FINANCIAL PERFORMANCE EVALUATION OF LIFE INSURANCE COMPANIES OF NEPAL

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By

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Certification of Authorship

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "**FINANCIAL PERFORMANCE EVALUATION OF LIFE INSURANCE COMPANIES OF NEPAL**". The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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Report of Research Committee

Mr Anish Chapagain has defended research proposal entitled "Financial Performance Evaluation of Life Insurance Companies of Nepal " successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Mr. Prof Dr. Keshavraj Joshi and submit the thesis for evaluation and viva voce examination.

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We have examined the dissertation entitled " Financial Performance Evaluation of Life Insurance Companies of Nepal" presented by Mr. Anish Chapagain for the degree of **Master of Business Studies.** We hereby certify that the dissertation is acceptable for the award of degree.

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Anish Chapagain

Chaitra, 2080

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ABBREVIATIONS

AQR	Asset Quality Ratio
CAR	Capital Adequacy Ratio
CRR	Cash Reserve Ratio
DAE	Differential Algebraic Equation
ER	Earnings Ratio
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GRP	Graduate Research Project
IRDA	Insurance Regulatory and Development Authority
IMF	International Monetary Fund
LR	Liquidity Ratio
MPS	Market Price per Share
MSR	Management Soundness Ratio
ROE	Return on Equity
ROA	Return on Assets
SCF	Survey of Consumer Finance
SEBON	Security Exchange Board of Nepal

ABSTRACT

This study's goal is to assess the financial performance of Nepali life insurance firms and, using the CARAMEL framework, determine how certain parameters (ratios) affect that performance. The goal of the study is to determine if the performance of life insurance businesses is impacted by the factors that determine CARAMEL ratios.

Both primary and secondary data were used in the research. The necessary information has been taken from the life insurance firms' annual reports and financial statements, which are accessible on their individual websites. A questionnaire is utilized as a key data gathering tool to ascertain the opinions of employed personnel about the viability of life insurance management. From 2012 to 2019, eight life insurance firms provided secondary data for this study. For main data, opinions from 120 respondents are gathered.

Here, ROE and ROA are the dependent variables. The study's independent elements include the need for capital adequacy, the quality of the assets, actuarial and reinsurance, management effectiveness, earnings, and liquidity. The hypothesized association between performance and the CARAMEL ratios has been tested using a regression model. Quantitative data analysis has been conducted using both analytical and descriptive research methodologies.

According to the data analysis, life insurance firms in Nepal own substantial assets in relation to their capital. While profits appear decent when compared to capital, they appear inadequate when compared to assets. The life insurance firms operating in Nepal have kept up a high level of liquidity to cover both policyholder and creditor claims. Life insurance firms in Nepal are well-managed and run effectively. Additionally, the examination of primary data shows that the management team is capable and have strong managing abilities. The performance or returns of the organization are directly impacted by the competency of the management team. Additionally, the number of insurance businesses has grown dramatically over the last several years, indicating that Nepal's insurance market is flourishing. Therefore, this study on assessing financial performance evaluation will help investors and policyholders compare and choose the best insurance provider.

Keywords: ROA, ROE, Financial Performance, and CARAMEL Analysis

CHAPTER I
INTRODUCTION

1.1 Background of the study

The "Performance" is a word originates from the old French word `Parfoumie; whose meaning is to bring through, to carry out, to do or to bring forth. In financial sense, performance evaluation deals with accessing and measurement of the company's activities, policies and operational results. These results are revealed in the firm's capital adequacy, assets quality, management soundness, earnings capacity, liquidity, rate of returns as well as profitability etc. A well designed and implemented financial management is expected to contribute positively to the creation of a firm's value (Padachi, 2006). Dilemma in financial management is to achieve desired tradeoff between liquidity, solvency and profitability (Lazaridis et al., 2007). Ultimate goal of profitability can be achieved by efficient use of resources. It is concerned with maximization of shareholders and owner's wealth (Panwala, 2009). It can be attained through financial performance analysis which refers to firm's overall financial health over a given period of time.

There are many financial alternatives to diffuse the risk, but the most important and the best alternative is insurance which protects man from uncertainty and risks in his personal as well as business life. The main function of insurance is to spread these losses over a large number of persons through a co-operative mechanism which would have fallen on an individual (Sahoo& Das, 2009). All the persons who are exposed to a particular risk co-operate to share the loss caused by that risk, whenever it takes place. Insurance spreads the loss over a large number of persons who have agreed to help with each other at the time of loss.

Insurance is defined as a contract whereby one person, called the insurer, undertakes to make good for the loss of another, called the insured, on payment of a specific sum of money, called premium, to him on the happening of a specified event. Thus, insurance is a cooperative device to spread the loss caused by a particular risk over a number of persons who are exposed to it and who agree to insure themselves against the risk.

The assessment of insurance businesses' financial performance is crucial in this particular setting. Evaluating insurance businesses' performance in light of ratio analysis and the CARAMEL framework has become essential in response to the increasing number of skeptics about how insurance companies operate in Nepal. Either a trend study of a company's ratios over time or a comparison of the company's ratios with those of its closest rivals and the industry averages can be used to achieve this. Furthermore, the four main types of r ratios—liquidity, profitability, turnover, and solvency—are essential in measuring financial success. Essentially, the Handbook of Financial Regulations' CARAMEL model is a ratio-based tool for assessing the financial performance of insurance undertakings. Performance in the case of Nepalese insurance sectorIndustry Evaluation by the IMF and World Bank. Similar to this, the Insurance Regulatory and Development Authority, or IRDA, has also established specific ratios for life insurance. However, as Beema Samiti has not been shown to adhere to IRDA standards, this research does not examine them. When creating an organization's budget, ratios are quite helpful.

1.1.1 History of Insurance in Nepal

History of Nepalese non-life insurance is about seventy years and life insurance is about forty five years old. In 1947, the first general insurance company named "Nepal Insurance and Transport Company" established. This is now known as "Nepal Insurance Company". In 1968, first insurance company, Rastriya Beema Sansthan was established which used to provide both life and non-life insurance services. It offered non-life services in the year of establishment but only offered life insurance services from the year 1972. In 2071 B.S Rastriya Beema Sansthan separated its non-life operation under different name called Rastriya Beema Company. In 2071 government of Nepal decided to form separate general insurance business of Rastriya Beema Sansthan and established Rastriya Beema Company. Currently, life insurance business is looked by Rastriya Beema Sansthan and non-life insurance business is looked by Rastriya Beema Company.

Before the establishment of Rastriya Beema Sansthan, Indian insurance companies used to widely operate in Nepal offering its services and collecting huge amounts of premiums. These insurance companies faded out after the establishment of Rastriya Beema Sansthan by Government of Nepal. The start of industrialization phase in Nepal which started around

1940 provided a base for the development of insurance industry in Nepal. In 1936 Biratnagar Jute Mills, was established which was the first joint stock company in Nepal. Similarly, Nepal Bank Limited which was the first bank in 1973. During the industrialization phase many industries were established, mainly in the terai region of Nepal. Many Indian investors were also keen to establish industries in terai region of Nepal. Insecurity caused Second World War imposed risk to these new investors. This situation demanded the need of insurance sector to back up the growing industrialization. So, the Indian companies took the initiative themselves to back their investors by ensuring those industries through insurance. Nepal Bank Limited helped entrepreneurs by providing loans and in order to insure these loans, in 1947 Nepal Bank Limited further established its subsidiary company named "Nepal Insurance and Transport Company" it was the first insurance company of Nepal. This insurance company was later renamed and revised. This insurance company is operating in under the name of "Nepal Insurance Company". Only five insurance companies existed before restoration of multiparty democracy in 1990.Today about 30 years later, total of 40 insurance companies have been established most of them being established recently around 2017. In Post liberalization period insurance business boomed. In this period the number of policies sold and revenue earned, number of companies in the insurance business has rose in a spectacular manner. Although there are still many areas to be covered by Nepali insurance sector, but the accelerated growth in this sector is praiseworthy. Beema Samiti (Insurance Board) an autonomous body, established to develop, systemize, regularize and regulate the insurance business of Nepal under Insurance Act, 1992.

As on September 2022, there are 19 life insurance companies, 20 non-life insurance companies and two re-insurance company in Nepal.

Table 1: List of Life-Insurance Companies in Nepal

S.N.	**Company Name**	**Year of Commencement/ Operation**
1	MetLife Nepal	2001 A.D.
2	Asian Life Insurance Co. Ltd	2008 A.D.

3	Citizen Life Insurance Co. Ltd	2017 A.D.
4	Guras Life Insurance Co. Ltd	2008 A.D.
5	IME Life Insurance Co. Ltd	2017 A.D.
6	Jyoti Life Insurance Co. Ltd	2017 A.D.
7	LIC Nepal Co. Ltd	2001 A.D.
8	Reliable Nepal Life Insurance Co. Ltd	2017 A.D.
9	National Life Insurance Co. Ltd	1988A.D.
10	Nepal Life Insurance Co. Ltd	2001 A.D.
11	Prabhu Life Insurance Co. Ltd	2017 A.D.
12	Prime Life Insurance Co. Ltd	2007 A.D.
13	Rastriya Beema Sansthan	1968A.D.
14	Sanima Life Insurance Co. Ltd	2017 A.D.
15	Reliance Life Insurance Co. Ltd	2017 A.D.
16	Sun Nepal Life Insurance Co. Ltd	2074 B.S.
17	Surya Life Insurance Co. Ltd	2008 A.D.
18	Union Life Insurance Co. Ltd	2017 A.D.
19	Mahalaxmi Life Insurance Co. Ltd	2017 A.D.

1.2 Problem statement

The history of insurance business is about seventy years in Nepal but the insurance business is flourishing sluggishly. Lack of sufficient knowledge about insurance is the main problem.

Most of the people are unaware about the insurance policy since the insurance is not mandatory in the Nepal.

With the adoption of liberal economic policy number of insurance companies is tremendously increasing in Nepal. The importance of the insurance sector and its future potential is huge while the competition has turned up more intense. Taking this into consideration the research on financial performance of the insurance sector has not been undertaken seriously as much as that of other financial sectors. There is enormous literature on the performance of life insurance companies with the supporting hypothesis to explain various financial performances of the insurance companies in the international levels. In the context of Nepal, every limited study has been carried out on the financial performance especially on Life insurance companies and some researches being done on the sector have not been able to provide clear findings. So, it is felt significant to carry out a field study on the matter of how the Nepalese insurance companies are performing.

Financial Performance analysis includes analysis and Interpretation of financial statements in such a way that it undertakes full diagnosis of Liquidity, Solvency, Profitability and Turnover of the business. The present study examines and determines the proper indicator which focuses on thorough analysis of financial performance of Life Insurance companies after considering all the key indicators of financial Performance.

The financial analysis that has been carried under the study is the CARAMEL approach. Furthermore, primary research has been done to evaluate the management soundness of different insurance companies.

The study aims to address the following research questions:

- What are the key indicators for financial performance of life insurance companies in Nepal?
- How does CARAMEL define profitability of life insurance companies?
- What is the management soundness in Nepalese life insurance companies?

1.3 Objectives of the study

The main objective of the study is to assess the financial performance of selected Nepalese life insurance companies for the period of 2015 to 2022.

The specific objectives of this study are as follows:

- To analyze the key Indicators for financial performance of life insurance companies in Nepal.
- To analyze whether CARAMEL defines profitability of life insurance companies.
- To explore the level of management soundness in Nepalese life insurance companies.

1.4 Rationale of the study

This study would be beneficial to different parties such as, government, regulators, insurance companies, management teams, policies holders as well as general public. Performance evaluation of different insurance companies would provide insight to general public while choosing the best insurance companies to invest on.

Government bodies would be benefited while developing and implementing different plans and policies regarding the insurance industry as it is one of the important financial intermediaries and aids in the capital formation process of a nation. Regulators holding the power to monitor and shake the performance of insurance companies would also be benefited by performance evaluation and such study would also ease them while deciding the optimal numbers of insurance companies as well as deciding whether to increase or decrease the number of foreign insurance companies.

Such study on performance evaluation of insurance companies is also important for management team as they can easily compare and contrast the financial performance of their company to that of similar other companies as well as overall performance of the industry. Such study would help them to access the strengths and weakness of their respective companies. Further analysis of financial ratios could also provide a signal and be able to predict future progress of their firm enhancing the financial institution efficiency and stability of the Nepalese financial structure.

Policies-holders would gain knowledge about the performance as they want their investment to be secure, beneficial and profitable. Depositors often look at the bonus from the offers provided to them. By analyzing insurance performances, they would be able to get more and reliable information about the strength of the insurance companies. So, this study would help them to decide which insurance to place their savings with more confidence.

The study importance also emerges from the fact that insurance sector plays a significant role in enhancing the country economy, and providing critical services for people in Nepal. The main function of insurance companies is to collect small amount of money in the form of premium from various persons and mobilize such collected funds into various sectors of the economy with an organized and institutional manner. It ultimately leads to the economic progress in the country. Thus, there is a capital formation.

The current study would empirically implement a comprehensive analytical framework of financial Performance in the case of Nepalese insurance sector.

Other importance of this study could be summarized as the following:

- In Nepal, a few researches have been investigated Nepalese insurance companies' financial performance, so the current study will be a base for other studies in the same field and it will help in adding value to this subject
- Another importance of this study derived from distinguishing between financial and non- financial drivers of Nepalese insurance companies' financial performance
- The current study will also provide a comprehensive framework and literature about of firm financial performance in the case of Nepalese insurance companies.
- Finally, the current study will identify the effect of CARAMEL variables and major financial ratios variables on Nepalese insurance companies'

Therefore, considering all these facts, the study helps to provide some guidelines to investors, while selecting the best insurance companies. Similarly, it aids policy holders while revamping the existing policies and make new by looking at the financial performance of insurance companies.

1.5 Limitations of the study

The major limitations of this study are as follows:

- The report analyzes the financial performance of only the life insurance companies
- The report analyzes the data of only eight different life insurance companies
- The data between the period of 2015-2022 are analyzed
- Since this report is also based upon the primary data which was only collected through questionnaire method filled by employee working in those eight life insurance companies
- Absence of qualitative information to support the descriptive results in the study
- CARAMEL analysis and Management Soundness of insurance companies through primary research are only done in the report
- Some of the confidential information of the institutions may not be presented in the annual reports which are omitted.

CHAPTER II
LITERATURE REVIEW

2.1 Theoretical Review

Financial performance in broader sense refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. Financial performance analysis helps to identify the financial strengths and weakness of the firm by properly establishing the relationship between the terms of balance sheet and profit and loss account. Better financial performance helps an organization to gain and manage resource in several ways to develop competitive advantage among others.

In Nepal, the insurance sector is one of the fastest-growing and most significant financial intermediaries. The center of business activity and a good indicator of the nation's economic health is the insurance industry. If this sector is doing well, the nation's economy will be doing well too; conversely, if this sector is doing poorly, the nation's economy will also be doing poorly as there won't be enough resources available to defend it from various threats. Following the insurance industry's liberalization, development initiatives were launched in the areas of product innovation, delivery, and insurance penetration. The number, diversity, and geographic reach of insurance operations have all expanded with the introduction of new insurers. There is also now more competition and a greater range of services offered.

In Nepal, the number of insurance companies is rising. The insurance industry's present situation in Nepal is depicted in the following figure.

Table 2: Insurance Companies Nepal

Ownership	**Company Type**			**Total**
	Non-life	**Life**	**Reinsurance**	
Government	1	1		**2**
Private	16	16	1	**33**
Foreign Branch	2	1		**3**
Joint Venture	1	1	1	**3**
Total	**20**	**19**	**2**	**41**

There are three types of insurance companies in Nepal. They are life insurance, non-life insurance and reinsurance.

A life insurance policy is a contract with an insurance company. In exchange for premium payments, the insurance company provides a lump-sum payment, known as a death benefit, to beneficiaries upon the insured's death. Typically, life insurance is chosen based on the needs and goals of the owner. Term life insurance generally provides protection for a set period of time, while permanent insurance, such as whole and universal life, provides lifetime coverage.

Non- life insurance refers to the insurance of goods and properties. The insurance which is done for the physical properties other than human life is known as non-life insurance. The individual or organizations have to suffer a huge loss from the destruction of their physical things. Thus, they can ensure their properties against the varieties of risks. Non- life insurance is taken as a means of providing financial protection for building, machinery, equipment, furniture, and vehicle and merchandise items against the risk of fire, earthquake, accident and theft.

Reinsurance is insurance that is purchased by an insurance company, in which some part of its own insurance liabilities is passed on to another insurance company. The company that purchases the reinsurance policy is called a "ceding company" or "cedent" or "cedant" under most arrangements. The company issuing the reinsurance policy is referred simply as the "reinsurer". In the classic case, reinsurance allows insurance companies to remain solvent after major claims events. In addition to its basic role in risk management, reinsurance is sometimes used to reduce the ceding company's capital requirements, or for tax mitigation or other purposes.

2.1 Empirical Review

The existing literature on the issue has to be studied in order to identify any research gaps. Books, compendia, theses, dissertation Ans, study reports, and articles written by academics and researchers and published in various publications comprise the literature on the life insurance sector in Nepal. The literature review provides insight into focusing on the uncharted territory and differentiating this study from others. Since the goal of this research is to use the CARAMEL technique to examine the performance of life insurance firms, this chapter reviews several financial ratios and makes an effort to present them in an appropriate manner.

This report aims towards reviewing the financial performance of life insurance companies, so reviewing the literature related with it will help to gain better insight and clear ideas about the matter.

A research titled "Impact on Life Insurance Companies of Changing Economic Conditions" was conducted in 1969 by Spencer and Heppen. According to the report, life insurance businesses are vulnerable to changes in the economy, and their combined reaction may jeopardize the stability of other economic sectors. Examining the makeup of life insurance portfolios is helpful in identifying the variables that connect life insurance firms and the economy. Examining the reaction through portfolio manipulation reveals adjustments in revenue.Perhaps the easiest way to predict how shifting economic conditions would affect life insurance firms is to look at certain interest rates. Life insurance firms have found themselves exposed to shifting economic situations due to high and/or rising interest rates.

Moderate reductions in new obligations were made in previous years, but in 1966, they were more than halved, which contributed to the credit crisis of that year and the impending recession in early 1967. While there should undoubtedly be some reaction to the restrictive money regulations implemented by stabilizing authorities, the 1966 reaction seems to have been overly harsh. To prevent a full-blown crisis such to the one that occurred in 1966, it could be required to modify life insurance liquidity generally and policy loans specifically. It is vital to identify the changes that fife insurance firms respond to in order to analyze how they manipulate their portfolios in response to fluctuations in the economy. Changes in income are a clear candidate.

A research on "Life Insurance Financial Distress, Best Ratings and Financial Ratios" was conducted by Pottier (1998). The study aims to assess how well financial ratios predict life insurance insolvency in comparison to Best's rating and rating fluctuations. Stepwise logistic regression is used to estimate three insolvency prediction models for each of the two estimation samples. Different sets of predictor variables are used by the three models. Financial ratios, Best's ratings, rating changes, and total assets, as well as financial ratios coupled with ratings and ratings changes, make up the three sets of predictor variables. The shows that, for particular cost ratios in both holdout samples, using ratings, ratings changes, and total assets together is more efficient than using financial ratios in conjunction with ratings and changesFor some other cost ratios, however, it is more effective to use financial ratios in conjunction with ratings and rating modifications. For the majority of the cost ratios, combining ratings and rating modifications with financial measures also increases predictability when compared to financial ratios alone; nevertheless, ratings changes do not always beat financial ratios. The study also reveals that negative rating changes, especially when paired with financial measures, are a strong predictor of insurer bankruptcy, indicating that insolvency prediction models have to take these changes into account.

In his study titled "Performance Management in Insurance Corporation," Ramanadh (2006) The author conducted the study in order to identify the success elements and key performance metrics for insurance firms. The authors state that life insurance businesses' financial and non-financial performance metrics are Financial performance is measured by net premium earned, underwriting activity profit, investments made externally and in the

company's assets. Performance in non-financial areas: internal proposal processing speed; handling dropouts; prompt reminders; market research; employee morale; employee and agent training; The number of policies issued, market share, customer happiness, branch expansion, and the average number of policies per agent are examples of external indicators.

Sunita (2016) examined the performance of both public and private life insurance firms from 2005–2006 to 2014–2015 in her research paper, "Evaluation of Financial Soundness of Life Insurance companies in India." Secondary data on the growth of new life insurance policies, the growth of fresh life insurance premiums, and the increase of the total life insurance premium was used in the analysis. Mann-Whitney "U" test and trend analysis are the analytical methods employed. According to the research, there is ample proof that private insurance businesses have established themselves and made significant advancements throughout time.

A research on "Factors Influencing Households' Demand for Life Insurance" was conducted by Li (2008). In order to investigate the factors influencing the household's demand for life insurance, the study looks at the kind and quantity of life insurance purchases made by the families. By utilizing established demographic traits, this aids in the comprehension of the decision made by households to obtain life insurance. The 2004 Survey of Consumer Finances (SCF), which offers comprehensive data on US family finances, including a variety of asset and debt kinds and demographic data, is where the study's data came from. There are three important contributions made by the study. The first demonstrates that household demand for life insurance is jointly decided in the context of other aspects within the household's portfolio, supporting the notion that other assets positively impact households' demand for both term and cash value life insurance. Second, the Heckman two-stage selection models are supported by the study. The findings of a two-staged model demonstrated that a variety of factors, including the number of children and the spouse's work position, varied in their effect over the chance of owning life insurance and the quantity of life insurance acquired by families. Finally, the research validates the necessity of analyzing the two varieties of life insurance independently.

A research titled "A Study on Financial Performance of Some Listed Insurance Companies" was conducted by K.C. (2008). The study's primary goals are to explore the key financial variables that have a significant impact on defining the MPS and to analyze different elements of the financial performance of insurance firms in Nepal. The study employs the descriptive portion based on the technical and logical component and includes quantitative methods to a larger extent. From 2001–2002 to 2005–2006, the study considers five listed insurance firms out of the total population size of eighteen.. The study comes to the conclusion that most companies do not regularly pay dividends based on the data analysis. This escalates the risk for investors in insurance companies and sends a bad message to them. The contradictory results of the relationship between market price per share and earnings per share, dividends per share, and price per share indicate that there is no discernible pattern in this area that is applicable to all insurance organizations. While the more established insurance firms have strong financial records, the more recently created insurance organizations are starting to make inroads into the market. Although some insurance companies lost money when they first started out, most of them are now profitable. Investors appeared to have a favorable opinion of insurance businesses.

A research on "Emerging Trends in Financial Performance of General Insurance Industry in India" was conducted by Singh and Kumar (2009). The primary goals of the research are to compare the financial performance of general insurance firms in India's public and private sectors and to examine new trends in the development and operation of these businesses. The secondary data used in this study was mostly gathered from IRDA annual reports, journals, websites, and annual reports. The study's time period spans from 2002 to 2007. In order to assess the relative growth and financial performance of the public and private sectors, the study primarily focuses on financial metrics used in the insurance industry, such as the Gross Direct Premium, Expenses of Management Ratios, Claims Incurred Ratios, Combined Ratios, Underwriting Results Ratios, Net Earnings Ratios, and Return on Net Worth Ratios. According to the report, the liberalization and privatization of the insurance industry have resulted in significant changes to the insurance market. enterprises in the private sector are growing their market share annually, and their growth rate in general insurance is

significantly larger than that of public sector enterprises. The liberalization of this industry has created fantastic chances to capitalize on the market's enormous potential.

Cagil and Karabay(2010) made a study on the topic "An Implementation towards the An assessment of Turkish insurance industry financial performance at the level of the global crisis. The primary objective of the research is to investigate performance metrics, which hold a notable position in gauging the competitiveness of insurance firms within the contemporary financial industry. The impacts of the most recent global crisis are discussed in this context with particular attention to how they have affected the non-life insurance industry. In order to examine the financial performance of the firms throughout the global crisis, the CRR focused DAE approach was used to analyze 25 non-life insurance companies operating in the Turkish insurance market between 2003 and 2008. According to the report, the businesses had much higher efficiency ratings. The effects of the crisis are clearly visible in the non-life branches' levels of efficiency, given the mergers and acquisitions that have occurred in the insurance industry during the past two years. The report claims that the crisis was mostly to blame for the decline in the institute's financial performance, since it led to a disintegration in capital equity, a weakening of total assets, and ultimately a decline in earnings. The production's diversity might be another factor. Due of data limitations, the study's empirical findings only show a portion of the sector's impact from the most recent global crisis. One can examine the total consequences by looking at the 2009–2010 timeframe.

A research on "Insurance and its Business in Nepal" was conducted by Gurung (2010). The study's primary goals were to evaluate the functioning of Nepal's insurance industry, with a particular emphasis on premium collection, investment, insurance firms, insurance policies, and insurance brokers from a Nepalese perspective. This study mostly employed quantitative data, and basic percentages and correlation coefficients were used for analysis. The majority of the data utilized in this study are quantitative, and its time horizon is usually a time series study, with data being gathered between FY 2062/2063 and FY 2066/2067. The study's analysis was conducted utilizing the correlation coefficient and a simple percentage. The study demonstrates that over the study period, life and non-life insurance policies in Nepal have gradually increased. In a similar vein, premium collection and its GDP contribution are

rising annually. Similarly, as there is a substantial link between life and non-life insurance over the research period, the investment of life and non-life insurance firms is also growing favorably. The overall premium collection and investment growth trends are both on the rise, and they are highly correlated. All of these data point to Nepalese insurance firms' acceptable performance. More precisely, premium collection and investment performance for both life and non-life insurance businesses in Nepal is good.

A research on the "Financial Performance of Insurance Industry in Post Liberalization Era in India" was conducted by Darzi (2011). The primary aim of the research is to evaluate the financial performance of life insurance providers in the public and private sectors using CARAMEL parameters. Additionally, the study will investigate different aspects related to the solvency of non-life insurers and develop a policy that will provide recommendations for optimizing and harmonizing the potential advantages of insurance sector liberalization. Both primary and secondary data have been employed in the research. The research's foundation is the effect of liberalization on the non-life insurance market in India. To examine the effects of this influence, the study was carried out over a five-year period, from 2004–2005 to 2008–2009. According to the analysis, the private insurance industry has low capital adequacy ratios but is seeing an annual increase, whereas public insurers have good capital adequacy ratios but are falling like titans. The asset ratio patterns for public and private insurers are also different; public sector insurers have substantial reserves and might not require further capital infusion, but there is evidence of new capital infusion for private insurance. The increasing reinsurance ratios also show an increasing capacity to manage risks effectively; in this regard, however, there are more differences between the public and private sectors. The data also indicates that the number of private sector enterprises in the market has increased, but that this growth has also had an impact on the quality of their management. The worldwide financial crisis undoubtedly affects the deregulated business sector's profitability in India. However, there has only been a slight influence on the sector's total profitability due to the insurance industry's 26% openness to FDI. The survey also finds that the price deregulation of 2007 is seen to have had an impact on insurers in both industries. The corporations in both areas exhibit a premium shortfall and skyrocketing profit margins.

Malik (2011) made a research on the topic "Determinants of Insurance Companies' Profitability: An analysis of insurance sector of Pakistan". The main objective of the study is to determine the relationship between the internal factor and the profitability in Insurance Corporation. The study uses secondary data for the period of 2005-2009 and the sample of 34 insurance companies of Pakistan. The multiple regression models is used to identify the relationship between the profitability of insurance companies and age of the company, leverage ratios, loss ratios, company size and volume of capital. Data will be analyzed with one dependent variable and five independent variables. For the data analysis descriptive statistic, correlation and regression analysis are used for each variable for Pakistan insurance companies during 2005-2009 The findings of this study contribute towards a better understanding of financing performance in Pakistan insurance companies. Results show that there is no relationship between profitability and age of the company and there is significant positive relationship between profitability and size. A result also shows that the volume of capital was significantly and positively related to profitability. ROA is affected positively by size, volume of capital and negatively by leverage and loss ratios.

Charumathi (2012) in his research paper “On the Determinants of Profitability of Indian Life Insurers – An Empirical Study”. The present study tried a model the factors determining the profitability of life insurers operating in India taking return on assets as a dependent variable. For this purpose, firm specific characteristic such as leverage, Size, premium growth, liquidity, underwriting risk and equity capital are regressed against Return on assets. The study revealed that profitability of life insurers is positively and significantly influenced by the size and liquidity. The leverage, premium growth and logarithm of equity capital negatively and significantly influenced the profitability of Indian life insurers.

Rabindra (2013) in his research paper “Performance Evaluation of Nepal Life and LIC: A Comparative Analysis of Earnings & Profitability Indicators”. In this paper the author has compared the performance of LIC (Nepal) and LIC (India) and for the analysis purpose the author has considered the following parameters – revenue, assets, Net profits, Life fund and their contributions and also he has considered CARAMEL Earnings and profitability ratio. The study revealed that the performance of Nepal Life Insurance corporation is performing better in some aspects like revenue and net profit.

Ghimire (2013) made a study on the topic “Financial Efficiency of Non Life Insurance Industries in Nepal” The paper provides a brief overview of the financial efficiency of non life insurance industries of Nepal. The main purpose of this analytical study is to understand the level of soundness of the 16 private sector non life insurers using some popular financial ratios. The paper is prepared on the basis of the secondary data obtained from the annual report of the 16 non life insurance companies for the period of 2007 to 2011. Sixteen different ratios show mix results of financial efficiency of insurers.

The paper concludes that most of the legal compliance have been fulfilled by the insurers. Position of some ratios such as Expenses ratio, Return on equity, Return on assets, Retention Ratios, Gross premium to equity ratio, Net premium to equity ratio, Return on Capital during the study period is improving whereas other ratios: Investment Ratio, Investments to total assets ratio, Capital to liabilities ratio is deteriorating in the same period. Claims ratio and Combined ratio performance was fluctuating during the period and Profit Ratio to Underwriting Ratio trend also become slightly decreasing. The financial soundness of the overall industry has been improving gradually. Regulator needs to use key financial indicators to evaluate the financial performance of the insurers. The paper concludes that maintaining the sound financial health of insurance industry is most challenging job for regulatory agencies while its contribution to the economy and society is noteworthy.

MohdArif (2015) in his research paper titled “Life Insurance Industries in India – Trends and patterns”. This study is carried out to know the trends and patterns of life insurance industry in India. To carry out the study Insurance penetration and density, premium Amount, Amount of Investment, Amount of Life Insurance, Amount of New life insurance policy issued & Number of grievances. The statistical tools used for the study is Regression. The study reveals that even a tremendous growth in the insurance population who are remained not served. So, there is an opportunity to life insurer to tapped this untapped market through customized and innovative products and better facilities.

A research on "Factors Affecting Financial Performance of Insurance Industry in Pakistan" was conducted by Shawar (2019). This research looked at Pakistani insurance firms' financial performance metrics. While sales profitability (SAP), investment income (INP), and

underwriting profit (UWP) were taken as proxies for financial performance, gross written premium (GWP), claim (CLM), reinsurance (Rei), management expenditure (MGE), interest rate (IR), size (SIZ), leverage (LEV), and real GDP (RGDP) were taken as factors (independent variables). Five insurance companies' worth of data were selected, with the years 2013 through 2017 covered. Panel regression analysis was done on the data. The results demonstrated that all three profitability measures are significantly impacted by the gross written premium. Sales and investment profit are negatively impacted by the company's larger size. Furthermore, there is negligible correlation between the GDP, reinsurance, claims, interest rate, and management expenditures and the three profitability metrics. Therefore, variables that might raise premiums should receive greater attention if the insurance market in Pakistan is to perform better financially and operationally.

J A research on "Capital Structure and its Impact on Financial Performance in Insurance Companies of Nepal" was conducted by Aishi (2020). The goal of the article is to investigate the connection between Nepalese insurance firms' financial performance and their capital structure. The dependent variables are profits per share and return on assets. Size, liquidity, tangibility, equity to total assets ratio, and total debt ratio are examples of independent variables. The basic structure of capital structure and financial performance, as well as their relationship, are examined in this work using a causal comparative research methodology together with descriptive analysis. The information was gathered from Nepalese listed insurance firms' annual reports. Based on 84 observations from 14 insurance firms in Nepal between 2013–14 and 2018–19, the study was conducted. To evaluate the impact on financial performance metrics, such as return on assets and profits per share, regression models are estimated. The outcome demonstrates the superior financial performance of insurance businesses with a high debt ratio. Return on assets is increased by a higher debt-to-tangibility ratio in the industry, however it is decreased by a higher equity, size, and liquidity ratio. Tangibility and the debt ratio have a favorable effect on earnings per share, whereas size, equity, and the liquid ratio have a negative effect. Major findings of this research include the following: size, liquidity, tangibility, leverage, equity to total assets ratio, total debt ratio, and size are important determinants in influencing Nepalese insurance companies' financial success. If Nepali insurance businesses wish to improve their financial performance, they

should raise their tangible asset and total debt ratio while lowering their equity, firm size, and liquidity ratio.

A research on the "Financial performance of Nepalese insurance companies" was conducted in 2021 by Pradhan and Dahal. The financial performance of insurance firms in Nepal is examined in this study. Return on assets and profits per share are the dependent variables, whereas company size, insurance premium, current ratio, and solvency ratio are the independent factors. Twenty-one insurance companies—eight of which are life insurance and the other thirteen are non-life insurance—with 105 observations from 2070–2071 to 2074–2075 were chosen for this study. The information was gathered from the annual reports of the chosen Nepalese insurance firms as well as insurance and financial statistics released by Beema Samiti. To evaluate the relevance and impact of liquidity management on the financial performance of Nepalese insurance, regression models and the correlation coefficient were computed. The data demonstrates that insurance premiums have a favorable effect on earnings per share and the return on assets. It implies that a rise in insurance premiums causes an increase in earnings per share and return on assets. Similar benefits of business growth include increased earnings per share and return on assets. It suggests that rising business sizes are associated with rising returns on assets and earnings per share. In a similar vein, return on assets is negatively impacted by current ratio. It implies that a rise in the current ratio causes the return on assets to fall. Similarly, return on assets is negatively impacted by the solvency ratio. It suggests that a rise in the solvency ratio causes the return on assets to fall. In a similar vein, return on assets is positively impacted by current ratio. This indicates that a rise in the current ratio causes a rise in earnings per share. Similarly, profits per share are positively impacted by the solvency ratio. It suggests that larger profits per share would follow from a higher solvency ratio. The study also comes to the conclusion that the main factors impacting the financial performance and liquidity management of Nepalese insurance businesses are insurance premium, current ratio, and company size.

A research on "Reinsurance and Financial Performance of Non-life Insurance Companies in Ghana" was conducted in 2021 by Andoh and Ayamoah. The research investigates the impact of premiums relinquished to a reinsurer on the profitability of non-life insurance firms operating in Ghana. The National Insurance Commission provided secondary data on

reinsurance ceded, combined ratio, assets, liabilities, and return on assets for 20 non-life insurance companies from 2008 to 2018, while the Bank of Ghana provided information on interest and currency rates. The data gathered was analyzed using the panel regression model.

A research titled "Determinants of Financial Performance of Insurance Companies: Empirical Evidence Using Kenyan Data" was conducted in 2021 by Morara and Sibindi. The purpose of this essay was to investigate the factors that affect insurance companies' financial performance. In order to determine the factors influencing Kenyan insurers' financial performance, the study used panel data methodologies and a sample of 37 general insurers and 16 life insurers for the years 2009 to 2018. The financial performance metrics (proxied by either ROA or ROE) were used as the dependent variables in the pooled OLS, fixed effects, and random effects models. The study's findings showed a favorable relationship between insurer size and financial success. The study also discovered a negative relationship between the age variable and insurer financial performance. The analysis also revealed that insurance businesses with higher levels of leverage outperformed their rivals with lower levels of gearing. The several factors influencing the financial performance of Kenya's insurance sector are broadly analyzed in this article. The study's conclusions add to the body of knowledge on the financial performance of the insurance industry in Kenya and throughout Africa. Moreover, it provides guidance to insurance company management on the facets of their operations that require more focus in order to achieve and maintain exceptional financial results. Reinsurance and Non-Life Insurance Companies' Financial Outcomes in Ghana

A research titled "A Comparison of Efficiency of Life Insurance Companies in Mainland China and Taiwan Using Bootstrapped Truncated Regression Approach" was conducted in 2022 by Shieh, Li, Hu, and Ang. This research compares the operating efficiency of insurance businesses in Taiwan and mainland China, providing strategic and competitive insights. We use the bootstrapped truncated regression technique in conjunction with the two-stage DEA to investigate the overall performance of insurance businesses in mainland China and Taiwan from 2005 to 2011. The findings of the study indicate that life insurance companies in Taiwan and mainland China have higher managerial efficiency when it comes to savings rates, the percentage of elderly people, and business freedom. Conversely, higher

GDP growth rates, inflation rates, corruption indices, and climate risk have a negative impact on these companies' managerial efficiencyThe results demonstrate that, while GDP growth rate, inflation rate, corruption index, and climate risk negatively affect life insurance companies' managerial efficiency, savings rate, elderly population percentage, and business freedom positively affect it in mainland China and Taiwan. Overall, the study of the data offers policymakers future insights and recommendations for further liberalizing and reforming the commercial insurance sector, in addition to revealing strategic implications for practitioners in the insurance business in Taiwan and mainland China.

The findings indicate that while buying large amounts of reinsurance on its own has little influence on non-life insurance businesses' profitability, the combination of reinsurance and solvency ratio has a major effect. In addition to reinsurance, managers of non-life insurance businesses in Ghana should strengthen their capacity to pay all debts over the short, medium, and long terms. As a result, insurers will be able to maintain growth, turn a profit, and fulfill their duties to policyholders on schedule.

2.3 Research Gap

The aforementioned studies only provide a partial picture; further investigation is needed to get a firm conclusion on the financial performance of life insurance businesses in Nepal. Prior research has focused mostly on determining how the company's financial ratios affect its dividend and market value per share. Similar to this, there have been several developments in Nepal's capital market, particularly in the insurance sector as a result of the establishment of new life insurance firms including Asian Life Insurance Company Limited, Prime, Guras, and Surya.

The current goal of this research is to examine the financial standing of eight public life insurance companies. The majority of earlier dissertations either focused on one or two life insurance businesses, or they discussed non-life insurance companies. This does not complete the investigation of how well life insurance businesses are doing financially in Nepal.

In an attempt to address this shortcoming, this study examines the financial performance of eight life insurance firms using the CARAMEL technique and ratio analysis. Fewer studies

have been conducted on this subject, particularly in the insurance sector, and a restricted range of performance assessment methods are employed.

CHAPTER III
RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design

The suggested study is applied as it makes use of pre-existing theories and concepts to achieve its goals. To determine the performance of top Nepalese life insurance firms, this study methodically and impartially gathered, assessed, verified, and synthesized historical facts. The information was gathered during a seven-year period (from fiscal year 2015/16 to 2021/22) from secondary sources, including cash flow statements, profit and loss accounts, and balance sheets. Additionally, the management soundness of life insurance organizations has been examined through the use of questionnaires to gather primary data from personnel. The investigator has employed both analytical and descriptive research techniques, utilizing suitable statistical or financial instruments. Regression analysis, correlation analysis, and determining the strength and direction of the association between dependent and independent variables are all conducted using a causal comparative study methodology.

3.2 Population and Sample, Sampling Design

The study is confined to the life insurance companies of Nepal. Currently there are 41insurance companies in operation in Nepal with their branches located in different parts of the country. Out of the population of 41 insurance companies only 19 insurance companies are life insurance companies. From the total of 19 insurance companies most of them started operation recently. Only nine of the companies started operation before 2010 A.D. Furthermore, Rastriya Beema Sansthan offered both life insurance and non-life insurance services until establishment of Rastriya Beema Company for non-life insurance until 2071 B.S. so it is excluded from the study. The Convenient sampling technique is used. Thus, financial performance evaluation of only eight companies is carried in this research. Eight older life insurance companies are selected; they are, MetLife Nepal, Asian Life Insurance Co. Ltd, Guras Life Insurance Co. Ltd, LIC Nepal Co. Ltd, National Life Insurance Co. Ltd, Nepal Life Insurance Co. Ltd, Prime Life Insurance Co. Ltd and Surya Life Insurance Co. Ltd.

3.3 Sources of Data and Data Collection Procedure

Primary and secondary sources have both contributed data to the collection. The balance sheet, profit and loss account, and other necessary financial documents for this study are included in the secondary source. These were gathered from the eight life insurance firms' published annual reports and accounts during the fiscal years 2015–16 and 2021/22. In a similar vein, information gathered through questionnaires from staff members of life insurance companies is included in primary sources.

3.4 Instrumentation of Data

The secondary data utilized in this study was instrumented using refined data from many secondary sources, which were retained in one unit for ease of analysis and comparison. To enable further data analysis in SPSS, the gathered data was organized and handled using Microsoft Word and Excel. Using a variety of ratio analysis, correlation, and regression analysis approaches, the data in MS Excel has been displayed in percentage or ratio form.

3.5 Reliability and Validity of Data

The information essentially consists of the data that the relevant insurance firm has already released and improved. The degree of precision of the data kept by those insurance firms in their individual yearly reports or accounts determines the degree of validity and reliability of the data utilized for this study. However, cross-checking was used to guarantee the data's correctness and dependability. We have used the Cronbach's alpha approach to assess the dependability of primary data.

3.6 Data Management and Analysis

Software called SPSS 16.0 was utilized to get the data. Using SPSS software, the gathered data was logically and methodically recorded, and analysis of the descriptive, Pearson's correlation coefficient, and multiple regression was completed in accordance with the study's requirements. Three distinct methodologies were employed in the study: regression of the econometric model, descriptive statistics, and Pearson's correlation coefficient.

Descriptive Statistic

This study presents and analyzes the descriptive statistics, such as the maximum, minimum mean, and standard deviation, of the variables of the selected life insurance firm. The arithmetical average of the variables that are part of the research is reported by the mean value. The variable's lowest and maximum values represent its lowest and greatest values, respectively. The variability or diversity of each variable in the data set is shown by the standard deviation. High standard deviation values indicate that the data set is spread out over a wide range of values, whereas lower standard deviation values indicate that the data points are tended to be very near to the mean.

Pearson's Correlation Coefficient

The degree to which two or more variables are connected to or correlated with one another may be measured using correlation. The Pearson product-movement coefficient, often known as the Pearson correlation and employed in this work, is the most used bi-variant correlation statistic. Correlation coefficient between two variables ranges from +1 (i.e., perfect positive relationship) to -1 (i.e., perfect negative relationship).

Econometric Model

The econometric model in use is multiple regression. numerous regressions are analyses in which numerous independent variables are concurrently regressed against the dependent variable. The dependent variable estimate's value is impacted by changes in the independent variables, as indicated by the regression coefficient. Put another way, the regression coefficient of each independent variable represents the marginal relationship—that is, the influence of all other independent variables in the regression model being constant—between that variable and the value of the dependent variable. Several financial and statistical techniques are needed for the investigation of the performance of eight insurance businesses. These tools aid the researcher in drawing conclusions by assessing financial documents like the balance sheet and profit and loss accounts, among others. In order to evaluate the life insurance businesses' performance between 2015/16 and 2021–2022, the following multiple regression econometric models have been estimated:

ROA = b0+b1CAR+b2AQR+b3RR+b4 MSR+b5EAR+b6LR
ROE = b0+b1CAR+b2AQR+b3RR+b4 MSR+b5 EAR+b6LR

Where,

ROA = Return on assets

ROE = Return on equity

CAR = Capital Adequacy Ratio

AQR = Assets Quality Ratio

MSR = Management Soundness Ratio

EAR = Earnings Ratio

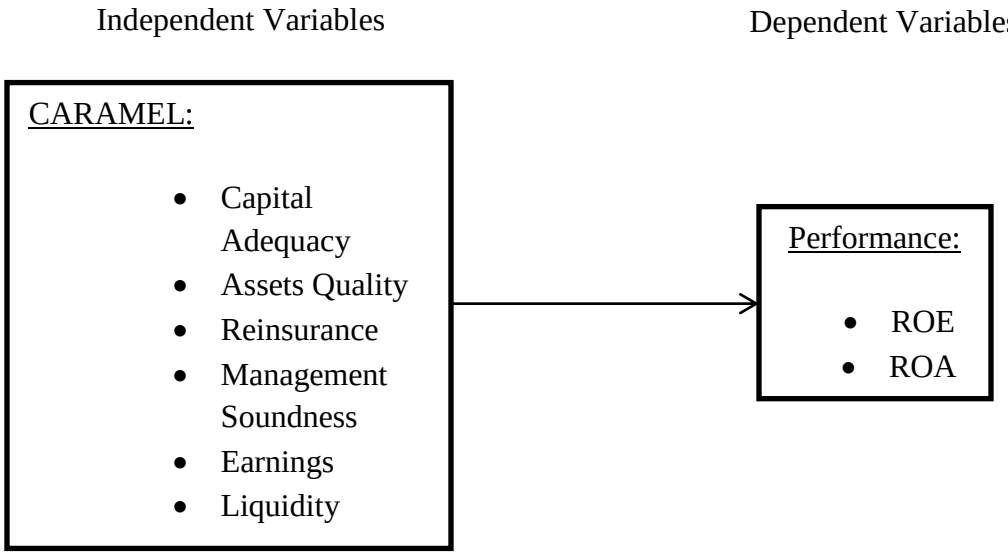
RR = Reinsurance Ratio

LR=Liquidity Ratio

3.7 Theoretical Framework

The study's conceptual framework, which was utilized to gauge the financial performance of Nepali life insurance firms, is depicted in the image below. The study examined insurance firms' performance in relation to the CARAMEL methodology.

Figure 1: Theoretical Framework



Specifications of the Variables

Capital Adequacy

The capital required to keep a financial institution in balance with its risk exposures is known as capital adequacy, and it also indicates the health of the insurance firm. It may be thought of as a cushion to support stability and effectiveness while safeguarding the insured. It also shows if the insurance provider has sufficient cash on hand to cover claim losses. The IMF and World Bank have recommended two ratios—Net Premium to Capital and Capital to Total Assets—for determining a company's capital sufficiency. Capital to Total Assets has been taken into account for the study's objectives.

Assets Quality

A assessment or evaluation that determines the credit risk connected to a certain asset is called an asset quality rating. It displays an insurance company's entire financial situation. The IMF and World Bank have recommended using the ratios of equity to total assets and real estate plus unquoted equity plus debtors to total assets. The study's ratio was equities to total assets.

Reinsurance/ Actuarial

This speaks to the insurer's entire underwriting approach, shows how much risk is kept and transferred to reinsurers, and illustrates the insurance industry's ability to take on risk. In this standard, the IMF specifies two ratios: the ratio of Net Technical Reserves to the Average of Net Claims paid over the previous three years, and the ratio of Net Premium to Gross Premium. Depending on the data's accessibility, the study's ratio is net premium to gross premium.

Management Soundness

The capacity of the board of directors and management to recognize, quantify, and manage the risks associated with an organization's operations and to guarantee that it operates safely, soundly, and effectively while adhering to relevant laws and regulations is known as management soundness. The recommended metric is the ratio of management expenses to gross premiums.

Earnings

There are five sub dimensions to limelight the earnings and profitability of the insurance companies.

- Claims Analysis: The standard is a crucial determinant of the accuracy of their pricing strategy. The amount of claims is reflected in the premiums that are earned. Net Claims Incurred to Net Premium is the ratio that is required for this study.
- Expense Analysis: This shows the costs that the management has to pay when operating the insurance company; the higher the costs, the lower the profit margin. The Management Expenses to Net Premium Earned ratio is the one that is required for this reason.
- Analysis of the Combined Ratio: The combined ratio combines the claims and spending ratios. The likelihood of profitability in insurance activities is explained by the ratio. Claim Ratio + Expense Ratio to Net Premiums is the ratio used for this standard.
- Investment Income Analysis: The income from investments is measured by the investment income ratio. The recommended ratio is Net Premiums to Investment Income.
- ROE Analysis: Profits to Equity is the ratio used to calculate Return on Equity, which is a measure of return to shareholders.

The expense ratio is the ratio employed for the study, based on data available from the annual reports of the relevant firms, BeemaSamiti and SEBON.

Liquidity

Liquidity means how quickly you can get your hands on your cash. In simpler terms, liquidity is to get your money whenever you need it. According to Lucas (2014) Liquidity also refers ability of assets to be traded for cash on short notice, on predictable terms, and without undue labor costs. That means, the volume of securities must have the ability of being sold in a short span of time without significant effect on prices. Market liquidity has two dimensions: tightness and dept. Tightness refers to the market's ability to match demand and supply at low cost whereas depth refers to the ability of market to absorb large trade flow

without a significant effect on the prices. Liquidity crisis may turn to be in serious concerns, where obligations are of short duration nature, similarly for non-life insurers, the ratio is an important standard and is current assets to current liabilities. For the purpose of study current ratio is considered. Where, Current Ratio is obtained by dividing Current Assets by Current Liabilities.

Return on Equity

The insurance company's profitability is gauged by the Return on Equity (ROE), which displays the profit as a percentage of the capital invested in rupees.

ROE= Net Income/ Shareholders equity

Return on Assets

The ROA illustrates how well management is able to turn a profit while making use of its resources. It displays the profits made in relation to the assets' worth in rupees and illustrates how well the assets are managed to provide income.

ROA= Net Income/ Total Assets

CHAPRER IV
RESULTS AND DISCUSSION

To achieve the study's goals, this chapter covers data analysis and presentation of pertinent data. The definition and computation of a number of widely used financial measures as well as an integrated model for evaluating and comparing the financial performance of various life insurance businesses are the primary topics of this chapter. There are four sections in this chapter. The financial performance of Nepalese life insurance firms using the CARAMEL technique is covered in the first part. Descriptive statistics and inferential analysis of the secondary data are covered in the second section. The analysis of primary data is covered in the third portion, and discussion is included in the last section.

4.1 Financial Performance by CARAMEL Approach

To determine the financial performance of selected life insurance companies, different ratio have been calculated. The study undertakes life insurance having data for the period of 2015-2021. The sample includes eight life insurance companies.

4.1.1 Capital Adequacy Requirement

A financial institution's capital sufficiency reflects its internal resilience, which would serve it well in an emergency. In order to absorb future losses and safeguard the debt holders of the financial institution, capital adequacy refers to the capital necessary to maintain a balance with the risk exposure of the institution, including credit, market, and operating risks.

Table No. 3:Capital Adequacy Ratio

Insurance/Years	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Asian Life	17.48%	12.43%	8.77%	9.64%	9.72%	7.50%	7.10%
Guras Life	49.08%	35.98%	31.49%	28.21%	21.05%	17.21%	14.12%
LIC Nepal	3.39%	2.49%	3.00%	3.82%	3.79%	3.65%	3.52%

Met Life	NA	NA	NA	NA	NA	NA	NA
National Life	4.49%	4.78%	5.04%	6.59%	7.18%	7.78%	7.96%
Nepal Life	3.84%	3.03%	4.28%	5.41%	6.40%	5.97%	6.10%
Prime Life	30.99%	23.92%	19.29%	14.49%	11.23%	8.71%	8.57%
Surya Life	63.43%	48.40%	42.76%	35.23%	25.81%	17.90%	16.76%
Average	24.67%	18.72%	16.38%	14.77%	12.17%	9.82%	9.16%

The higher CAR indicates the stronger financial strength. From table 3, we can see that CAR of Asian Life 7% to 17% similarly Guras CAR ranges from 14% to 49%. LIC has the lowest CAR which ranges from about 2% to 4%. Companies like Nepal Life and National Life has steady increase in CAR.

4.1.2 Assets Quality Ratio

Asset Quality Ratio reflects the healthiness of financial institutions against loss in value of assets. The indicator equity/ total asset reveals the asset base of the insurance companies and the degree of insurers' exposure to the stock market risk and the fluctuation of the economy.

Table 4: Assets Quality Ratio

Years	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Asian Life	24.88%	21.59%	18.32%	15.27%	12.82%	11.00%	9.11%
Guras Life	53.72%	43.50%	39.60%	36.43%	28.74%	23.66%	19.66%
LIC Nepal	3.38%	4.16%	4.99%	5.74%	5.32%	5.35%	4.47%
Met Life	1.74%	1.97%	5.29%	5.11%	5.08%	6.81%	8.60%
National Life	6.08%	6.06%	8.69%	10.24%	10.32%	10.55%	10.51%
Nepal Life	3.44%	5.94%	8.90%	9.25%	8.71%	8.90%	15.30%

Prime Life	48.61%	37.99%	32.00%	28.22%	24.64%	22.74%	21.07%
Surya Life	69.42%	56.56%	47.92%	44.69%	33.73%	28.00%	26.76%
Average	26.22%	21.83%	20.23%	18.86%	15.73%	14.09%	13.85%

The table 4 shows the assets quality ratio where, Surya life insurance has maintained highest average through the years; highest being 69.42% in the year 2015/16 and lowest being 26.76% in 2021/22. MetLife, Nepal life and LIC have the least assets quality ratio, but are increasing this ratio gradually through the years.

4.1.3 Reinsurance/ Actuarial

Reinsurance ratios also refereed as risk retention ratios measured by net premium to gross premium indicates the risk bearing capacity of the country's insurance sector. It reflects the overall underwriting strategy of the insurer and shows what portion of the risk is passed on to the insurers.

Table 5:Risk Retention Ratio

Years	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Asian Life	98.65%	99.65%	99.67%	99.59%	99.39%	99.81%	99.33%
Guras Life	98.14%	99.44%	99.24%	99.22%	98.04%	95.47%	93.12%
LIC Nepal	99.64%	99.53%	99.43%	98.95%	98.38%	98.41%	97.87%
Met Life	98.51%	99.15%	98.99%	98.80%	98.48%	98.18%	97.78%
National Life	85.95%	87.23%	88.59%	89.50%	91.03%	93.55%	95.36%
Nepal Life	97.18%	96.23%	96.89%	97.93%	98.52%	98.82%	98.66%
Prime Life	90.56%	90.14%	90.38%	90.74%	93.16%	93.07%	93.54%
Surya Life	98.60%	98.49%	98.49%	91.98%	85.84%	93.67%	93.83%
Average	95.90%	96.23%	96.46%	95.84%	95.36%	96.37%	96.19%

The ratio of net premium to gross premium of the most of the insurers is more than 90% which reflects that life insurance companies have become more risk tolerant as they grow.

LIC Nepal, MetLife, Asian Life, Guras Life and Nepal Life have risk retention ratio near to 98% to 99%.

4.1.4 Management Soundness

In essence, management quality refers to the board of directors' and management's capacity to recognize, quantify, and control the risks associated with the operations of an organization and to guarantee that it operates safely, soundly, and effectively while adhering to all applicable laws and regulations. There is a good chance that the operational efficiency indicator and overall management soundness will link. Because gross premiums represent the whole amount of company activity, they are utilized. The examination shows operational efficiency, which in turn shows the effectiveness and stability of management.

Table 6: Management Soundness

Years	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Asian Life	17.78%	19.80%	11.18%	12.36%	14.87%	12.90%	12.94%
Guras Life	36.38%	34.79%	21.00%	19.09%	19.24%	16.88%	13.81%
LIC Nepal	9.13%	9.79%	6.52%	7.13%	6.90%	6.59%	5.66%
Met Life	7.26%	7.35%	7.20%	8.63%	9.75%	8.99%	9.62%
National Life	8.67%	17.55%	8.23%	8.02%	9.36%	9.49%	9.30%
Nepal Life	13.74%	13.53%	6.92%	8.21%	10.58%	9.13%	10.65%
Prime Life	33.96%	29.94%	19.14%	16.89%	20.93%	17.96%	15.02%
Surya Life	36.36%	33.42%	22.71%	23.71%	21.91%	22.36%	17.19%
Average	20.41%	20.77%	12.86%	13.01%	14.19%	13.04%	11.77%

The ratio of operating expense to gross premiums is preferred to be on the lower side. Most of the companies were able to decrease the ratio throughout the years. Only MetLife's, National Life's and Nepal Life's operating expense to gross premiums have been increased over the years. LIC Nepal is able to maintain this ratio minimum most of the time ranging

from about 7% to 9%. It shows that LIC is efficient in handling their operations and comparative low amounts of premiums collected are expended in their daily operations.

4.1.5 Earnings Ratio

One common metric used to assess financial success is earnings. Earning quality is a measure of growth and sustainability, desirability, and capacity to maintain consistency in quality. The expense ratio, calculated by dividing expenses by net premium, is the indicator employed. This gauges the degree to which an organization can precisely measure the output. It is the part of the premium that covers all expenses related to purchasing, writing, maintaining, and renewing insurance and reinsurance.

Table7:Expense to Net Premium

Years	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Asian Life	18.03%	19.87%	11.21%	12.41%	14.96%	12.93%	13.03%
Guras Life	37.07%	34.98%	21.16%	19.24%	19.62%	17.68%	14.83%
LIC Nepal	9.16%	9.83%	6.56%	7.21%	7.01%	6.70%	5.79%
Met Life	7.37%	7.41%	7.28%	8.74%	9.90%	9.16%	9.84%
National Life	10.09%	20.12%	9.29%	8.97%	10.28%	10.14%	9.75%
Nepal Life	14.14%	14.06%	7.14%	8.38%	10.74%	9.24%	10.80%
Prime Life	37.50%	33.21%	21.17%	18.61%	22.46%	19.30%	16.05%
Surya Life	36.87%	33.94%	23.06%	25.78%	25.53%	23.87%	18.32%
Average	21.83%	21.69%	14.12%	14.24%	15.14%	13.68%	12.47%

In the table 7, we can see that most of the life insurance companies have high expense ratio, due to their high expense compared to the premium collected. Surya Life has the highest expense ratio among all the eight life insurance companies. MetLife and LIC are able to keep low level of expense ratio ranging about 7% to 10% which is good for the companies.

4.1.6 Liquidity Ratio

Because insurance claims and benefits might have erratic frequency, severity, and timing, insurers must carefully plan their liquidity. To satisfy liabilities and prevent having too many current assets, a proper balance in cash and liquid assets must be maintained.

Table8:Liquidity Ratio

Years	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Asian Life	7.4368	22.419	17.179	43.182	9.710	8.580659	10.75646
Guras Life	4.5406	4.9191	14.033	18.117	16.320	19.40639	17.61922
LIC Nepal	3.2041	2.7506	4.7361	13.564	15.965	20.16358	6.373926
Met Life	19.084	39.107	50.883	12.405	26.411	46.61102	63.33795
National Life	8.4561	22.210	34.802	46.307	35.165	30.62832	14.66954
Nepal Life	1.7941	2.7703	15.624	20.411	27.8288	32.40718	25.8462
Prime Life	11.473	5.4720	14.045	28.183	23.5227	19.01488	16.569
Surya Life	9.4263	3.4981	9.483	12.025	11.635	13.59622	19.8632
Average	8.17688	12.8933	20.0981	24.2743	20.8197	23.801	21.8794

The analysis reveals that MetLife has the highest liquidity ratio ranging from 19 to 63 times. Surya life has maintained the lowest liquidity level ranging from 3 to 19 times. Most of the companies have maintained liquidity ratio below 20 times.

4.1.7 Return on Equity

Return on equity reflects rupee earned in terms of per rupee of equity invested. The net profit to total equity is considered in this analysis.

Table 9: Return on Equity

Years	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Asian Life	8.76%	18.23%	16.67%	9.10%	6.17%	10.07%	4.93%

Guras Life	-2.29%	4.15%	7.33%	3.91%	2.51%	3.52%	7.06%
LIC Nepal	-10.08%	41.22%	41.16%	19.69%	20.72%	20.52%	7.97%
Met Life	34.42%	17.63%	119.93%	16.98%	11.78%	38.60%	35.30%
National Life	26.83%	18.93%	51.26%	20.74%	18.00%	19.46%	18.70%
Nepal Life	-19.80%	85.16%	58.38%	33.12%	22.36%	28.04%	12.93%
Prime Life	4.70%	8.21%	9.49%	12.64%	6.19%	11.44%	15.84%
Surya Life	4.34%	6.99%	8.74%	6.90%	3.36%	16.94%	13.00%
Average	5.86%	25.07%	39.12%	15.39%	11.39%	18.57%	14.47%

In the table 9, we see that some of the companies like Guras, LIC Nepal and Nepal Life have negative returns in the year 2015/16. Most of the companies were able to gain high return on the year 2016/17 and 2017/18. MetLife is able to gain high level of returns in terms of its equity.

4.1.8 Return on Assets

Return on assets reflects the rupee earned in terms of its rupee invested in assets. For this analysis net profit to total assets is considered.

Table 10: Return on Assets

Years	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Asian Life	2.18%	3.93%	3.05%	1.39%	0.79%	1.11%	0.45%
Guras Life	-1.23%	1.80%	2.90%	1.42%	0.72%	0.83%	1.39%
LIC Nepal	-0.34%	1.71%	2.05%	1.13%	1.10%	1.10%	0.36%
Met Life	0.60%	0.35%	6.35%	0.87%	0.60%	2.63%	3.03%
National Life	1.63%	1.15%	4.45%	2.12%	1.86%	2.05%	1.97%
Nepal Life	-0.68%	5.06%	5.20%	3.06%	1.95%	2.50%	1.98%
Prime Life	2.29%	3.12%	3.04%	3.57%	1.53%	2.60%	3.34%

Surya Life	3.02%	3.95%	4.19%	3.09%	1.13%	4.74%	3.48%
Average	0.93%	2.63%	3.90%	2.08%	1.21%	2.20%	2.00%

In the table 10, we can see that most of the companies are able to gain positive return on assets except Guras, LIC and Nepal Life in year 2015/16. Almost all the companies have ROA below 5% this is due to high amount of total assets.

4.2 Descriptive Statistics

This section presents the descriptive statistics for the independent and dependent variables. ROE and ROA are used to measure the dependent variables. The capital adequacy ratio, asset quality ratio, liquidity ratio, management soundness ratio, reinsurance/actuarial ratio, and earning ratio are the other independent variables.

Table 11: Descriptive Statistics of Variables

Variables	Minimum	Maximum	Mean	Std. Deviation
CAR	0	63.43	13.29240	14.24074
AQ	1.74	69.42	19.13500	16.32764
Reinsurance	85.84	99.81	96.04950	3.97698
MS	5.66	36.38	15.15040	8.33872
Earnings	5.79	37.5	15.85350	8.79711
Liquidity	1.79	63.34	18.84910	13.44415
ROE	-19.8	119.93	18.55120	21.68690
ROA	-1.23	6.35	2.13660	1.51575

In this section descriptive statistics for the dependent variable; ROA and ROE and explanatory variables included in the regression model and CARAMEL model are presented. These figures give overall description about data used in the models.

From the table 11, we see that ROA ranges from minimum of -1.23 to maximum of 6.35 and mean is 2.13 whereas standard deviation is 1.5. This shows that most of the companies are similar or consistent in terms of ROA. Similarly, ROE ranges from minimum of -19.8 to maximum of 119.93. The mean is 18.55 whereas standard deviation is 21.69. This shows that life insurance companies are inconsistent or not similar in terms of return on equity.

The mean value of CAR is 13.29 and has high standard deviation of 14.2. Independent variable Asset Quality also has high deviation with standard deviation of 16.32, mean of 19.1 and range from 1.74 to 69.42. Reinsurance variable is consistent ranging from 85.84 to 99.81 with standard deviation of 3.97 and mean of 96. Management Soundness has standard deviation of 8.33 with mean of 15.15. Similarly, earnings also have standard deviation of 8.8 with mean of 15.85 ranging from 5.79 to 37.5. Liquidity variable is also inconsistent among the companies with standard deviation of 13.44 and mean of 18.85 ranging from 1.79 to 63.34.

4.3 Pearson Correlation Analysis

Correlation value ranges from -1 being perfectly negatively correlated to +1 being perfectly positively correlated. It shows the relationship between two variables. Value close to 1 indicates the strong relationship. Whereas, value close to 0 indicates a weak relationship between two variables and value of 0 in correlation coefficient means no relationship between two variables.

Table 12: Correlation Coefficient Analysis of Variables

Variables		CAR	AQR	RR	MSR	ER	LR	ROE	ROA
CAR	Correlation	1	.972**	-0.046	.899**	.882**	-.385**	-.416**	0.105
	Sig. (2-tailed)		0	0.739	0	0	0.003	0.001	0.441
AQR	Correlation		1	-0.115	.929**	.921**	-.323*	-.406**	0.194
	Sig. (2-tailed)			0.398	0	0	0.015	0.002	0.152
RR	Correlation			1	-0.143	-0.223	-0.067	0.043	-0.153

	Sig. (2-tailed)				0.292	0.098	0.626	0.755	0.261
MSR	Correlation				1	.996**	-.400**	-.426**	0.083
	Sig. (2-tailed)					0	0.002	0.001	0.543
EAR	Correlation					1	-.391**	-.424**	0.091
	Sig. (2-tailed)						0.003	0.001	0.503
LR	Correlation						1	.378**	0.224
	Sig. (2-tailed)							0.004	0.097
ROE	Correlation							1	.619**
	Sig. (2-tailed)								0
ROA	Pearson Correlation								1
	Sig. (2-tailed)								
** Correlation is significant at the 0.01 level (2-tailed).									
* Correlation is significant at the 0.05 level (2-tailed).									

In the table 12, we can see the correlation analysis between the variables. When p value is less than 0.05, it indicates that there is significant relationship between two factors. The result shows that ROE has negative correlation with CAR, AQ, Management Soundness and Earnings with correlation coefficient of -0.416, -0.406, -0.426 and -0.424 respectively. ROE has positive correlation with Reinsurance and Liquidity with correlation coefficient of 0.043 and 0.378 respectively.

Similarly, ROA has positive correlation with the variables CAR, AQ, Management Soundness, Earnings and Liquidity with the correlation coefficient of 0.105, 0.194, 0.083, 0.091 and 0.0224 respectively. ROA has only negative correlation with Reinsurance variable with correlation coefficient of -0.153.

4.4 Regression analysis

The coefficients, which show how much each variable influences the dependent variable, might be positive or negative under the regression outputs. The R-square statistic is used to calculate the percentage of the variance in the independent variable (X) that accounts for the entire variation in the dependent variable (Y). R square has a range of 1 to 100%. Less variation in Y may be explained by variance in X if the R-square value is near to 1%. A near to 100% R-square indicates that a large change in Y can be explained by a variation in X. R2 values, and the corrected R2 value in this study, show the model's explanatory strength. which considers the reduction in degrees of freedom brought about by the inclusion of additional variables were deduced to assess the models' explanatory capacity. Durbin Watson (DW) is used in the study to test for first order autocorrelation in the errors. The values of the Durbin Watson statistics span from 0 to 4. Values close to 2 imply no autocorrelation, values near 0 show positive correlation, while values around 4 show negative correlation.

Regression Analysis for Return on Equity (ROE)

The dependent variable in this instance is ROE. It shows the sort of relationship that exists between the dependent variable and the other independent variables as well as if the regression model matched the data.

Table 13: Multiple Regressions between ROE and Independent Variables

	Unstandardized Coefficients		T	Sig.
	B			
(Constant)	36.274		0.221	0.826
CAR	-0.224		-0.224	0.824
AQ	-0.041		-0.042	0.966
Reinsurance	-0.154		-0.091	0.928
MS	1.233		0.131	0.896
Earnings	-1.598		-0.179	0.858
Liquidity	0.395		1.625	0.111

Standard Error of Estimate= 20.06

Durbin Watson= 1.530

R-square= 0.238

The above table summarizes the relationship between independent variables and ROE. The R^2 or the coefficient of determination is the squared value of multiple correlations. It shows about 23.8% percent change in ROE is explained by the independent variables. With the linear regression model, the error of estimate is about 20.06. The Durbin Watson statistic value is 1.530 which is less than 2. It shows that there is evidence of positive serial correlation between independent variables and ROE.

By using the results obtained from the regression analysis, the regression model is given as:

ROE= 36.274-0.224CAR-0.041AQR-0.154RR+1.233MSR-1.598EAR+0.395LR

The multiple regression analysis also shows the coefficient of the regression line between CAR, AQR, RR, MSR, EAR and LR with ROE. It states that one percent increase in CAR will reduce ROE by 0.224 units. Similarly, proportionate increase in AQR, RR, MSR, EAR and LR decreases by 0.41 units, decreases by 0.154 units, increases by 1.233units, decreases by 1.598 units and increases by 0.395 units respectively.

The p values of CAR, AQR, Reinsurance, Management Soundness, Earnings and Liquidity is greater than level of significance level of 0.05. That implies there is no significant relationship between ROE and independent variables.

Regression Analysis for ROA

Return on Assets is another dependent variable considered for this research.

Table 14: Multiple Regressions between ROA and Independent Variables

	Unstandardized Coefficients		T	Sig.
	B			
(Constant)	15.826		1.42	0.162
CAR	-0.176		-2.577	0.013
AQ	0.221		3.377	0.001
Reinsurance	-0.146		-1.271	0.21
MS	0.645		1.008	0.318
Earnings	-0.729		-1.201	0.236
Liquidity	0.011		0.666	0.508

R-square=0.277

Standard Error of Estimate=1.36553

Durbin Watson= 1.419

The table 14 summarizes the strength of the relationship between independent variables and ROA. The R^2 or the coefficient of determination is the squared value of multiple correlations. It shows about 27.7% percent change in ROA is explained by the independent variables. With the linear regression model, the error of estimate is about 1.36553. The Durbin Watson

statistic value is 1.419 which is less than 2. It shows that there is evidence of positive serial correlation between independent variables and ROA.

By using the results obtained from the regression analysis, the regression model is given as:

ROA= 15.826-0.176CAR+0.221AQR-0.146RR+0.645MSR-0.729EAR+0.011LR

The multiple regression analysis also shows the coefficient of the regression line between CAR, AQR, RR, MSR, EAR and LR with ROA. It states that one percent increase in CAR will reduce ROA by 0.176 units. Similarly, proportionate increase in AQR, RR, MSR, EAR and LR increases by 0.221 units, decreases by 0.146 units, increases by 0.645 units, decreases by0.729 units and increases by 0.011 units respectively.

The p values of Reinsurance, Management Soundness, Earnings and Liquidity is greater than level of significance level of 0.05. That implies there is no significant relationship between ROA and independent variables. Similarly, p values of CAR and AQR is less than significance level of 0.05 which implies there is significant relationship between ROA and these variables.

4.5 Analysis of Management Soundness

This study is based on the primary data analysis and presents the results on the survey done with the employees working in eight different life insurance companies. The study mainly focuses on accessing the management soundness by measuring different management traits, management skills and employee's feelings affected by management team members actions. The survey has been performed by distributing the structured questionnaire to 120 employees of eight different life insurance companies.

For the rationale of the study the questionnaire of 15 set of structured questionnaires was distributed to eight insurance companies. The questionnaire consists of single response and Likert scale questions relating to management efficiency or soundness. The main goal is to measure the management soundness in those organizations considering management traits, skills and working employee's feelings regarding the management. The results and interpretation s are presented below.

Distribution of respondents on the basis of age.

From the survey undertaken from 120 employees, it was found that the highest percentage of the respondent fall in the age group of 25 to 30 followed by 30 to 35. Similarly, employees of age group 40+ captures the least percentage.

Table 15: Age Group of the Respondent

Age Group	Frequency	Percent
20-25	17	14.2
25-30	49	40.8
30-35	45	37.5
35-40	7	5.8
40+	2	1.7
Total	120	100

Distribution of the Respondents on the Basis of Qualification

Form the survey it was found that more than 53% of the total employees have completed their Master degree followed by Bachelor's degree whereas +2 graduate and MPhil and above are the least.

Table 16: Qualification of the Respondents

Qualification	Frequency	Percent
+2	4	3.3
Bachelor	48	40
Masters	64	53.3

MPhil and above	4	3.3
Total	120	100

Distribution of the Respondents on the Basis of Post

From the survey of eight life insurance companies, most of the respondents are officer which is 29.2% followed by Assistant and Senior Assistant at 27% and 23% respectively. Trainee Assistant carries the lowest percentage of 3.3%.

Table 17: *Post of the Respondents*

Post	Frequency	Percent
Trainee Assistant	4	3.3
Junior Assistant	20	16.7
Assistant	33	27.5
Senior Assistant	28	23.3
Officer	35	29.2
Total	120	100

Work Experience of the Respondents

Concerning the experience of the respondent, the survey shows that most of the respondents have an experience of 0 to 5 years. Only 3.3% of the total respondents have work experience of 15 years and above.

Table 18: Work Experience of the Respondents

Experience	Frequency	Percent

0-5	61	50.8
5-10	43	35.8
10-15	12	10
15+	4	3.3
Total	120	100

Descriptive Statistics on Management Skills

Table 19: Descriptive Statistics Analysis on Different Management Skills

Descriptive Statistics	Minimum	Maximum	Mean	Std. Deviation
Excellent leadership skill	3	5	3.98	0.518
Rational decision makers	3	5	3.95	0.532
Goal achieving capacity	3	5	3.9	0.703
Proper coordination	3	5	3.67	0.599
Proper segregation of Authority and Responsibility	2	5	3.9	0.571
Achieved best financial performance	2	5	3.93	0.747
Launching new products	2	5	4.12	0.624
Hearing other's opinion	2	5	4.07	0.822
Back their staff	1	5	3.92	0.528
Creative	3	5	3.97	0.647
Inspire and motivate others	2	5	4.05	0.732
Committed and confident	3	5	4.1	0.6

The above table shows the opinion of the employees towards different skills, measured by 5-point Likert scale with 1 as strongly disagree, 2 as disagree, 3 as neutral, 4 as agree and 5 as strongly agree. In the table, all the mean values are greater than 3 which shows that the management team is doing well in different managerial skills. Management is most efficient

in launching new products with mean of 4.12, followed by their qualities to hear other employee opinion. Management teams in different life insurance companies' is very committed, confident and inspire or motivate other employees working in the organization. The lowest mean of 3.67 measures the proper coordination among different branches of the company. The overall managerial skills of management team of the eight different life insurance companies seem to be good and efficient.

Descriptive Statistics on Management Traits

Table 20: Descriptive Statistics on Management Traits

Descriptive Statistics	Minimum	Maximum	Mean	Std. Deviation
Professionalism in board	3	5	4	0.519
Leadership Skill	1	5	4.02	0.799
Technical Knowledge	1	5	4.02	0.654
Change champion	2	5	3.6	0.614
Confidence in their abilities	3	5	3.88	0.663
Respect for their employees	2	5	3.66	0.761
Interest in employee career	1	5	3.5	0.86
Proper vision and goal	2	5	3.68	0.733
Result oriented	3	5	3.82	0.673
People oriented	2	5	3.67	0.78
Emotionally resilient	2	5	3.6	0.803

The above table shows the opinion of employees towards different managerial traits, which was measured with 5-point likert scale with 1 as very weak, 2 as weak, 3 as satisfactory, 4 as good and 5 as excellent. All the mean values are above satisfactory and are good. So, we can say that the management traits or qualities of the management team are good in different life insurance companies. The highest mean of 4.02 is obtained in leadership and technical knowledge traits. This reflects that insurance companies have best leaders and knowledgeable members in their management. There is high professionalism in their board. Similarly, lowest average of 3.5 is given to the interest in employee career, which is still

above 3. So, most of the employee think that management team is interested in the employee's career development.

Frequency Distribution of Employee Feelings towards Management

Table 21: Frequency Distribution of Employees Feelings

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Proper Information Flow	0	21	30	61	8
Proper Supervision and Control	0	3	72	44	1
Frequent Management Changes	0	23	42	46	9
Properly Staffed	2	17	70	30	1
Higher Payment Disparity	14	32	35	28	11

The above figure shows the frequency distribution of Employee's feeling towards the management team members on different aspects. Most of the employee, about 50% agrees that there is proper information flow between top level management and them. Similarly, 60% of employees feel neutral towards there being proper supervision by top level management followed by 36.7% agreeing with being proper supervision by top level management. 38.8% of employees feel that there are frequent changes in management team whereas 35% employees remained neutral in this aspect. Only 25% of the staff agreed that their insurance company is properly staffed, 58.3% employees choose to remain neutral, only 0.8% employee strongly agreed, 14.2% of the employee disagreed and 1.7% of employees strongly disagreed that their organization is properly staffed. Similarly, 11.6% of employees strongly disagree that there is payment disparity between employees and management team, 26.7% disagreed, 29.2% remained neutral and 23.3% agreed and 9.2% strongly agreed in this matter.

Table 22: Descriptive Statistics on Employee Feelings

Descriptive Statistics	Minimum	Maximum	Mean	Std. Deviation
Proper Information Flow	2	5	3.47	0.859
Proper Supervision	2	5	3.36	0.547
Frequent Management Changes	2	5	3.34	0.874
Properly Staffed	1	5	3.09	0.698
Payment Disparity	1	5	2.92	1.157

The above table shows the descriptive analysis of Employee feelings towards management team. The 5-point likert scale for measurement is used, 1 being strongly disagree, 2 being disagree, 3 being neutral, 4 being agree and 5 being strongly agree. Most of the employees feel that there is proper information flow between top level management and themselves. They also feel that there is proper supervision and monitoring done towards them and there is frequent change in management team members in their organization. They feel their department is properly staffed and most of them think there is low payment disparity between themselves and management team members.

4.6 Discussions

The analysis is based on the financial statements of eight life insurance companies from the period of 2015/16 to 2021/22. Various financial ratios and statistical tools have been used to achieve the objectives set. Furthermore, primary data has been collected to gain better insight about the level of management soundness in different life insurance companies. Eight different life insurance companies were selected for the study; they are Surya Life, Prime Life, MetLife, LIC, National Life, Nepal Life, Guras Life and Asian Life Insurance Company. The secondary data has been collected for the period of seven years i.e., form 2015/16-2021/22. This study has been descriptive. Correlation and regression analysis has been used to examine the financial health of the life insurance companies. The study has also computed various financial ratios under the framework of CARAMEL to accomplish the objective related to the financial performance of the life insurance companies. Based on the

theories and previous research this study has taken six different independent variables namely capital adequacy, asset quality, reinsurance/actuarial, management soundness and liquidity with two dependent variables being ROA and ROE.

Among eight different life insurance companies Surya Life Insurance Company is able to maintain highest capital to total assets ratio ranging from minimum of 16% to maximum of 63%. The CAR is low in most of the big insurance companies this is due to their comparative huge amount of total assets. The results is similar to the study carried out by Mr. Pradhan and Dahal (2021), "Financial Performance of Nepalese Insurance Companies". The similarity in results is found due to the common sample drawn and of sample period. Similarly, the ratio of equity to total assets is also low due to huge amount tied up as assets of life insurance companies. Gurans Life and Surya Life have high Asset Quality Ratio. All the life insurance companies have high Actuarial/Reinsurance ratio which is near to 99% which reflects sound performance of life insurance companies of Nepal. The ratio of operating expense to gross premium is taken to measure the management efficiency. Most of the companies have decreased this ratio through the years, which is a good indicator; they have been able to keep this ratio below 20%. MetLife and LIC being foreign branch of life insurance companies have been able to keep their expense to net premium ratio minimum compared to others competitor. Surya Life Insurance and Guras Life Insurance have highest. Surya Life Insurance expense ratio ranges from 18% to 37% whereas Guras Life Insurance expense ratio ranges from 14% to 37%. Almost all life insurance companies of Nepal have maintained high liquidity level. By the year fiscal year 2016/17 liquidity ratio ranges from 6.37 times of LIC to 63.3 times of MetLife. Most of the life insurance companies have achieved high level of ROE, which is a good indicator for life insurance industry in Nepal. Asian Life Insurance has lowest ROE of 4.93%, whereas MetLife has highest ROE of 35.3%. This is also due to low amount of capital used by MetLife Insurance. Due to high amount of assets and comparative low earnings of life insurance companies in Nepal the ROA of every life insurance company is below 5%. Even LIC and Asian Life have ROA below 1%. The study also shows that returns of life insurance companies have negative relationship with Capital Adequacy, Asset Quality, Reinsurance and Expense ratio. Higher capital requirement decreases the profit of the life insurance companies. The study is differentiated to the study carried out by Mr. K.C

(2013), "A study on financial performance of some listed companies". The different in conclusion drawn is found due to the different in the sample drawn, timeframe of study.

From the results obtained from primary data majority of the employee believe that they have sound management in their organization. Management team have good managerial skills/qualities and management traits. Employees feel that there is proper communication between management team and them. Proper supervision by management team is being implemented, with no frequent changes in management team. However, employees feel that their organization is not properly staffed and they seemed to be properly paid in their work.

The analysis of secondary data revealed that there is no significant relationship between Management Soundness and ROA. Also, there is no significant relationship between Management Soundness and ROE of the life insurance companies of Nepal. However, the analysis of primary data collected from employee working in different life insurance companies reveals that employee perceive that managerial qualities, skills and traits are reflected in the performance of their insurance companies and also affects the employee's feelings. For analyzing secondary data ratio of management expense to gross premiums was considered as a factor for management efficiency or soundness. On the other hand, to analyze management soundness in primary data collected form questionnaire method from different employees working in those life insurance company's different aspects were considered like management skills, qualities, managerial traits and employees' feelings towards management team members. The results are contradicted to the study carried out by Ramanadh (2006), "Performance Management in |Insurance Corporation". This study concludes that the management soundness and employee performance have positive impact on success factors of the business such as net premium earned, profit from underwriting activities, investment in company's assets and investment made outside. The results from the study performed by Ramanadh strongly emphasized on the management soundness and employees satisfaction positive impact on overall financial performance and management in Insurance Corporation. The deviation drawn are due to the difference in the nature of the study carried, analysis tools used to extract the results.

CHAPTER V
SUMMARY AND CONCLUSION

5.1 Summary

The main function of insurance is to provide protection to the people and business against financial losses due to various adverse situations that may arouse in future. The insurance business in Nepal is growing nowadays. Total of 41 insurance companies have been established so far. Beside this, it also helps in accumulating diverse money circulating in the economy so that collected capital would help in financing capital required for development of Nepal.

Life insurance business is booming Nepal, especially after 2017 AD. 19 life insurance companies together have been competing to attract more policy holders with different insurance schemes. Financial performance analysis will help the policyholders in choosing the best life insurance companies. This analysis would also be beneficial to government, regulators and other financial institutions etc.

In this study, financial performance of different life insurance companies of Nepal is analyzed through CARAMEL framework. This framework takes into consideration various indicators such as, capital adequacy, asset quality, reinsurance, management soundness, earning efficiency and liabilities. The main objectives of this study were to analyze key indicators for financial performance of life insurance companies, measuring financial performance through CARAMEL framework and to measure management soundness using primary source of data.

The analysis is based on the financial statements of eight life insurance companies from the period of 2015/16 to 2021/22. Various financial ratios and statistical tools have been used to achieve the objectives set. Furthermore, primary data has been collected to gain better insight about the level of management soundness in different life insurance companies.

Eight different life insurance companies were selected for the study; they are Surya Life, Prime Life, MetLife, LIC, National Life, Nepal Life, Guras Life and Asian Life Insurance Company. The secondary data has been collected for the period of seven years i.e., form

2015-2022. This study has been descriptive, correlation and regression analysis to examine the financial health of the life insurance companies. The study has also computed various financial ratios under the framework of CARAMEL to accomplish the objective related to the financial performance of the life insurance companies. Based on the theories and previous research this study has taken six different independent variables namely capital adequacy, asset quality, reinsurance/actuarial, management soundness and liquidity with two dependent variables being ROA and ROE.

Among eight different life insurance companies Surya Life Insurance Company is able to maintain highest capital to total assets ratio ranging from minimum of 16% to maximum of 63%. The CAR is low in most of the big insurance companies this is due to their comparative huge amount of total assets. Similarly, the ratio of equity to total assets is also low due to huge amount tied up as assets of life insurance companies. Gurans Life and Surya Life have high Asset Quality Ratio. All the life insurance companies have high Actuarial/Reinsurance ratio which is near to 99% which reflects sound performance of life insurance companies of Nepal. The ratio of operating expense to gross premium is taken to measure the management efficiency. Most of the companies have decreased this ratio through the years, which is a good indicator; they have been able to keep this ratio below 20%. MetLife and LIC being foreign branch of life insurance companies have been able to keep their expense to net premium ratio minimum compared to others competitor. Surya Life Insurance and Guras Life Insurance have highest. Surya Life Insurance expense ratio ranges from 18% to 37% whereas Guras Life Insurance expense ratio ranges from 14% to 37%. Almost all life insurance companies of Nepal have maintained high liquidity level. By the year fiscal year 2019/20 liquidity ratio ranges from 6.37 times of LIC to 63.3 times of MetLife. Most of the life insurance companies have achieved high level of ROE, which is a good indicator for life insurance industry in Nepal. Asian Life Insurance has lowest ROE of 4.93%, whereas MetLife has highest ROE of 35.3%. This is also due to low amount of capital used by MetLife Insurance. Due to high amount of assets and comparative low earnings of life insurance companies in Nepal the ROA of every life insurance company is below 5%. Even LIC and Asian Life have ROA below 1%. The study also shows that returns of life insurance companies have negative relationship with Capital Adequacy, Asset Quality, Reinsurance

and Expense ratio. Higher capital requirement decreases the profit of the life insurance companies.

From the results obtained from primary data majority of the employee believe that they have sound management in their organization. Management team have good managerial skills/qualities and management traits. Employees feel that there is proper communication between management team and them. Proper supervision by management team is being implemented, with no frequent changes in management team. However, employees feel that their organization is not properly staffed and they seemed to be properly paid in their work.

The analysis of secondary data revealed that there is no significant relationship between Management Soundness and ROA. Also, there is no significant relationship between Management Soundness and ROE of the life insurance companies of Nepal. However, the analysis of primary data collected from employee working in different life insurance companies revealed that employee perceive that managerial qualities, skills and trait are reflected in the performance of their insurance companies and also affects the employee's feelings. For analyzing secondary data ratio of management expense to gross premiums was considered as a factor for management efficiency or soundness. On the other hand, to analyze management soundness in primary data collected form questionnaire method from different employees working in those life insurance company's different aspects were considered like management skills, qualities, managerial traits and employees' feelings towards management team members.

5.2 Conclusion

The life insurance companies have high amount of money tied up as assets and comparatively they earn lower profit. Foreign branch life insurance companies like MetLife and LIC are able to maintain low expense compared to other life insurance companies. Capital requirements have direct impact on the earnings and profit of life insurance companies they are negatively related with each other. Negative relationship between returns and reinsurance also reveals that higher reinsurance level will deplete the earning of life insurance companies by exposing it to credit risks. Positive relationship between management efficiency with ROA and ROE reveals that professionalism and management

satisfaction affects the assessment of the quality of their competence and thus the company ability to achieve further success. High level of liquidity maintained by Nepalese life insurance companies also reflects their ability to immediately fulfill their commitment to policyholders and creditors. Looking at assets and capital, life insurance companies have high liabilities and assets so capital and equity is comparative lower which gives high return in terms of capital but low return in terms of total assets. Life insurance companies are highly liquid. Life insurance companies are increasing their premiums collection through the year increasing their balance sheet figures.

From the analysis of primary data, we can also conclude that management team in Nepalese life insurance companies are performing well and keeping their employee motivated and happy using their good management skills/ qualities and managerial traits. Good management qualities, skills and traits will impact employee positively, so the employee will develop good feeling in various aspects such as their workload, information flow, payment satisfaction. Good managerial traits and qualities also result in fewer changes in management team. Similarly, employee will also perceive being properly monitored and properly managed.

5.3 Implications

Based on the major findings of this research the following recommendation has been made:

- Insurance industry is booming in Nepal, many new life insurance companies have operated recently. So, for the efficient life insurance market the market should be made aware about the financial performance of the companies.
- The management team should have highly qualified and experienced staffs to excel the performance.
- Foreign branch insurance companies like LIC and MetLife are able to maintain their operating expense to gross premium ratio lowest among the insurance companies. So, Nepalese insurance companies should try to benchmark foreign companies' practices and reduce their expenses.

- Nepalese life insurance companies have huge amount of total assets volume but earn comparative low returns and capital. So, these life insurance companies should also try to increase their capital and profit volumes.
- It is also recommended to the concerned body to carry out further research on financial and market analysis of insurance companies for the betterment of the companies.
- The primary study also includes the opinion of 120 insurance employees, so more respondents can be added to make further research more reliable and general. Further researchers could consider other ways of collecting primary data and choosing the number of respondents.
- The government should introduce the micro-insurance policies for the inclusion of the persons who are financially behind. The government should introduce the policy for the inclusion of the person who are economically behind.
- There are major rural areas which are still not explored by the insurance companies, the regulator should introduce the policy for the insurance companies to establish the branch on the rural areas to extend the outreach of the insurance companies, thus promoting the insurance business and insurance inclusion.

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ANNEX

Survey on Management Soundness of Life Insurance Companies

I am a MB|S student of Shankherdev Campus, Putalisadak. I am doing research on "Financial Performance Evaluation of Life Insurance Companies of Nepal" as a part of my Graduate Research to fulfill the course requirement of MBS, Tribhuvan University. All the information of your response will be kept confidential and only be used for research academic purpose.

Q.N 1. Age group: ☐

1. 20-25
2. 25-30
3. 30-35
4. 35-40
5. 45 and above

Q.N 2. Qualification: ☐

1. +2
2. Bachelor's Degree
3. Master's Degree
4. MPhil. And above

Q.N 3. Post. ☐

1. Trainee Management
2. Junior Assistant
3. Assistant
4. Senior Assistant
5. Officer

Q.N 4. Work Experience: ☐

1. 0-5 years
2. 5- 10 years
3. 10-15 years
4. 15 years and above

Q.N 5. Tick mark your response in the table.

S.N.	Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Top level managers have excellent leadership skills					
2	Top level managers are rational decision makers					
3	Top level managers have goal achieving capacity					
4	Management committee makes proper branches and department coordination.					
5	There is proper segregation of authorities and responsibilities in your insurance company.					
6	Current management of this insurance company has achieved best financial performance.					
7	Top level management is successful in launching new products.					
8	Top level managers take interest in hearing other opinion.					
9	Top level managers back their staff and are supportive.					
10	Top level managers are creative and have positive mindset.					
11	Top level managers inspire and motivate others.					
12	Top level managers are committed and confident.					

Q.N 6. Please rank the following managerial traits.

SN		Excellent	Good	Satisfactory	Weak	Very Weak
1	Professionalism in board					
2	Leadership skill in top level management					
3	Technical knowhow in top level management					
4	Acting as a change champion					
5	Confidence in their abilities					
6	Respect for employees					
7	Interest in employee career development					
8	Proper vision and goal set					
9	Result oriented					
10	People oriented					
11	Emotionally resilient					

Q.N 7. Tick mark on your response.

S.N.	Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	You feel that there is proper information flow between top level management and you.					
2	You feel that top level management implements					

	proper supervision and maintenance over employees to ensure activities are aligned with plans.					
3	You feel that there are frequent management changes/ turnover in my organization.					
4	You feel that different departments of your organization are properly staffed with proper number of employee.					
5	You feel that there is higher disparity in terms of payment of managers and you					

Thank You!!

A. Seven year data for Equity

Years	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Asian Life	512,363,835	624,964,702	752,320,424	825,614,508	885,589,175	984,592,656	1,032,693,075
Guras Life	393,999,248	435,299,651	481,672,465	645,623,039	682,655,261	756,071,320	826,749,890
LIC Nepal	249,246,183	416,734,072	673,877,306	989,534,159	1,202,172,320	1,566,662,296	1,693,206,651
Met Life	109,034,609	147,155,985	463,907,824	512,770,096	577,512,575	891,598,514	1,304,219,911
National Life	417,665,035	508,787,574	863,813,077	1,217,516,583	1,465,132,809	1,797,419,695	2,187,746,475
Nepal Life	335,415,911	734,740,609	1,326,864,061	1,854,275,946	2,359,015,947	3,233,056,215	7,766,804,655
Prime Life	564,720,390	686,101,685	809,832,409	950,438,304	1,071,471,172	1,274,675,484	1,500,171,194
Surya Life	394,008,138	420,704,139	460,985,630	634,273,382	653,457,179	781,835,356	1,048,048,112

B. Seven year data for Total Assets

Years	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Asian Life	2,059,260,484	2,895,259,776	4,106,163,884	5,406,974,457	6,908,922,348	8,952,904,442	11,338,685,363
Guras Life	733,484,769	1,000,665,950	1,216,299,915	1,772,156,894	2,375,265,912	3,195,054,626	4,205,466,101
LIC Nepal	7,375,902,919	10,021,691,106	13,512,092,841	17,239,864,208	22,585,460,452	29,278,876,506	37,912,214,275
Met Life	6,268,141,803	7,480,338,590	8,767,448,024	10,028,320,227	11,357,672,289	13,087,198,290	15,172,107,588
Nati							

onal Life	6,865,945,213	8,390,412,646	9,943,636,740	11,887,187,585	14,192,351,507	17,038,166,941	20,812,026,956
Nepal Life	9,762,027,942	12,377,560,467	14,904,029,589	20,040,173,782	27,094,072,184	36,311,154,114	50,750,874,056
Prime Life	1,161,724,203	1,805,849,962	2,530,366,969	3,368,498,353	4,347,725,921	5,605,364,522	7,120,545,543
Surya Life	567,571,188	743,780,980	961,966,422	1,419,314,031	1,937,458,192	2,792,655,264	3,916,244,931

C. Seven Year data for Net Premium

Years	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Asian Life	926,490,248	1,034,021,469	1,148,580,328	1,375,990,811	1,641,197,961	1,999,500,486	2,278,504,888
Guras Life	193,579,080	318,691,626	354,104,949	473,442,695	678,215,430	925,497,992	1,129,697,742
LIC Nepal	1,868,867,569	2,525,597,268	3,150,543,765	4,110,977,925	5,328,199,247	6,958,001,328	8,523,336,666
Met Life	1,412,061,606	1,472,851,717	1,583,693,410	1,793,985,177	1,959,830,935	2,493,143,913	3,017,598,278
National Life	1,381,032,745	1,903,314,521	2,013,702,568	2,396,190,068	2,887,151,136	3,600,524,008	4,825,340,866
Nepal Life	2,255,305,685	3,080,489,121	3,778,831,360	5,557,894,481	7,973,896,699	10,135,139,319	12,055,925,183
Prime Life	607,496,013	847,438,973	1,017,913,432	1,111,336,954	1,278,176,932	1,605,622,665	1,916,928,017
Surya Life	115,200,265	159,481,956	213,238,552	381,770,757	623,002,300	1,010,425,060	1,255,705,730

D. Seven year data for Gross Premium

Years	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Asian Life	939,174,048	1,037,610,301	1,152,392,940	1,381,682,706	1,651,309,464	2,003,363,807	2,293,953,491
Guras Life	197,244,554	320,490,677	356,824,431	477,170,912	691,743,927	969,405,674	1,213,167,519
LIC Nepal	1,875,622,036	2,537,646,938	3,168,604,126	4,154,512,503	5,416,137,435	7,070,106,357	8,709,054,018
Met Life	1,433,454,398	1,485,536,888	1,599,847,614	1,815,817,857	1,990,067,311	2,539,482,541	3,086,129,370
National Life	1,606,705,932	2,181,992,836	2,273,109,583	2,677,262,954	3,171,475,944	3,848,856,242	5,060,128,260
Nepal Life	2,320,696,993	3,201,160,522	3,900,000,377	5,675,485,493	8,093,293,221	10,256,214,664	12,219,802,896
Prime Life	670,823,662	940,171,051	1,126,248,161	1,224,788,658	1,372,059,221	1,725,262,782	2,049,279,096
Surya Life	116,831,338	161,927,151	216,515,231	415,050,310	725,802,535	1,078,653,026	1,338,231,160

E. Seven year data for Expense

Years	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Asian Life	167,011,455	205,456,345	128,800,616	170,783,724	245,559,121	258,519,901	296,857,658
Guras Life	71,765,841	111,485,199	74,916,188	91,113,674	133,099,711	163,620,931	167,501,487
LIC Nepal	171,243,282	248,353,821	206,553,655	296,413,671	373,600,261	465,883,496	493,328,058
Met Life	104,074,830	109,121,311	115,228,796	156,715,029	194,003,765	228,358,555	296,870,757
National Life	139,361,164	382,955,903	187,088,143	214,849,504	296,772,633	365,189,683	470,491,992
Nepal Life	318,958,044	433,182,547	269,815,722	465,724,344	856,203,018	936,740,376	1,301,806,579
Prime Life	227,827,275	281,475,134	215,519,531	206,812,408	287,127,927	309,889,151	307,761,954
Surya Life	42,479,925	54,120,804	49,163,880	98,427,607	159,028,237	241,171,864	229,999,948

F. Seven year data for Current Assets

Years	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Asian Life	1,277,984,34	1,950,255,794	3,029,910,726	4,206,711,56	1,251,696,471	1,420,160,829	1,796,576,874
Guras Life	595,309,634	763,047,760	965,097,997	1,522,038,34	2,106,997,219	3,032,602,781	3,845,715,560
LIC Nepal	1,359,732,08	1,736,153,614	4,652,947,896	8,613,546,33	14,939,930,39	20,484,002,60	12,878,439,91
Met Life	2,611,533,42	6,761,032,607	9,852,381,517	2,186,038,75	4,460,781,544	10,108,998,53	12,114,147,11
National Life	2,501,797,89	5,069,625,458	5,227,532,976	8,322,977,13	10,067,204,77	10,356,827,85	5,613,762,092
Nepal Life	2,569,858,54	3,305,508,102	4,851,670,796	9,177,414,33	18,143,902,34	26,164,551,07	30,153,826,908
Prime Life	905,574,230	800,899,116	1,587,562,970	2,488,585,410	3,282,894,687	4,220,885,054	3,202,358,697
Surya Life	322,167,998	191,391,851	667,512,958	756,596,130	1,106,730,525	1,904,599,864	1,830,814,150

G. Seven year data for Current Liabilities

Years	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Asian Life	171,844,536	86,988,658	176,368,543	97,418,285	128,907,412	165,507,194	167,023,083
Guras Life	131,107,334	155,117,507	68,770,397	84,010,656	129,108,628	156,268,244	218,268,244
LIC Nepal	424,368,416	631,190,237	982,439,325	635,044,094	935,797,994	1,015,891,096	2,020,487,682
Met Life	136,839,172	172,882,172	193,626,256	176,219,151	168,898,476	216,880,005	191,262,063
National Life	295,853,771	228,253,761	150,207,563	179,734,259	286,280,982	338,145,519	382,681,459
Nepal Life	1,432,380,416	1,193,153,639	310,512,176	449,611,662	651,984,773	807,368,890	1,166,664,004
Prime Life	78,930,786	146,361,849	113,031,984	88,299,137	139,562,843	221,977,981	193,274,090
Surya Life	34,177,399	54,711,827	70,390,244	62,919,706	95,120,835	140,083,081	92,171,145

H. Seven year data for Net Income

Years	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Asian Life	44,892,443	113,911,801	125,427,322	75,125,328	54,673,771	99,166,264	50,925,599
Guras Life	(9,035,510)	18,045,786	35,309,008	25,238,422	17,153,766	26,637,540	58,393,390
LIC Nepal	(25,128,308)	171,774,428	277,346,216	194,829,700	249,042,175	321,435,018	134,973,897
Met Life	37,528,284	25,942,849	556,347,383	87,072,924	68,007,096	344,135,750	460,410,265
National Life	112,068,139	96,329,518	442,759,478	252,514,776	263,707,686	349,719,304	409,153,790
Nepal Life	(66,400,000)	625,700,000	774,607,048	614,111,886	527,555,789	906,634,254	1,004,634,123
Prime Life	26,562,666	56,322,682	76,886,698	120,143,833	66,342,592	145,883,742	237,617,913
Surya Life	17,116,525	29,396,001	40,281,490	43,791,302	21,941,458	132,466,752	136,252,540

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ABSTRACT This study's goal is to assess the financial performance of Nepali life insurance firms and, using the CARAMEL framework, determine how certain parameters (ratios) affect that performance. The goal of the study is to determine if the performance of life insurance businesses is impacted by the factors that determine CARAMEL ratios. Both primary and secondary data were used in the research. The necessary information has been taken from the life insurance firms' annual reports and financial statements, which are accessible on their individual websites. A questionnaire is utilized as a key data gathering tool to ascertain the opinions of employed personnel about the viability of life insurance management. From 2012 to 2019, eight life insurance firms provided secondary data for this study. For main data, opinions from 120 respondents are gathered. Here, ROE and ROA are the dependent variables. The study's independent elements include the need for capital adequacy, the quality of the assets, actuarial and reinsurance, management effectiveness, earnings, and liquidity. The hypothesized association between performance and the CARAMEL ratios has been tested using a regression model.