluctuating trend. Even though these businesses are profitable so, the company should give more emphasis in such type of business for company growth.
6. According to the analysis of investment position of this company in different sector of investment seems good but not satisfactory. For this; the company should select more. For excellent investment decision as well as new product,

company should make effectiveness of research and development department. R&D department will help, to meet future goals of the company as well as the betterment of the company.

7. From the analysis of study and considering interview, field of Nepalese insurer, following facts are, conclude, there are no sound policy and separate department for investing fund but it is necessary to manage. Therefore the entire insurer should manage a separate department for the purpose of investing and gain return with less risk.
8. The entire insurer should improve its premium collection system and investment by stem too and try to increase customer service by providing different facilities and to withdraw unnecessary process on insurance and followed scientific insurance system.
9. The company is suggested to expand its insurance activities in rural area by establishment of branches or by appointment of agents according to its potentiality.
10. Nepalese insurance business should be social responsibility oriented rather than premium oriented in order to develop this business at present situation.
11. The insurance act and regulation should be clear enough to guide the investment related matter to a direction. The regulatory limits relating the investment should be promptly changed according to the change in over all macro economic and capital market condition.

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Appendix –I
Shikhar Insurance Company Limited
Premium Collection Details

Fiscal Year	Fire	Marine	Motor	Engineering	Aviation	Misc	Total
2062/063	41382974	18804710	28534513	5830296	132971569	20493361	248017423
2063/064	54284165	22103872	67410964	10765984	122186829	44405583	321157397
2064/065	55912818	20288814	86738361	8362488	117290029	55790534	344383044
2065/066	65285906	24463386	117154103	13584115	144900806	58268109	423656425
2066/067	71207271	28402817	216831426	20676931	126278333	67027743	530424521

Premium Collection to Total Premium Ratio

Fiscal Year	Fire	Marine	Motor	Engineering	Aviation	Misc	Total
2062/063	16.69	7.58	11.51	2.35	53.61	8.26	100
2063/064	16.90	6.88	20.99	3.35	38.05	13.83	100
2064/065	16.24	5.89	25.19	2.43	34.06	16.20	100
2065/066	15.41	5.77	27.65	3.21	34.20	13.75	100
2066/067	13.46	5.37	41.00	3.91	23.87	12.67	100
Total	78.70	31.50	126.33	15.25	184	64.72	500
Mean	15.74	6.30	25.27	3.05	31.98	24.23	
S.D.	1.25	0.811	9.6	0.59	10.77	2.6	
C.V.	8	12.87	38.00	19.35	33.67	10.73	

Appendix -II
Shikhar Insurance Company Limited
Investment

Fiscal Year	Fixed Deposits at Commercial Bank	Fixed Deposits at Development Bank	Fixed Deposits at Financial Institution	Other Investment	Total
2062/063	93500000	0	10900000	17630127	122030127
2063/064	88500000	25000000	11650000	14256595	139406595
2064/065	83500000	25000000	12150000	37466114	158116114
2065/066	89200000	17500000	14120000	37347232	158167232
2066/067	145000000	36000000	22295000	36251429	239546429

Investment Proportion

Fiscal Year	Fixed Deposits at Commercial Bank	Fixed Deposits at Development Bank	Fixed Deposits at Financial Institution	Other Investment	Total
2062/063	76.62	0.00	8.93	14.45	100
2063/064	63.48	17.93	8.36	10.23	100
2064/065	52.81	15.81	7.68	23.70	100
2065/066	56.40	11.06	8.93	23.61	100
2066/067	60.53	15.03	9.31	15.13	100

Appendix-III
Shikhar Insurance Company Limited
Claims Paid

Fiscal Year	Fire	Marine	Motor	Engineering	Aviation	Misc	Total Claim Paid
2062/063	1928377	569873	4931225	214053	926570	806549	9376647
2063/064	1440771	537185	10839228	70819	472787	2576297	15937087
2064/065	702347	1606215	33464623	365942	715271	5529979	42384377
2065/066	223852	836414	25191042	122898	543903	5312964	32231073
2066/067	841414	1204768	45288402	487031	23435	6544622	54389672

Claims Paid to Total Claims Paid

Fiscal Year	Fire	Marine	Motor	Engineering	Aviation	Misc	Total Claim Paid
2062/063	20.57	6.08	52.59	2.28	9.88	8.60	100
2063/064	9.04	3.37	68.01	0.44	2.97	16.17	100
2064/065	1.66	3.79	78.96	0.86	1.69	13.05	100
2065/066	0.69	2.60	78.16	0.38	1.69	16.48	100
2066/067	1.55	2.22	83.27	0.90	0.04	12.03	100

Appendix -IV
Shikhar Insurance Company Limited
Total Claim paid To Total Premium

Fiscal Year	Total Claim Paid	Total Premium Collection	Proportion
2062/063	9376647	248017423	4
2063/064	15937087	321157397	5
2064/065	42384377	344383044	12
2065/066	32231093	423656425	8
2066/067	54389672	528919988	10

Claim Paid to Premium Collection Ratio (%)

Fiscal Year	Fire	Marine	Motor	Engineering	Aviation	Misc
2062/063	4.66	3.03	17.28	3.67	0.70	3.94
2063/064	2.65	2.43	16.08	0.66	0.39	5.80
2064/065	1.26	7.92	38.58	4.38	0.61	9.91
2065/066	0.34	3.42	21.50	0.90	0.38	9.12
2066/067	1.18	4.24	20.89	2.36	0.02	9.76

**Appendix -V
Interest Earned**

Fiscal Year	Interest Earned	Total Investment	Ratio(%)
2062/063	5314459	122030127	4.36
2063/064	8939327	139406594	6.41
2064/065	12251542	158116114	7.75
2065/066	11089874	158167232	7.01
2066/067	19182582	239546429	8.01

Appendix -VI

Correlation between Premium Collection and Investment

X= Premium Collection

Y= Investment

N= No. of years

Fiscal Year	X (Rs. In Million)	X (Rs. In Million)	x=(X- \bar{X})	y=(Y- \bar{Y})	x ²	y ²	xy
2062/063	248.017	122.030	-125.210	-41.423	15677.44	1715.85	5186.54
2063/064	321.157	139.407	-52.070	-24.046	2711.24	578.23	1252.087
2064/065	344.383	158.116	-28.844	-5.337	831.97	28.48	153.9369
2065/066	423.656	158.167	50.429	-5.286	2543.13	27.94	-266.558
2066/067	528.920	239.546	155.693	76.093	24240.31	5790.21	11847.21
N=5	\bar{X} =373.227	\bar{Y} =163.453			x ² =46004.09	y ² =8140.72	xy=18173.22

$$\bar{X} = 373.227$$

$$\bar{Y} = 163.453$$

$$\begin{aligned} \text{Correlation}(r) &= \frac{\sum xy}{\sqrt{\sum x^2} \sqrt{\sum y^2}} \\ &= \frac{18173.22}{\sqrt{46004.09} \sqrt{8140.72}} \end{aligned}$$

$$\begin{aligned}
&= \frac{18173.22}{214.486 + 90.226} \\
&= \frac{18173.22}{19352.21} \\
&= 0.939 \\
\text{P.E.}(r) &= 0.6745 \left| \frac{[1 Zr^2]}{\sqrt{n}} \right| \\
&= \frac{0.6745 \left| [1 Z(0.939)^2] \right|}{\sqrt{5}} \\
&= \frac{0.6745 \left| [1 Z0.882] \right|}{2.236} \\
&= \frac{0.0796}{2.236} \\
&= 0.03559 \\
&6 \left| \text{P.E.}(r) = 0.213 \right. \\
\text{Coefficient of determinants } (r^2) &= (0.939)^2 = 0.882
\end{aligned}$$

Appendix -VII

Correlation between Premium Collection and Claim Paid

X= Total Claim Paid Y= Premium Collection

N= No. of years

Fiscal Year	X (Rs. In Million)	X (Rs. In Million)	x=(X- \bar{X})	y=(Y- \bar{Y})	x ²	y ²	xy
2062/063	9.377	248.017	-21.487	-125.210	461.71	15677.44	2690.422
2063/064	15.937	321.157	-14.927	-52.070	222.81	2711.24	777.2384
2064/065	42.384	344.383	11.520	-28.844	132.72	831.97	-332.293
2065/066	32.231	423.656	1.367	50.429	1.87	2543.13	68.94171
2066/067	54.390	528.920	23.526	155.693	553.46	24240.31	3662.782
N=5	$\bar{X} = 30.864$	$\bar{Y} = 373.227$			x ² =1372.56	y ² =46004.09	xy=6867.091

$$\bar{X} = 30.86$$

$$\bar{Y} = 373.227$$

$$\text{Correlation}(r) = \frac{xy}{\sqrt{x^2} \sqrt{y^2}}$$

$$= \frac{6867.091}{\sqrt{1372.56} \sqrt{46004.09}}$$

$$= \frac{6867.091}{7946.26}$$

$$= 0.864$$

$$\text{P.E.}(r) = 0.6745 \left| \frac{[1 Zr^2]}{\sqrt{n}} \right|$$

$$= \frac{0.6745 \left| [1 Z(0.864)^2] \right|}{\sqrt{5}}$$

$$= \frac{0.6745 \left| [1 Z0.7464] \right|}{2.236}$$

$$= \frac{0.17105}{2.236}$$

$$= 0.0765$$

$$6 \left| \text{P.E.}(r) \right| = 0.459$$

$$\text{Coefficient of determinants } (r^2) = (0.864)^2 = 0.7464$$

Appendix –VIII

Correlation between Interest Earned and Investment

X= Interest Earned Y= Total Investment

N= No. of years

Fiscal Year	X (Rs. In Million)	X (Rs. In Million)	$x=(X-\bar{X})$	$y=(Y-\bar{Y})$	x^2	y^2	xy
2062/063	5.314	122.030	-6.046	-41.420	36.55	1715.61	250.4055
2063/064	8.939	139.407	-2.421	-24.043	5.86	578.09	58.20122
2064/065	12.252	158.116	0.892	-5.334	0.79	28.45	-4.75538
2065/066	11.090	158.167	-0.270	-5.283	0.07	27.91	1.427013
2066/067	19.183	239.546	7.823	76.096	61.19	5790.67	595.2706
N=5	$\bar{X} = 11.36$	$\bar{Y} = 163.45$			$x^2=104.47$	$y^2=8140.72$	$xy=900.549$

$$\bar{X} = 11.36$$

$$\bar{Y} = 163.45$$

$$\begin{aligned} \text{Correlation}(r) &= \frac{xy}{\sqrt{x^2} \sqrt{y^2}} \\ &= \frac{900.549}{\sqrt{104.47} \sqrt{8140.72}} \end{aligned}$$

$$\begin{aligned} &= \frac{900.549}{922.1999} \\ &= 0.976 \end{aligned}$$

$$\begin{aligned} \text{P.E.}(r) &= 0.6745 \left| \frac{[1 Zr^2]}{\sqrt{n}} \right| \\ &= \frac{0.6745 \left| [1 Z(0.976)^2] \right|}{\sqrt{5}} \end{aligned}$$

$$= \frac{0.6745 \cdot [1 - 0.9525]}{2.236}$$

$$= \frac{0.0320}{2.236}$$

$$= 0.0143$$

$$6 \cdot \text{P.E.}(r) = 0.085$$

$$\text{Coefficient of determinants } (r^2) = (0.976)^2 = 0.9525$$

Appendix -IX

Sample Calculation of Trend Analysis Value of Fire Premium Collection to Total Premium Collection

The Trend Line Equation is,

$$y = a+bx$$

where,

y = Dependent Variable

x = independent Variable

a = y intercept

b = Slope of the trend line

Here x = year, y = fire premium collection to total premium collection ratio and N= no. of years

Calculation of Trend Value

Fiscal Years(x)	Fire Premium Collection to total premium Collection Ratio(y)	X = (x-2064)	X ²	XY
2062/063	16.69	-2	4	-33.37
2063/064	16.90	-1	1	-16.90
2064/065	16.24	0	0	0.00
2065/066	15.41	1	1	15.41
2066/067	13.46	2	4	26.93
N=5	y= 78.70	X= 0	X²= 10	XY= -7.938

Here, X= 0

So,

$$a = \frac{Y}{N} = \frac{78.70}{5} = 15.74 \quad b = \frac{xy}{x^2} = -\frac{7.938}{10} = -0.7938$$

Hence, the trend Line Equation is $y = 15.74 + (0.7938) \times X$

$$\text{For Fiscal Year 2067/068} = 15.74 - (0.7938 \times 3) \\ = 13.36$$

$$\text{For Fiscal Year 2068/069} = 15.74 - (0.7938 \times 4) \\ = 12.57$$

$$\text{For Fiscal Year 2069/070} = 15.74 - 3.96$$

=11.77

Appendix- X

Sample Calculation of Trend Analysis Value of Investment on Fixed Deposit at Commercial Bank to Total Investment.

The Trend Line Equation is

$$y = a+bx$$

Where,

y = Dependent Variable

x = Independent Variable

a = y intercept

b = slope of the Trend Line

Here x = Year, y = Fixed Deposit at Commercial Bank to Total Investment Ratio and N = No. of Years

Calculation of Trend Value

Fiscal Years(x)	Fixed Deposit at Commercial Bank to Total Investment Ratio(y)	X = (x-2064)	X ²	XY
2062/063	76.62	-2	4	-145.05
2063/064	79.98	-1	1	-67.43
2064/065	52.81	0	0	0.00
2065/066	56.40	1	1	56.40
2066/067	60.53	2	4	121.06
N=5	y=326.34	X= 0	X²= 10	XY= -55.76

Here, $\Sigma X = 0$

So,

$$a = \frac{\Sigma Y}{N} = \frac{326.34}{5} = 65.27 \qquad b = \frac{\Sigma xy}{\Sigma x^2} = \frac{-55.76}{10} = -5.58$$

Hence, the trend Line Equation is $y = 65.27 + (-5.58) \times X$

$$\begin{aligned} \text{For Fiscal Year 2067/068} &= 65.27 - 5.58 \times 3 \\ &= 48.53 \end{aligned}$$

$$\begin{aligned} \text{For Fiscal Year 2068/069} &= 65.27 - 5.58 \times 4 \\ &= 42.95 \end{aligned}$$

$$\text{For Fiscal Year 2069/070} = 65.27 - 5.58 \times 5 = 37.37$$

Appendix -XI

	Name of Insurer	Nature of Business
1	Nepal Insurance Co. Ltd	Non Life
2	The Oriental Insurance Co. Ltd	Non Life
3	Rastriya Beema Sansthan	Life & Non Life
4	National Insurance Co. Ltd	Non Life
5	Nepal Life Insurance Co. Ltd	Life
6	Himalayan General Insurance Co. Ltd	Non Life
7	United Insurance Co. (Nepal) Ltd	Non Life
8	Premier Insurance Co. (Nepal) Ltd	Non Life
9	Shikhar Insurance Co. Ltd	Non Life
10	Neco Insurance Co. Ltd	Non Life
11	Sagarmatha Insurance Co. Ltd	Non Life
12	Alliance Insurance Co. Ltd	Non Life
13	NB Insurance Co. Ltd	Non Life
14	Nepal Life Insurance Co. Ltd	Life
15	Life Insurance Corporation (Nepal) Ltd	Life
16	American Insurance Co. Ltd	Life
17	Prudential Insurance Co. Ltd	Non Life
18	Shikhar Insurance Co. Ltd	Non Life
19	Lumbini Insurance Co. Ltd	Non Life
20	NLG Insurance Co. Ltd	Non Life
21	Siddhartha Insurance Co. Ltd	Non Life
22	Surya Life Insurance Co. Ltd	Life
23	Gurans Life Insurance Co. Ltd	Life
24	Asian Life Insurance Co. Ltd	Life
25	Prime Life Insurance Co. Ltd	Life

Appendix - XII
INVESTMENT CRITERIA OF NON LIFE INSURERS

Category of Investment	Investment Sector	Investment Percentage	Remarks
A.	Debentures of Govt. & Central Bank or Debenture/Saving Certificates guaranteed by Govt.	In any condition, not less than 15% of total investment should be invested incategory 'A'.	
B.	(1) Fixed Deposit of Commercial Bank	(1) In any condition, not less than 35% of total investment amount should be invested in FD of Commercial banks.	(1) Maximum of 20% of the total investment amount can be invested in the fixed deposit of the same commercial bank which has been in operation for at least 3 years and has done periodic audit and maximum of 5% of the total amount can be invested on the basis of appropriateness in case of the Commercial bank which has not reached 3 years operation.
	(2) Fixed Deposit of Development Bank	(2) Not more than 20% of total Investment amount.	(1) Maximum of 20% of the total investment amount can be invested in the fixed deposit of the same commercial bank which has been in operation for at least 3 years and has done periodic audit and maximum of 5% of the total amount can be invested on the basis of appropriateness in case of the Commercial bank which has not reached 3 years operation.
	(3) Investment in Citizen Investment		(2) Maximum of 5% of the total investment amount can be invested in the fixed deposit of the same

	Trust (In Ekanki Nagarik Lagani Plan)		development bank which has been in operation for at least 3 years and has done periodic audit and maximum of 2% of the total amount can be invested on the basis of appropriateness in case of the development bank which has not reached 3 years operation.
Compulsory Investment (A+B)	As specified above	In any condition, not less than 65% of total investment amount.	
Optional Investment (C)	(1) Preference Shares (not transferable to ordinary shares), Secured Debentures & Other Debentures of commercial banks, development banks and finance companies	(1) Not more than 10% of total Investment amount.	(1) Maximum 5% of total investment amount or 10% of the paid-up capital of banks or finance companies, whichever is lower can be invested in preference shares (not transferable to ordinary shares), secured debentures and other debentures of commercial banks or development banks or finance companies.
	(2) Fixed Deposit of Finance Company	Not more than 15% of total Investment amount.	(2) Maximum of 3% of the total investment amount can be invested in the fixed deposit of the same finance company which has been in operation for at least 5 years and has done periodic audit and maximum of 1% of the total amount can be invested on the basis of appropriateness in case of the finance company which has not reached 5 years operation.
	(3) Ordinary Shares of	Not more than 5% of total	(3) 2% of total investment amount or 10% of the

	Public Limited Company or Public Limited Housing Company	Investment amount.	paid-up capital of the public limited company, whichever is lower can be invested in ordinary shares of public Limited company.
	(4) Ordinary Shares of Public Limited Company (except above mentioned)	Not more than 5% of total Investment amount.	(4) 2% of total investment amount or 10% of the pre-paid capital of the public limited company, whichever is lower can be invested in ordinary shares of public Limited company.

Whatever is mentioned above, Insurer needs to follow as below for investment:

1. In case of term investment, upon maturity, reinvestment should be done as specified above.
2. If debentures of Govt. and Central Bank or debentures/saving certificates guaranteed by Govt. are not available, remaining part of investment to be made in those sectors should be invested in FD of commercial banks and same should be informed to Insurance Board.
3. In case of every new investment and renewal of investment, specified limitations should be followed.
4. Investment should be made for overall benefit of the Insurer.
5. While determining the amount to be invested in FD of banks, the amount deposited in the Call Deposit or any other interest bearing account of the bank should also be Counted.
6. While investing as per Insurance Board's directives, it should be done conscientiously and failure to do so will hold the Board of Directors as responsible.
7. Banks scheduled by Nepal Rastra Bank of not having sufficient liquidity should not be

Invested and should be withdrawn the past investment in those institutions

Questionnaires of Managerial Survey:

Dear Sir/Madam,

In view of the fact that I am in the process of preparing a research based thesis "**Premium Collection and Investment Position of Shikhar Insurance Company Limited**", for the partial fulfillment of the requirement of the MBS degree programs, I request you for your kind assistance and information pertaining to your organization to enable me to provide the information required by this questionnaire. Your assistance in this required will go a long way to facilitate my research and will be greatly appreciated.

Thank You,

Suresh Sharma
Shanker Dev Campus
Putalishadak, Kathmandu

Respondent

Position:

Name:

Corporate Firm:

Date:

Instruction: Please () tick the appropriate option for the following questions.

Regarding the Premium Collection

1. How is the status of Premium Collection of your company at present?
 - a) Excellence
 - b) Good
 - c) Satisfactory

2. Is your company able to meet premium targets?
 - a) Enough
 - b) Nearly Enough
 - c) Not Enough

3. Is your company facing any problem regarding the collection of premium in the competitive market?
 - a) Always
 - b) Never
 - c) Sometimes

4. Through which medium is the premium collected by your company?
 - a) Direct
 - b) Through Agent and Marketing
 - c) Both

5. How is the mode of payment in your company?
 - a) By cash
 - b) By cheque and draft
 - c) Both

Regarding the Investment:

1. Do you think that the Beema Samiti's investment directives are conducive to the investment policies of your company?
 - a) Yes
 - b) No
 - c) Do not know

2. Do you have any knowledge about your company's investment position?
 - d) Yes
 - e) No
 - f) Do not know

3. Which investment portfolio is suitable for your company in regard of return?
 - a) Fixed Deposit
 - b) Govt. securities
 - c) Public Company's Share

4. Which option is suitable for returnable investment?
 - a) Additional Investment portfolio
 - b) Reduction of portion between compulsory and optional sectors
 - c) Both

5. What is the status of return on investment?
 - a) Good
 - b) Bad
 - c) Satisfactory

6. Does your company implement the codes of directives issued by Beema Samiti?
 - a) Yes
 - b) No
 - c) Do not know

Open ended question:-

What kinds of problem are facing by the company in the process of "**Premium Collection and Investment Position**"?

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.....

What would your company require from the Beema Samiti in order to make your company's investment fruitful?.....

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Field survey 2012

The compiled answer sheet of questionnaire from respondent:

Regarding the Premium:

Q.N./Answer of Respondent	a	b	c	Total
1	10	9	0	19
2	8	9	2	19
3	3	0	16	19
4	0	2	17	19
5	0	2	17	19

Regarding the Investment:

Q.N./Answer of Respondent	a	b	c	Total
1	12	3	4	19
2	12	2	5	19
3	15	4	0	19
4	7	6	6	19
5	14	0	5	19
6	17	0	2	19