A STUDY ON INVESTMENT POLICY OF NEPALESE INSURANCE INDUSTRY

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RECOMMENDATION

This is to certify that the Thesis

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has been prepared as approved by this Department in the prescribed format of the Faculty of Management. This thesis is forwarded for examination.

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DECLARATION

I hereby declare that the work reported in this thesis entitled **“A STUDY ON INVESTMENT POLICY OF NEPALESE INSURANCE INDUSTRY**” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Degree of Master of Business Studies (MBS) under the supervision of **Rita Maskey** and **Meera Gautam** of Shanker Dev Campus.

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ABBREVIATIONS

A.D.	:	Anno Domini
Av.	:	Average
B.C	:	Before Christ
B.S.	:	Bikram Sambat
Co.	:	Company
Com.	:	Commercial
Corr.	:	Correlation
CV	:	Covariance
Dv.	:	Development
eg	:	Example
etc.	:	et-cetera
F.Y.	:	Fiscal Year
Fig.	:	Figure
Fin.	:	Finance
Govt.	:	Governmet
i.e.	:	That is
IB	:	Insurance Board
L.D.C	:	least development Country
Ltd.	:	Limited
Mis.	:	Miscellaneous
NIC	:	Nepal Insurance Company Limited
NLGI	:	National Life and General Insurance Company Limited
NtIC	:	National Insurance Company Limited
Rs.	:	Rupees
SD	:	Standard Deviation
SIC	:	Sagarmatha Insurance Limited
T.U.	:	Tribhuvan University
UIC	:	United Insurance Limited

CHAPTER - I

INTRODUCTION

1.1 Background of the Study

Insurance is the indemnity of risk with certain amount of premium. Insurance is the pooling of fortuitous losses by transfer of such risk to insurers, who agree to indemnify insured for such losses, to provide other pecuniary benefits on their occurrence, or to render services connected with the risk.

Insurance can be defined in two ways i.e. definition concerned with function and definition concerned with contract". Insurance is social service for reducing risk by combining a sufficient number of expose units to make their individual losses collectively predictable. All those in the combination then share predictable loss proportionately" (Mehr, 1986). In real sense, activities are done for compensation of misfortune losses, the payment being made from accumulated contribution of all parties involved in the scheme is insurance. Insurance is promise by an insurer to an insured protection .Insurance is a contract in which consideration amount is received by a party and other party provides compensation. Insurance is a contract where 'one party (the insurer) agrees to pay the other party (the insured or his beneficiary) a certain sum called premium upon a given contingency (the risk) against which insurance is sought' (Mishra,1996).

It has history as long as human civilization. It is a process of minimization of risk, practiced all over the world. Insurance is the inevitable commercial practice of modern world, without which it is impossible to run any big business. Insurance is in existence since 4000 B.C. It was a community approach of Indian, Chinese, Greek, Roman and Arabs. Insurance like word can be found in ancient books like Rig-Veda etc.

Marine insurance is the ancient most insurance. Merchants before heading to overseas trade used to collect money from all of them to indemnify the probable crises. It was a cooperative approach then.

Particularly, life insurance was started in 1583, when sixteen British insured a person, named William Gibbons, who died after eleven months of being insured. It is a recorded first life insurance. The Hand in Hand Society started life insurance first in 1696. Onward eighteenth century, life insurance was started on the basis of mortality table.

Fire insurance got speed and importance after London Fire in 1666. That accident compelled all city dwellers to be fire insured. Fire insurance became more popular in industrial revolution era of Europe.

Insurance was done in Nepal by Guthis in ancient time. Guthi is local cooperative or trust like organization. After establishment of Nepal Bank Limited, an insurance company's need is felt. Therefore, in the initiation of that Bank Limited, a non life insurance company, Nepal Insurance Company, was established in 2004 B.S. In 2025 B.S. Rastriya Beema Sansthan was established as composite insurance company.

Investment policy is an important ingredient of overall National economic development because it ensures efficient allocation of funds to achieve the material and economic well being of the society as a whole. In this regard, Insurance industry's investment policy is also a push drive to achieve goal of the industry.

Nepal is one of the least developed countries of the world. More than 80 percent of total population is still in the rural areas and most of them are not yet getting minimum physical facilities that are necessary for human beings because of under development of those areas. The annual per capita income of Nepal is 207$. It is rated as LDC (Least Developed Country). Its economy is based on traditional agriculture. Agriculture in almost every aspect is the principal occupation for the people of Nepal. More than 85 percent people of the population still directly or indirectly depend upon it for their livelihood. The agriculture plays a dominant role in Nepalese economy is well established. It provides employment to cover percent of labour force, contributes more than half of the total gross domestic products and is a major supply of raw materials to the industries.

The population of Nepal is around 25300000 and growing at the rate of 2.1% annually. The population density is also in increasing trend Risk is everywhere. Growing industrial sector like Nepal may face more perils and disasters, losses than other developing countries. Therefore, insurance is becoming popular nowadays. To get the indemnity of bearing risk insurance contract is done. In the modern world, it is impossible to side the insurance sector from society.

Insurance is of two types. One is life insurance and another is non-life insurance. Both insurance sectors comprise to form whole insurance industry. Insurance companies take insurance premium and they invest them in safe and well earning sectors.

The premium collected by the insured is to be safely used, because in claim that amount is utilized to pay the claim. Therefore, the investment becomes very sensitive matter. If it is misutilized, the claim is affected. So, investment policy should be fair and better. Beema Samiti, the regulatory authority of insurance industry has been directing insurance companies as investment directives.

1.2 Investment Criteria of Insurance Industry

As the collection of premium through different polices is the liability which is to be used in the claim payment. So, it is not allowed to invest wherever the company aims. To make that money safe and to prevent from misuse, Beema Samiti has given investment criteria as follows.

- Governmental Securities
- Fixed Deposit on Commercial Bank
- Fixed Deposit on Development Bank
- Fixed Deposit of Finance Company
- Miscellaneous

1.3 Statement of the Problem

Nepalese insurance companies are facing problem, as they are very new in comparison to the world history of insurance. Some problems traced out for the purpose of our study are as follows. This industry is facing a great problem about the investment. Investment criteria and safe sectors to be chosen for collected amount.

The insurance companies want to go to the safe and more earning sector, but they are more risky. To shift to such sector, many problems are there.

- What is the investment pattern of insurance companies ?
- In which sector investments of insurance company 's portfolios is made ?
- Which the investment policy of insurance company applied ?
- What is the trend of investment return of the insurance company ?

1.4 Objectives of the Study

Research needs objectives to run the research in a prescribed way. It is an academic research, so, specific objectives to be set up. Objectives tie the research in goal objective way. Some objectives of this study are as follow:

- To analyze the investment patterns in the insurance sector of Nepal.
- To know investment portfolio of insurance company.
- To observe area of investment of insurance.
- To review the investment policy of insurance companies.
- To study trend of the return of the investment of insurance company .

1.5 Significance of the Study

The history of insurance companies in Nepal is very short. The first insurance company of Nepal is Rastriya Bima Sansthan, which was established on 15th December 1968 A.D. After this the number of insurance companies got established. As insurance business is growing in Nepal, People are attracted to invest in such company's shares for the purpose of getting greater returns. Many insurers pay money for their insured risk Study gives. Insurance company in which invested their collected fund Investment trend and return trend So the present study will make the shareholders and investors insurers ,general people be aware of investment practices of the insurance companies. Therefore, considering all these facts, this attempt of analyzing investment patterns of Insurance companies of Nepal provide some guidelines to investors, insurance companies, policy maker and future researcher as well. Apart from it, this study will be of interest to the researchers and academicians.

1.6 Limitation of the Study

No research can cover all matters concerned with it and has boundaries block to exceed in all dimension. Limitations are not only bar of the study but they help to be a research specific. Remarkable limitations are as follows:

- This study cannot be generalized to others sectors other than of its objectives.
- This study is based on secondary data.
- Only eight years periods (from 2058/59 to 2065 /66) are taken in the research.
- Only five companies have been taken as sample.
- The study has ignored all other factors than financial factors
- It is an academic research made as prescribed by Department of Management and not applicable to rest people.

1.7 Organization of the Study

Every study should be prepared in a specific format and style. The style and format has been utilized as like senior researchers. This study has been divided in to five major chapters.

The first chapter gives some information's about general background of the study, introduction about insurance, brief history of insurance, objectives ,limitation, and organization of the study

The second chapter is about the review of literature, in which review of many pervious studies of research, journals, thesis, dissertations, books and articles are described.

Third chapter is research methodology, which consists of the details of research tools.

Chapter four is about the interpretation and analysis of data collected through different sources. Proper result is abstracted by processing different statistical and financial tools.

Fifth chapter gives the result of this research work. Conclusion and Recommendation summarizes this work.

CHAPTER - II

REVIEW OF LITERATURE

This chapter includes the reviews of the theoretical background being accepted regarding the concept of insurance and investment and investment policies. The chapter is divided into two heads as conceptual framework. This includes the generally accepted theories and review of previous research. This includes the brief review of previously conducted studies relating the field of insurance.

2.1 Conceptual Framework

2.1.1 Meaning of Insurance

Modern society bears a major character, the probable uncertainly surroundings. Due to the uncertainly factor the concept of insurance and its evolution was enforced and these days it is far more strengthening due to very flexible business environment and many Dropped-down stations. Thus, the insurance, as an auxiliary for the modern society is regarded as an essence by the business community as well as by an individual.

Before getting into the concept of insurance and its major areas one must be clear enough to understand the risk and risk management which is the pivot point of the concept.

2.1.2 Risk

In general, the risk can be defined as the probability of the occurrence of the unfavorable outcomes. However, Risk has different meanings in different context. In the context of the insurance, it takes restricted sense and risk as a term mainly is used to mean to uncertainty of occurrences of economic loss. It determines the losses other than the economic loss and the uncertainty of the occurrence of loss on the subject matter will be basic requirements. Risk will be the element, which makes insurance desirable and possible. If there is no risk world, then why any one should be insured. Thus to be safe and damaged by such uncertainties the insurance thrives.

Risk, as a term, will be the composite of peril, loss, and hazard, which are the intimate part of the term risk used under the concept of insurance.

2.1.3 Risk Management

After talking about risk, the risk management concept will also be the essence to understand the concept of insurance. In generic meaning Risk management will be the planning organizing, directing coordinating and controlling of risk. In practice, risk management will be the problem of decision making for either personal or organizational situation. Risk management is a general management function that seeks to identify, assess and address the cause and effect of uncertainty and risk on an organization. The purpose toward its goals and objective (its mission) is in the most direct, efficient and effective path (Young, 1995:27).

The basic objective of risk management is to make the most effective pre loss arrangement for an effective post loss balance between needed and available resources, so that the contribution of the family or business is assured as viable unit. Basic rules of risk management may be:

a. The size of potential losses must have a reasonable relationship to resources of the loss bearer.
b. The benefits of assuming the risk must be related to its costs.

Within the sphere of basic rules of risk management, these might be the various alternatives standings regarding the risk. Such alternatives are driven by either the risk financing aspect or the risk control aspect. Risk control aspect. Risk controlling aspect enforce on reducing the probability of loss by implementing the risk reduction techniques and risk Financing aspect enforce on being in financially secured position before the loss occur.

Thus, insurance and its management will be a part of risk management, which falls within the risk financing aspect rather than risk controlling aspect.

2.1.4 Insurance

It is quite hard to define insurance which satisfy every viewpoint of insurance. Insurance may be defined as a system of combining many loss exposures, with the cost of the losses being shared by all of the participants. (Frederick, 1980:8) It may be an economic system of reducing the risk through transfer and pooling of losses. A legal method of transferring risk in a contract of indemnity, a business institution providing many jobs in a free enterprise economy, a social device in which the losses of few are paid by many, or an actuarial system of applied mathematics (Bickelhupt, 1983:43). In some generic term insurance is regarded as cooperative risk carrying, transfer of specializing risk carriers, redistribution of actual loss etc. As a business institution, insurance has been defined as a plan by which large number of people associate themselves and transfer to the shoulder of all, risk that to an individuals (Magee, 1959:2). Insurance, as a device for handling risk will include the transfer aspect of risk as well as control aspect of risk in some extent and can be regarded as risk handling device, which deals with risk control and financing viz. reducing uncertainties appearing due to risk class and providing planned financing technique.

Insurance as a tool of risk management is often misleading concept. “The word insurance sometimes is applied to a fund accumulated to meet certain losses, as well as to a simple transfer of risk. But the accumulated definition of insurance must include either accumulation of a fund or the transfer of risk but not necessarily both (Mehar, 1986:37). In practice, Insurance involves spreading loss over more than one entity within a preset period. In fact, insurance distributed the cost of the risk over a large group of individuals subjected to the some risk in order to reimburse the few who actually suffer from the risk.

Insurance more formally as well as from institutional viewpoint, is regarded as cooperative risk transferring device expressed as contractual agreement between two parties i.e. insurer and insured. Where insured will be the party desiring security against certain unpredictable loss upon the economic aspect of life or the property and liability and insurer will be the party willing to provide assurance or insurance to the insured against some specific cost i.e. the premium for the desire of some benefits i.e. surplus. It will be a risk transfer agreement under which an insurer agrees to accept financial burden arising from loss.

Thus it can be said that insurance is multi faced matter. Insurance for the insured will be the risk financing as well as controlling tool. Whereas for insure it will be the legal business arising from contractual agreement of handling risk on behalf of others against some benefit.

2.1.5 Type of Insurance (Insurance Contract)

When insurers viewed as a generic term and defining the generic concept. It will take the forms like social insurance and private insurance. Here the social insurance means the insurance plan which are conducted by the Government and are usually administrated by the state of the Federal agencies as directed by the objective of providing minimum level of living standards and maintaining the society having enhanced justice and equal distribution of resources. This board classification bears no boundary and is broaden enough to cover the fields like aid to Handicapped, provisions for the aged persons, or similar governmental social services. Whereas private insurance plans sought by an individual or an organization to meet the recognized need for risks financing as well as risk controlling. This classification is extended up to a personal scheme of acquiring the risk financing or risk controlling by means of buying the legal insurance, accumulating a portion of income as proviso to tackle the uncertainties or getting into the activities which cause the withdrawal of own risk like leasing.

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

2.1.6 Life Insurance

Life insurance as a type of insurance plan conducted by the insurers plan conducted by the insurers is directly related with providing assurance against the economic part of total human life. Since the earning power of an individual is the greatest assets a person hoes have. It really will be the important part of human life. Life insurance is particularly concerned with that aspect of human life. Since the insurance or assurance of a person’s life is impossible, the certainty of death of a person once born. Life insurance only provides assurance against the economic aspect of human life.

Not the assurances against financial loss in the circumstances like living up to the age of retirement when he will not have potential earnings power protecting insured's beneficiary if the untimely death of the insured took place or protecting the interest of the other parties like insured's creditor who are economically associated with the life of the insured.

Life insurance can be defined as a contract by which the insurer for a certain sum of money or premium proportionate to the age (Bickelhaupt, 1983:119).

Nepal insurance act 2049 (section- 2-F) has defined life insurance as the contract of insurance effected on human life on the basis of any contingency dependent on human life in consideration of payment of a fixed installment by the assured.

Life insurance as a distinct characterized insurance policy takes different forms in practice. In practice, such forms are explained as term life insurance, endowment policy whole life policy and annuity.

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

2.1.7 Non Life Insurance

This part of insurance can be defined as the pure insurance. Non- life insurance known as General insurance is the insurance of property and liability risk of insured against some specified cost i.e. the premium. This part of insurance includes the insurance or risk transfer of the property and liability of insured where "property insurance against loss arising from the ownership or use of property. Includes two general classifications the first indemnifies the insured in the event of loss growing out of damages too or destruction of his or her property. The second form pays damages for which the insured is legally liable. The consequence of negligent acts, that results in injuries to other persons or damage to their property. This is known as Liability insurance (Bickelhaupt, 1983:80-81). Due to the nature and character holdings such insurance is regarded as the form of insurance itself generally refer to this type.

Under the scope of general insurance every kinds of agreed risk might be included under agreed definition of loss but that must have some common principal.

Based upon the principal the insurer and insured may agree to accept every kind of risk and its transfer though the insurance, but divided into five types, physical damage or loss, loss of income and extra expenses resulting from physical damage to property, liability health and surety (Mehr, 1986:11). In practice the insurers provide various kind of non- life insurance policies which are based upon these classifications. Among them these are the practical forms:-

2.1.8 Fire Insurance Policy

Fire insurance provides indemnity for loss or damage caused by the fire. Basic form of fire insurance offers protection to the insured against the destruction of physical property as a result of fire. Typical fire insurance does not cover the direct loss but with each other's consent insurer may provide protection in the modified form of the basic fire insurance policy. The field of fire insurance can be modified or extended to include a number of perils closely allied to fire like windstorm, earthquake, and Riot and strike damage terrorism. Explosion landslide or else. Such contracts may be written not only to insure against the direct losses but also the indirect losses. Usually, insurer charges the higher premium rate for such modified policies.

2.1.9 Marine Insurance Policy

The oldest form of insurance, the marine insurance policy will be written to provide the security against the perils of sea. Usually, such policy will provide the assurance/ insurance not only against the natural disaster but also against privacy and other manmade disaster. Further, the modified marine insurance policy may provide protection against the inland transit loss arising in the way to seller to buyer protection against loading and unfolding or other mutually agreed risk. With respect to the marine insurance a distinction is customarily made between insurance written on shipment over land by such carrier as railroads and trucks, which is referred to as inland marine insurance and those that involve sea perils referred to as ocean marine insurance.

2.1.10 Automobile Insurance Policy

It is the insurance policy related with the vehicles running on the road. It is directly related with providing the insurance against the perils or loss occurring with respect to the vehicles and with providing financial assistance to the insured to remit the third party liability occurring due to the damage caused by the vehicle. The automobile insurance requires two basic type of coverage i.e. material damage form and liability form where material damage from includes the perils and hazards occurring on the subject matter i.e. Automobile or vehicle. Due to collisions fire, lighting, theft, windstorm, earthquake, explosion, transportation, etc. and liability form include the remittance of the losses to the third party caused by the vehicle. Such automobile policy will also cover the insurance of the passenger of public carriers under specified terms and conditions, usually group automobile passenger insurance which will be guided by the federal of state laws.

2.1.11 Aviation Insurance Policy

Aviation insurance is related with the risk occurring due to the perils. Hazards or risks created by the aircraft. The subject matter of this type of insurance will be the Aircraft itself which requires very huge investment. Because of its huge capital outlay, individual organization's operation the airlines business could not be bear the risk associated with the aircraft and the insurance companies practically, from a syndicate to bear the risk associated.

2.1.12 Engineering Insurance Policy

Engineering Insurances is related with the risk transfer arrangement against perils hazards. Or risk arising within manufacturing organization or within technical job sectors. Usually under the risk insurance- under this policy wick be basic insurance contracts:-

Contractors all risk insurance- under this arrangement the hazards, perils and losses occurring from the mutually accepted risk class will be provided for the occurring from natural disaster accidents or other inevitable uncertainties will be incepted it insures the contractors or builders financial sustainability though there occur heavy loss on contract, upon which they were working.

Machinery all risk insurance- under this arrangement the loss occurring due to the damage of the machinery will be insured. Organization where failure of a machinery or damage on machinery cause greater loss either directly or indirectly, involve into this type of insurance arrangement such policy includes financing for the failed machinery providing financial security against the indirect cost like repairing cost. Cost of the idle workers or similar losses. Boiler insurance- under this arrangement, this risk occurring due to the explosion or damage of industrial boiler will be insured. On the organization where the boilers are used there will always be the possibility of the explosion or breakdown. In such breakdown the person may injured or the property may be destroyed. In such situation, the purchase of this form of insurance will have the protection against loss as afforded by the policy.

2.1.13 Miscellaneous Insurance Policy

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

Personal accident insurance policies- under this policy the insured gets the financial assurance against being handicapped from any accidents. This policy may be written for the temporary disabilities or for permanent disabilities or for comprehensively for all disabilities too under this policy the payment of the insurance amount will be up to the limit prescribed for each level of disabilities like 50% of insured amount for the damage for the damage of one leg or hand. Medical aid scheme insurance- this policy covers the financial loss occurring due to the health problem. Under this policy, the insurer will pay the medical expenses for the insured if the insured needed the medical treatment unexpectedly. However to get the compensation the insured must be within the warranties of the contract and must show all the proofs. Workmen’s compensation and employers and liability insurance- the owner of the organization on behalf of the worker will purchase workmen's compensation and employer's liability insurance. Under this policy the financial assurance against occupational accidents, occurring within the working place will be insured. This scheme will be written by the owner of the firm to secure from the unexpected claims occurring due to the occupational accident that took place on the work place. Workmen's compensation and employer's liability insurance assumes the expenses of compensation and provide for medical, surgical and hospitalizations requirement as determined by the compensation laws of the state. Usually, under this policy the compensation will be limited or settled according to the regulatory provisions relating the field.

Fidelity guarantee- under this policy the owner of the firm gets the guarantee against the fraud or betrays or dishonesty caused by the employers like Accountants cashiers and distribution etc. The insurer will remit the loss. If the employers betrayed the insured or the insurer would fulfill the loss occurring due to the discard of the fidelity of the believed person. Banks, saving and loan associations and other business in which employees have access to large sums of money in invariably carry fidelity bonds for protection.

Burglary and housebreaking insurance- this policy is designed to cover the contents of either business premises or private premises, against loss of damages by theft or house breaking under the policy the insurer will remit the loss occurred due to the theft or robbery. It can be written separately for the variables or comprehensively for entire thigh inside the house. However, under this policy the security provision will be very essential and important.

Cash in transit insurance- it is the policy written by the financial institutions like banks. Whose function will be send/ receive cash. It covers the loss occurring in the transit of cash while sending it from one place to other.

Household policy- under this policy the loss occurred on the personal building and other property will be remitted by the insurer. The loss occurred due to the natural disaster like earthquakes; windstorm, lightening and the loss occurred due to other disasters like vandalism, riot is financially protected from the insurer if this insurance policy is written.

Beside these, there exist various other fields of insurance like cattle insurance, crop insurance, public liability insurance, or others. These days the insurer are ready to concept any kind of insurance mutually accepted like the insurance of the leg of a super model, insurance of the vocal cord of the sing her or else. Thus, the field of the insurance is growing day by day.

2.1.14 Insurance Companies from the Viewpoint of their Functioning

From the pure institutional viewpoint the function of insurance company will really be the important aspect. When one talk about the function of the insurance company, there occurs two very distinct and entirely separate coin sided fields, which are closely related but are vastly different. These two basic fields are discussed here separately.

2.1.15 Insurance Companies as the Provider of Insurance

The primary function and field of the insurance company will be to provide the insurance against the uncertainties inherent on the society, individual's life or in the business. To perform the function the insurance company may organize themselves differently but their organized type will base upon their own objective, which might be a) to earn profit or to earn management fee for operating co-operative, b) to enrich its promoter, c) to lower insurance cost for their owners, d) to provide its owners with a type of insurance protection not otherwise available to them, or e) to sell services (medical, legal, or administrative) on a prepaid basis. (Mehr, 1986:525) Thus according to their motives they may stand as these -stock companies Mutual companies, Lloyd's Reciprocals and others.

Thus the insurers may form themselves according to their objectives and preferences of the functioning criteria, but however they are formed; their basic aim will be to provide insurance/assurance to their members/clients against the mutually accepted risks.

The insurers, in practice will be able to accept the agreed risks on least cost i.e. premium because they enjoy the benefit of combined larger number of exposure units of similar risk character to contribute on the loss or damage snag upon the unfortunate member of the risk class. Thus, in the practice, insurers will be able to accept such risk and compensate the unfortunate member or members on the claims or contribution of the fortunate members. However, this compensating one on others contribution will be the procedural task.

The insurers will follow a systematic procedure for risk transfer arrangement. The arrangement once commenced will continue until the policy matures or until the loss occur. When the policy expires, the insurer need to remitter or conclude the contractual clauses. In the case of life insurance, the insurer need to remit the face amount with accepted premium or dividends to the insured, and in the case of the general insurance, the policy expires, as the policy date will be over or the loss occurred upon the subject matter is remitted according to the insurance contract and principles. Such remittance of the claim also is furnished according to the procedure set by the insurer.

However, this part of the performance of the insurance companies will be the primary aim of the firms and will be quite vague. It is beyond the scope and just surface scratching study has been done. Further, the procedure may differ according to the agreement between two parties involved. However, the crux is that the insurers provide many important benefits to the insured against definite smaller cost, simultaneously, providing the benefit for the insurer, also.

2.1.16 Insurance Companies as Financial Institutions

Another important aspect of the insurance industry will be their function of a financial inst tuitions or intermediary. A financial institution is a business enterprise whose assets and thus source of earnings are primarily in the form of chains of claims and equities, rather than buildings and grounds, equipments or inventories of goods. The assets of such institutions will be in the form of financial assets, rather than in the real (tangible) assets. Financial institutions are, generally, classified into these two broad classes as. Depository type financial institutions like Banks, Loan Associations and credit unions and “Contractual saving type financial saving type financial institutions” like insurance Companies. Pension Funds, investment companies as financial intermediaries, insurance companies or insurers are involved into saving- investment process. The insurers, as to their function of the financial institutions, Provide industrial finance, government finance, and personal finance, too. But the purpose of insurance companies is not to finance the industry but essentially to invest the saving of policyholders in exchange for a promise to pay to the policyholders and/or beneficiaries a large sum either in the later life or upon death or the happening of a certain events.

Since insurance companies perform as financial intermediaries, their inflow, and outflow of financial assets really will be the major part of their total business.

2.1.17Inflow of the Financial Assets of the Insurer

Insurers are directly involved and are also objected to provide the insurance: - their basic source of inflow will be the premiums they collect. Where in the premium will be the sum of the mathematically expectation of loss for each policyholder plus his share of operating cost. The premium calculation and the rate vary according to the nature of the risk character and the policy type. For the purpose of calculating a rate it is necessary to analyze it in terms of the items that it is expected to cover, broadly, losses expenses and a margin for surplus.

After the inflow of financial assets in the form of the premium the next important one will be the income from the investment such investment income will be the surplus for the insurer for being successful in saving- investment process. However this part of the income will also indirectly include the policyholder’s claim too. Then after, the dividends on the policyholder’s accounts will be a major source. Such dividends will be left in the hands of the insurer on behalf of the insured or policyholders and will be immediate inflow, though they are payable at the maturity of the policy. Further the capital grain in the transaction of the investment components or the gain in the transaction of the capital items. This includes the physical assets. The paid in (surplus) capital accounts may also be another source of the investment. Further, the annual retained earnings will also be the inflow, which will be the outcome of being operated successfully.

2.1.18 Outflow of the Financial Assets of the Insurer

Among the outflows of the insurers the major one will be the insurance claims. Since the insurers are objected to provide the security against the uncertainties financially, their major outflow will be in the form of claim payment. Then the second major outlay will be the investment on various investment sectors. To invest among the probable investment sector the insurer need determine the nature of the fund and is utilizations. Then after, the regular business expenses like the commissions taxes other general expenses. Interest on the policyholders account and interest on the stockholders account will also be the outlay thought they may not be the immediate outlays. Further, the remittance of the capital loss will also be the party of the outlay. The net of these outlay and inflows will be the net assets of the insurer as their functioning as intermediaries.

2.1.19 Investment

Investment as a term is quite confusing and multi- faced. In pure sense “the subsequent use of the term investment will be the prevalent financial sense of the placing of money in the hands of others for their use, in return for proper instruments entitling the holders to fixed income payments or the participation in expected profits. But for manufacturing and trading firms the term investment will be “those long term expenditures that aim at increasing plant capacity of efficiency or at building up goodwill. Thereby producing and increased return over a period (Dowrie & Fuller, 2000:21).

Investment in its broadest sense means the sacrifice of current dollars for future dollars. Two different attributes are generally involved; time and risk. The sacrifice takes place in the present and it certain. The reward comes later, if at all, and the magnitude is generally uncertain (Sharpe, 2002).

For our purpose in the study of the financial institutions the investment and investment problem will revolve around the concept of managing the surplus financial assets in such a way, which will lead to the wealth maximization and providing a significant further source of income. Thus, the investment for insurer’s purpose will be the management of the surplus resources in such a way as to make it work foe providing benefits to the owners by increasing the total assets. Simultaneously, providing benefits to the supplier of the funds by letting third party to use such resources. However, the investment needs to be procedural task it must follow a definite investment process (Sharpe, Alexander and Bailey, 1995:10). This definitely begins from the formulation of proper investment policy.

Since we are dealing with the insurers whose primary function will be to accept others risk against some benefits in the form of the premium. The investment problem will be the employment of available fund such fund will be the portion of others claims over them and it should be invested with the objective of attaining the gain whether in the shape of income or appreciation in value. The insurance companies handle investment management as secondary function or a supplementary of its major function. Therefore, they need to coincide the insurance business and investment management. Since they trade on the claims of the others their investment management must enhance the benefits from the insurer, which otherwise could not have been possible if they individually involved into saving- investment which is quite reasonable and rational too. The two reasons can be advanced for presuming that insurer have advantage relative to their policyholders in this type investment one reason is related to the timing. Second, the consolidation of premium from a large number of policyholders allows insurer to specialize in this type of investment (Young and Smith, 1986:304).

Through the insurer have advantage of investing the individual saving collectively; they cannot invest all their above mentioned inflows, as the profitable investment. It is so because of the primary function of the insurer which is to provide financial assurance against insurable risks and the regulatory provisions governing them In fact insurer only gets a portion of their inflow as investible fund after arranging for various items.

Usually, form abovementioned inflows the insurers have to invest a portion of capital i.e. owners equity or corporate capital component, on the fixed assets, which will be the real investment. Then after, the insurer spends a portion of inflow for the current transaction of their business. Usually such business transaction or spending includes the general business expenses like, rent, salary to staffs or else. Spending for the non-capital items like purchasing required tools, purchasing required tools. Purchasing required stationary or similar else, operating expenses relating the business line the commission to the brokers, commission on the re-insurance etc. then after insurer needs to arrange for the reserves which may arise in these forms:- policy reserve or unearned premium reserve. Loss reserves other voluntary reserves.

Regarding the arrival of the investible fund the unearned premium reserve or policy reserves will be a basic one. Because such reserves needs proper treatment to be withdrawn if the insurance policies matures but will be idle if kept within the insurer and it will have to contribute the policyholders account by providing the appreciation in value though the defined rate of return. The amount needed for voluntary reserves and the loss reserves must be reduced from the inflows mentioned above to arrive at the portion of inflow that can be invested outside.

Thus, the insurer gets the investible funds after making various provisions. Various expenses and other else, such investible funds includes the claims of the owners, the claims of the policyholders as the premium payment or appreciation in value as interest the surplus that retains within the firm and other inflows.

2.1.20 Investment Policy

Generally, policy will be a plan or course of future action that are proposed to be adopted, regarding a particular field of activities. Similarly, investment policy will also be the plan or course of future action that are proposed to be adopted regarding the investment. The investment policy varies according to the field of operation relating particular firm or individual. Thus, investment policy will be to formulate the investment strategy based upon own objectives and nature of the investible fund and their future use. Such as investment policy must be balanced as of the Risk- Return character, where the risk includes the stability in value, liquidity, marketability of the investment or similar inconveniencies caused by the readily unavailability of the fund and return includes the appreciation in value of the investment and the regular income or similar benefits. Investment policy involves determining the investor's objectives and investable wealth. Investment policy must be also concentrate on the component of investment and usually such components will be capital markets instruments like common stocks or bonds and financial/ money markers instruments like commercial paper. Government securities or some less than one year maternity bonds, further the investment policy must also indicate the use of the variable income components or fixed income components where variable income components are those where neither the principal nor the income are contractually set in advance where as fixed income components are those which promises a stated amount of income periodically.

Such investment policy will be the outcome of various interrelated considerations. Regarding the insurance business also, it will be the outcome of various principles and other affecting matters along with the basic principles of investment that need to be followed.

2.1.21 Principles of Investment

While investment policies needed to be formed the investor needs to consider many factors. Usually these are the factors to be considered - planning decisions Security of principal. Stability of income and rate return marketability and liquidity. Regarding the insurers investment policy selection criteria these will be the factors to be considered or simply we can say these are the basic principles to be followed while investing the investible insurance fund:-

Security of Principle

The primary principle governing the investment policy and the component choice will be the principle of security. Since the insurers primary aim will be to provide the risk financing assurance. They need to be prompt in claims payment. Besides, the insurers mostly trade on others claims over them, especially claims of the equity holders and the policyholders. Therefore they should always be concentrating not to let decrease or go- off the value of their claims. Since investible funds are also derived from the claims of the owners or policyholders the security of such assets will be an essence to be successful in risk financing assurance as well as in the collective saving-investment process. Regarding the insurance business this principle is enforced by the federal of state laws, too the basic principle for limiting the investment to those with the high margin of safety not only is imposed on the companies by the system of state investment laws described presently, it has long been recognized as a permanent consideration by the insurance companies themselves. To attain the principle of security the investor need to analyze to portfolio matching their funds character and the line of insurance business. To maintain the secure investment holding the insurer need to concentrate on the secured leading which may be against some assets of the borrower or by the legal consideration. In other instances the safety of the investment is assured by the high credit standing of the burrower as evidenced by his ability to meet the interest payments or to provide a continuous flow of dividends to investors. Further, the security of investment depends upon the legal claims of the lenders and value of the underlying security but also upon the burrower's ability to manage his affairs efficiently and his willingness as well as ability to repay.

Maximized Yield

After considering the principle of safety, next will be the maximization of the Yield. It means that the funds must be invested in the higher Yielding components. The rate of return must be matched with the rate of return to be proved on the policy reserve on simply the externally achieved return must exceed the return to be allocated internally. In considering Yield in relation to company's operation, it is important to realize that the investment income must provide the addition to policy reserve in accordance with the basic upon which premiums and reserves are calculated and that the effective amount of such income will be partly determined both by the expenses of investment and by capital gains or losses. The incentive to maximize Yield on the investment portfolio is directly related to the net cost of insurance to the policyholders, since the earning above and beyond the assumed interest rates of policy contracts are a direct factor in the size of policyholder's dividends. It is assumed that that if the insurer can invest the fund in higher Yielding investment, it will be able increase the net benefits to the policyholders by increasing the dividend rate or decreasing the net cost of insurance but, in fact yield maximizing will not only the matter of investment it is also related with the level of investment expenses and gross yield on a particular components.

Diversification

Another principle of the investment will be the diversification of the fund. It can be either in the form of diverse components or in the form of different field of business or in the form of different geographical regions. Diversification can also be a way to achieve safe and secure investment assets. Diversification is needed as an investment principle because such Diversification will reduce the risk of being the fund insecure in aggregate and the rate of return can be maintained in level, too.

Marketability

Another important principle of the investment for as insurer will be the marketability or convertibility. The investible funds will be the claims of the policyholders or the owners and they are payable on the specified condition or on the specified time. Generally, such timing or the condition will be uncertain. Therefore it is not always possible to predict exactly how much fund will be needed to replenish the claims arrived due to the uncertainties thus it is quite important to concentrate on the marketability principle must match with other principles as well as with the line of insurance business and the nature of the required fund.

Liquidity

It is the principle required to match the function of insurer as financial institution against the function of insurance service provider. The insurers need to maintain working cash and bank balances in order to carry on the normal transaction of receiving payments and making disbursements. Further, they need to finance the unforeseen claims occurring in the form of matured contracts. These causes will lend the insurer to maintain the liquidity. Beside these, the liquidity will also enable the insures to catch up the speculative benefits occurring on some special occasion. To maintain the liquidity principle with respect to the investment, the insurer need to concentrate on the investment components which holds the property of being very near cash or cash and bank balance. However, the proportion of the liquidity requirement must be determined according to the nature of the line of insurance business, the stage of the maturity of the policies and the probability of occurrence of claims. In fact maintaining liquidity does not mean to forego the benefits that can be attained by investing in the other higher yielding securities which has longer maturity, or are less liquid. The proportion of the liquidity must be attained accordingly.

2.1.22 Other Factors Affecting the Investment Policies

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

Regulatory Provisions

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

Management Perception

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

Present Composition of the Investment Portfolio

Investment policy and the composition are also affected by the size, maturity stage interest or return rate on the capital etc. If the insurer already holds the component having mid-term maturity, then their consideration for upcoming investment will be on the long or short term maturing components. Thus, the compositions of the investment in hand also affect the investment policies of the insurers.

Availability and Accessibility of the Investment Components

When best-suited investment components are not available or accessible, then also the investment policy of an insurer can be affected. When best- suited investment sector will not be available, then the insurer had to accept next best-suited investment component and the policy differs.

Investment Policies and the Insurers Operating under Different Insurance Industry

Investment policy and selection and criteria of a particular insurer will primarily base upon the nature of insurance business, character of the fund needed with respect to the line of insurance, and the preference of the managers. Further, the legal provisions regarding the investment components and enforcement on the kinds of components also affect the investment policies of an insurer.

Since life insurance and General insurance differ in their risk assurance character their claim's nature, volume, and nature of their policy holding of each type, the timing of insurance claims relative to payment of premiums etc. both differs with respect to the investment policy and the choice among the various components of investment. In this study also both are related separately.

Life Insurance and Investment Policy

As above mentioned, life insurance companies are specially purpose financial institutions because of their character holdings. A life insurance company is more than a risk bearing institutions. It is a financial receiving, investing, and paying out large sums of money every day of the year (Maghee, 1949:307). Among the character/ attributes, one important attribute of the insurance fund is that they are long term nature. The claims against them by the policyholders materializes in a fairly regular pattern over time i.e. usually upon the death of the insured or at the maturity of the endowment policy .Another important aspect of life insurance fund will be that it includes not only the insurance value from the insured but also the saving or security for life time, too. Due to the expectation of the insured or policyholders, the funds must be invested in the sectors, which have quite regular and higher return with lesson risk.

Because of the attributes of the life insurance funds, the investment will be an essential part, coinciding with the basic line of insurance business. The chief objective in the management of the funds of a life insurance companies are to have adequate funds with which to meet claims includes not only the death. Disabilities, and annuity payments called for policies, but also the demand for the cash surrender values (Dowrie & Fuller, 1989:229). This aspect of insurance business desires the investment policy, which produces much dependable and definite income at all times and yet providing sufficient liquidity to take care extraordinary demand for cash.

Thus, the fundamental purpose of the life insurance investment programs are:-a) to make possible the fulfillment of contractual obligations to policyholders, b) to make available life insurance protection as a cost as low as possible. To meet these objectives as investment must give promise of a) certain return on principles b) a stable and reasonable income yield (Magree, 1992:743). To attain the basic objectives the life insurance funds must be invested in accordance with the principles of investment mentioned above.

Regarding the investment of life insurance fund and policy formation the long- term nature of life insurance contracts plays major role. Life insurance and annuity contracts are typically written on the basic of an insured rate of interest at which earning on policy reserves will be compared over the course of time (Life Insurance Association of American, 1998). This aspect of life insurance lure the investment policy of life insurance companies toward the long term natured components that yields fixed rate of return, regular payment of interest and a specified maturity of the components, which will be sufficient and enough to meet the contractual obligation made to toe policyholders, specially annuity contracts and endowment policyholders. Usually such long- term investment helps to reduce the expenses of reinvestment, voluntary of the interest/returns to meet the principles of safety of investment, maximized yield the life insurance funds can be invested in long- term i.e. semi permanent investment. The life insurance business also desires a significant proportion of the total fund for remittance of the claims like surrender values, policy loans and the claims arrived due to the maturity of the policy. To remit such claims the insurer needs certain portion of the total fund in liquid position, which needs to be in the form of either the cash or bank balance or the near cash components. Such liquidity position can also contribute to gain the speculative profits in some specific situation though the insurer should not enforce for such profits.

To attain the objective and match the investment principles mentioned above, the insurers have two sectors to invest; Investment components' having long-term maturity and investment components' having short-term maturity.

The investment of the class involves the long maturing Government securities. Corporate capital components, mortgages and real estate. The components of this class have the character like higher yield, possibility of capital gain, diversification, and convertibility in some extent, too. Among these components, some holds the property of being readily marketable; some hold the property of being higher yielding and liquid. This type of long term maturing components are significant to the life insurance, where the sudden huge claim seldom occurs and where the insurer can estimate or predict the claims occurring due to the maturity of the policy contract from the analysis of the records.

The investment of second class includes the components like Government securities having short maturity period. Commercial papers deposits on the banks and financial institution etc. the components of this class have the characters like the liquidity, convertibility, security, and diversification. Among these components, some bears fixed income and certain maturity date also.

Beside the insurers need to invest on the policy loan as short- term investment though the insurance companies do not seek them. Life insurance policy contains a clause whereby the policyholders can borrow as a matter of right (Manage, 1998). The insurer will lend the loan to the policyholders after reducing a specified portion of the surrender value, which will have been in the policyholders account if he had wished to surrender the policy. Such discounted portion will include the interest that will fall in the policyholders account after taking the loan which is objected to provide the cushion to the insurer even though the policyholders let the policy to lapse not remitting the loan. Thus, the insurer can fix the return on the policy loans but it will not be quite high. From the security principle, they are the most satisfactory because the insurer can lapse the policy amount paid by the policyholders against loan feature makes possible demands for cash in unusual and unforeseen amounts at short notice and during periods of financial stress when liquidation of securities by the company may cause unnecessarily large loss.

Thus this class of investment will be applicable to remit the claims occurring in the form of sudden maturity i.e. death of the insured surrender of the policy, withdraw as policy loan. Since in these kinds of claims are predictable from the insurers view point, the liquidity in a portion of the investment will be the must to conduct the insurance business in satisfactory manner.

Regarding life insurance funds, there arises two types of investment components matching of satisfying the line of business as well as fund requirement attribute. Insurer must be aware of the fund requirement attribute and built up the investment policy matching it. Since majority of the contract runs over long period the life insurance funds need to be invested with a view of maintaining the reserve in such extent that payments upon matured contracts can be met with certainty. For this purpose the maturity of the investment components must be matched with the maturity of the policy as much as possible to meet the short- term contingency claims the short-term maturity investment will be helpful. Thus, the investment must be divided proportionately among the components.

2.1.23 Non-life Insurance and Investment Policy

The Non-life or property and Casualty insurers are the kind of institution which are specially purposed to transfer of the property and liability risk of others against some benefit "unlike life insurance companies, property and casualty insurance companies do not collect savings, they sell service, and their liability so not represent firms dollar (amount) obligations to policy holders (Gaurmintz, 1990: 99).

Though these kinds of insurers are not expected to function as financial institutions at all, they needed to involve into the 'saving-investment process. It is so because they try to be in more profitable position or earn a portion of inflow for risk financing, beside their regular profitability arriving from being a composition of larger number of exposure units of same risk class to gain surplus from financing unfortunate few from the premium contribution of the unfortunate many further, being the institution of the money and capital market. They do not want to let their fund being idle. For these reasons the investment will be significant for them too.

Since this type of insurers are the risk financer for the insured against the loss on subject burden filling upon the insurer is also unpredictable further, this type of insurance contracts includes the major part of its liability as unearned premiums, which will be collected in advance. Such advance collection system also makes unpredictable demands of the funds.

Thus, to maintain the successful operation of the business and be prompt in claim payment the insurer need to held major part of their inflows available to pay future losses and expenses. Because accidents, casualties, and disasters are not all that predictable, property and liability insurance companies must have reserve of funds to cover large claims and settlements if and when they occur (Robinson and Dwaye, 1999:87). Liquidity is of much greater consequences than it is to a life insurance companies (Dowrie and Fuller, 1998:236). Since these insurers must be in the position to raise the emergency funds in case of the maturity of policy very promptly, their investment policy must be to invest on the components that can be converted without undue delay. Usually these will be the character of this kind of insurance and the investible funds: - a) major part of the funds will be in the form of unearned premium collected in advance b) a portion of the fund will be in circulation or flow in the from of premium collection and cash balances c) In coming cash premium will usually be more than enough to pay all current expenses and losses (Clendenin: 1995:436).

Regarding the investment policy of the insurers the liquidity, marketability, safety principle matters more than the maximization of the yield. Therefore, this kind of insurer's investment contains major part as the short-term money or capital market instruments and the long-term maturing components are used in least portion. The insurer can invest their permanent funds or earned funds like equities, surplus etc. in the components like corporate capital components. Mortgages or real estates these components bear the higher yield either in the form of interest or dividends or in the form of capital gains. However, while investing on these kinds of components the proper security analyze need to be done to maintain the safety of the principle. The other portion of the funds i.e. the portion of funds including the unearned premiums, loss reserve, need to be invested in the short term, maturing components like Government securities having short maturity period. Commercial papers deposits on the banks and financial institutions. These components match with the principles like liquidity, marketability, security that are the essential of the property and liquidity insurance funds. These are the components, which can be transferred onto cash in no times and are needed, so that the claims occurring through the maturity of the policy contract or cancellation can be meet, since there will not be any provision like policy loan, the insurer need not bother about the claims occurring due to the demand of the policy loan.

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

Beside these, the political legal or socio- economic factors may also affect the investment policy and composition of an insurer.

2.2 Review of Related Studies

Insurances contributes to society by favorably affecting the appointment of the factors of production, engaging in loss prevention activities, indemnifying losses, serving as a basis of the credit structure, eliminating worry and providing a channel for investible funds.

Robbert and Cammack (1996) outlined the insurance as, insurance policies are written by business organizations called" insure". In order to function properly, these insurers must have a large number policy holders, who are obtained either by direct representatives or through agents he again stated 'insurance is a technical business involving the skills of statisticians, Financial analyses; engineers; physicians, economists, lawyers and others contracts must be carefully drafted, underwriting restrictions must be determined, rates must be equitable established, and funds must be prudently invested. Since insurance is affected with the public interest, it is closely regulated.

The essence of the insurance scheme is that, it is a social device, that it involves the accumulation of funds, that it involves a group of risks, and that each person or firm who becomes a members of the group transfers his risk to the whole group. The purposes of insurances is to reduce the uncertainly and worry caused when it becomes aware of the possibility of loss. It does this by spreading the economic burden of losses among members of the group. Insurance does not prevent loss but it relieves the financial burden.

Robert outlined about the insurance through his book as, insurance is a useful device for solving complex social problems. Compensating Victims of industrial accidents is handled by compulsory worker's compensation insurance; and indemnifying innocent automobile accident Victims is handled to some extent by financial responsibility laws with most people comply by furnishing evidence of ownership of automobile liability insurance. Social insurance is used to help, solve the financial problems of unemployment, old age, disability, death and medical care for the aged.12 Insurance is affected with the public interest and is consequently subject to government regulation, mostly by the states.

Insurance, in its pure insurance function (ignoring for the moment its efforts at prevention) may be linked to the springs of vehicle. It absorbs the shock and distributes it over all risks insured in the same class. It permits a freer functioning of credit and industry generally but does not Eli mate loss. The retarding effect of risk removed, but the cost and retarding effect of loss are still present. The burden of loss is still on society.

Insurance distributes the cost of the risk over a large group of individuals subject to the same risk, in order to reimburse the few who actually suffer from the risk. It is a social services whereby one party, the insurer or insurance company

Agrees to meet certain started to certain started risk in certain for money consideration paid by a number of other parties, the insured. The money consideration is called the premium. A fire insurance company, for example, will in consideration of the payment of a premium, issue a contract called a policy in which the insurance company agrees to reimburse the insures for a fire loss, but not is excess of the amount started in the policy and with the provision that the loss occurs during the period for which the policy runs.

David (1995) has stated about the about the general legal requirement of insurance as, the rights and obligations of the parties to an insurance agreement are determined largely by reference to the general laws, which govern contracts. The agreement by which insures is effected is contract in which the insurer in consideration of the payment of the specified sum by the insured agrees to make good the losses suffered through the happening of a designated unfavorable contingency. The insurance contract need not be in writing, but as a matter of business practice such agreements are ordinarily written. Even social Insurance, such as workers compensation, are written, through the terms appear in a state law rather than in private agreement.

In its most basic form, the insurance mechanism is simply a process wherein a group of people agree to share the losses that may occur to various member of the group in advance and the fund so created, augmented by interest, is used for the purpose of paying losses and expenses. Further, the conditions surroundings the transfer or risks from individuals to the group are carefully set forth in great detail in a formal contractual agreement. The organization that brings the group together and manages its affairs is called an insurer, and it is typically a stock or mutual corporation.

The life insurance companies have proved to be highly efficient means for channeling capital funds into those areas of the national economy, and into those uses; in which market demands have been strongest. They have responded quickly and imaginatively to the changing capital requirements of the American economy. John H. Magee outlined about the life insurance as the life insurances seeks to the financial uncertainties arising from the natural contingencies. Old- age and death and to bring about a comparable certainty in the case of possible misfortunate injure and sickness. The fundamentals function of the life insurance business then is to furnish protection against the financial demands occasioned by disability, old age and death. It has sometimes been termed Income replacement insurance because it provides such necessities as food, shelter and clothing if illness, injure, or death cuts off the income of the breadwinner. It is all of this and, as will presently be noticed, much more.

2.3 Review of Articles and Journals

Bhandari (2007) explained that insurance is a key factor in the economic development of a country. Insurance companies not only shift the risks but also collect small scattered capital and inject these in the development activities of long term nature. It has direct role to play in a developing country because of the fact the government is utilizing its entire means and resources for the all-sound development of the country. A slight mistake on the regulating of insurance activities will create on adverse effect in the overall economy of the country. Hence, the supervision of insurance through regulation is a must in order to accelerate the pace of economic growth. A Sound insurance regulation is a means to provide for insurance to establish and strengthen the National Insurance Market. Thus, insurance regulation facilities necessary control of insurers activities.

Shrestha (2003) on changing Investment portfolio of Rastriya Beema Sansthan, attempted to analyze the investment portfolio holding pattern and its effect to financial performance of R.B.S. He found the dominant part of total volume of investment portfolios in development bounds of HMH/N and a very negligible figure of total investment in share of other companies, due to this fact, the contribution of income from development bond to total incomes from the portfolios in dominant part. The Creation by a sound investment project is very crucial to R.B.S. to minimize return rather than always taking same traditional policy investing in government securities, fixed deposits, certificates and others. But the time has come for the Sansthan to cop with increasing competition to tap profitable investment opportunities by taking initiating in new industrial ventures for encouraging capital formation in the country.

The government properties including corporation is insured to Government Company is priority basis, it is difficult to pursue in such corporation and Government offices, so the environment is not very positive. Only lip service from Government, the economic growth of the country is very slow. People cannot afford to pay insurance premium. The sense for insurance unawareness and unconscious mass is very high. Thus, insurance Business is very-very challenging. One has to create the market. Tremendous market potentiality and opportunity is felt due to the unexplored market. Only the clue is to know and click on the right product and place with reasonable price with right person. After the formation of Nepal Insures Association, the companies can plead their problems jointly to the government and should to forward for the interest and benefits for insures. This platform should be taken as an opportunity (Shrestha, Beema Swarna Jayanti Smarika).

Pant (1995) on, the flow of funds in Nepal, has analyzed the flow of funds of Rastriya Beema Sansthan since 1975 to 1991. He found that the small volume of credit transaction of Rastriya Beema Sansthan in areas other than government bonds means that it has influence is determining the structure of demand in the economic. The saving that it has managed to mobilize, especially through life insurance is considerable. It has, however, been used to finance government budget deficit or to further increase fixed deposit liability of the commercial banks which is many occasions, has excess liquidity at their disposal. Rastriya Beema Sansthan however, has no alternative either.

Present study totally differs from the previous studies, because in this study, researcher has made an attempt to study the investment rationality of Nepal Insurance Company Limited. The previous relevant literature related to Insurance business has just reviewed to support the study. It will be easier to conduct the study in more meaning full way. The researcher tries to assess investment Rationality of NICO.

2.4 Review of Thesis

Various experts, authorities and students have conducted a number of researches relating the insurances business. Among them, only few are related with the investment aspect of the insurer and insurer business. Although there are many research conducted in insurance field we cannot find the work in aspect of investment nationality. Therefore, this may be the first attempt on this subject matter.

Similarly, among the studies conducted by the Nepalese students and researches very few related to the investment aspect of the insures.

Adhikari (2000) entitled *"Insurance Industry in Nepal.*" A study on investment policies and practices was among those few study was descriptive and analytical tool and was intended to cover investment policy of life and non- life insurance's investment pattern. His study's objectives were to evaluate the investment policies on different insurance policies and to examine the trend and pattern of investment towards different portfolios. After detail study and analysis he concluded that.

- Regarding the portfolio wise investment return, non life insurance industry got higher return from Government securities and (bank and finance co. deposits than the life insurances industry in aggregate. It might be the outcome of the investment being made on the middle of the fiscal year and the return had not yet been received.

- Regarding the life insurance industry, major proportion of investment was incepted within the head ‘Government securities’ and ‘Bank fixed deposits’, falling into the classification ‘compulsory’ only a very smaller portion of investment was invested in the sector falling into the classification ‘optional’.
- The return from the ‘Government securities’ was highest and the return from the ‘policy loan’ was lowest and ‘Bank fixed deposits’ was more stable than others.
- Non life insurance industry and insurer also the major portion of investment was incepted within the heads ‘Governments securities’ and ‘Bank fixed deposits rather than the classification ‘optional’.

Gellal (1998) entitled *“A Comparative Financial Analysis of Nepal Insurance Company Limited and National Life and General Insurance Companies.”* Financial performance among various insurance companies is studied. This study was descriptive and analytical too. Gellal analyzed the financial position, liquidity position, and profitably condition and market situation of NIC and NGLI in his study. After the detailed study and analysis he concluded that.

- Premium collection of both life and non life insurance shows growing trend of this business in the recent year of the study period. But net claim paid and investment by insurance by company is not increased as increase in premium collection during the study period.
- The net profit percentage of NIC found better than NGLI but the liquidity position of both companies are found better.
- Current assets turnover ratio of NLGI followed decreasing trend, which is the indication that the efficiency of utilizing current assets deteriorated over the period due to negligence of management in utilizing current assets. The average turnover on current assets of NIC was 24 paisa where as NLGI’S return was 15 paisa which is not satisfactory comparatively NIC’S current assets turnover was found better then NLGI but the dividend per share of NLGI found higher than DPS of NIC during the study period.

- Change in insurance premium collection of NIC ranged about 18. 04% to 34. 64% whereas the same of NLGI ranged about 17.10% to 61.97% high fluctuations is found in NLGI than NIC.
- After the study and analysis Mr. Gellal recommends that.
- Insurance premium fund should be invested in different sector other than HMG bond in order to enhance the life standard of people there by increasing the insurance premium.
- The necessity of training to agents is a must before their (agent) appointment in order to attract the people.
- NIC is advised to minimize the risk level by reducing debt participation and increasing equity proportion even though it is risk oriented instruction and it misadvised to improve its managements in controlling operations expenses.

At last he decided to all the insurance companies that they should be social responsibility oriented rather than premium oriented in order to develop this business and they should introduce new policies so as to make easy for the development of insurance business.

Poudyal (1999) entitled "*Insurance Companies in Nepal was Intended to Cover Every Policy and Practical Issues Relating the Insurance Business.* In his study, Poudyal had attempted to analyses the status of the insurance companies. For this purpose he had set the objectives like assessing the status of the industry, analyzing policy issues examine the liability structure and investment portfolio, and to review major policy issues of the insurers.

To attain the objectives he had used descriptive research design based upon the secondary data only. He had qualitative rather than quantitative analysis. Throughout the study the research was concentrated on analyzing the regulatory provisions and its impact on the practice among the insurers. As a part of his study he had also provided insight upon the investment of the insurers and the provisions governing the investment function. His all over findings and conclusion was that the basics laws and by- law are/ were not sufficient. The excess power on the hand of the insurance committee was advantage to some extent but it was much costly in many cases.

His conclusion relating the investment was that the regulatory provisions were not welcoming rather they classification between the portfolios on Compulsory" and "optional" caused hindrance to the insurers in their investment management process, but the limited number of allowed portfolios as "optional sector" causes more hardness. Further suggested that to divert the insurers from investing in the traditional fields of investment a conductive investment environment need to be created and it can be formed through adding more investment alternatives in "Optional" fields rather than increasing its share.

Hence, this study was descriptive rather than analytical. The qualitative analysis might not is enough to present the exact pictures of the insurance companies. Further, the research was revolved around the policy issues rather than practical uses. The analysis of investment aspect among the assurors was a part of his researcher has given less emphasis to the investment aspect among the insurance companies. Further, the investment return and investment performance was also ignored in the study. Further the views and perception of practicing manager regarding in the investment and its performance had also been ignored in his study.

Raut (1995) entitled "*The Financial Performance of National Life and General Insurance Limited"*, has found that the gap and issues about liquidity, premium collection and outstanding investment and other financial performance and makes a package of recommendation as to improve liquidity position and premium collection to make a settlement of claim in time and to extend its branches to effective investment policy.

G.C (1998) entitled "*A Study on Capital and Assets Structure of Rastriya Beema Sansthan"*, found that the trend of total investment on total assets needs to be improved by reviewing, investment policies and programs. The investment should be utilized in proper and profitable sector.

Joshi (1978) entitled "*The Premium Charged by Rastriya Beema Sansthan"* seems to be high and recommended to the corporation for laving policy of low premium to increase business and the premium should reviewed carefully. The huge amount of outstanding premium is lying, which shows the corporation's inefficiency to collect the outstanding premium and recommended to collect immediately for the protection of increasing bad-debt.

CHAPTER - III
RESEARCH METHODOLOGY

3.1 Introduction

Research methodology deals with research design, nature and sources of data, data collection procedure and method of data analysis. How research is accomplished, it depends on the researcher. Research methodology is the way of doing and completing research work. In order to start any activity preplanning of way to perform that activity is not only necessary but is also very important. It is important in the sense that it not only makes us easy to act and perform but also helps us to obtain our desired results and objectives within the specified period. For analyzing return of insurance companies in Nepal, we do have to determine the systematic process that we are going to use. An introduction relating to this thesis work is made in the first chapter and relevant literatures are received in the second chapter. The research methodologies, which are used to analyze to collected data, are mentioned in this chapter .primary and secondary which type of data source is used described in this chapter .

3.2 Research Design

The method and definite technique which guides to study and give ways to perform research work is known as research design. It is the most necessary to complete the research and fulfill the objective of the research. Research Design involves defining the plan of data collection, instrumentation and data collection, instrumentation and data analysis (Wolf & Pant, 2000).

The main objective of research work is to evaluate the investment policy of selected insurance companies. For that purpose, following design and format has been adopted.

First, information and data are collected .The important information and data are selected. Then data is arranged in useful manner. After that, data are analyzed by using appropriate financial and statistical tools. In analysis part, interpretation and comments are also made wherever necessary.

Result and conclusion are given after analysis of data, recommendation and suggestion is also given. The design has been adopted from previous research works. Previous thesis styles and formats have been followed. The research design is of both descriptive and prescriptive nature. Descriptive research is used to compare and to asses the options, behaviors of the firms and describe the situations events occurring during the study period where analytical research is used to find out the result employing financial as well as statistical tools. For the analytical purpose, the annual reports published by the relative banks and other publications of the related banks published by the banks respectively and Nepal Rastra Bank, stock Exchange Ltd other agencies, were collected. In this study both descriptive and analytical research design is used.

3.3 Nature and Sources of Data

The study is based secondary data as well as primary .The data is from collected annual reports, profit an loss accounts, , brochures, journals and articles published in various magazines, newspapers and other internal reports and publications of the sample insurance companies and other institutions. Besides it other necessary that is concerned to the topic are also gathered from different websites, related companies and related agencies like Rastriya Beema Sansthan, Nepal ,Beema Samitee,, , National Planning commission etc.Primary data is collected in the form of interview, and in other forms.

3.4 Data Processing Procedures

This study is based mainly on secondary data provided by five selected insurance companies through sampling. Data and information are collected from balance sheet of respective companies. Their relevant data and information are collected from different sources, mentioned in bibliography. Various factors play important role for the choice of data collecting method. The factors are time ,money, purpose of study ,man power available. In this study, secondary data is used.

For the purpose of this study, the different data are obtained from different sources, which are scanned and tabulated under different heads. After tabulation, they are analyzed by applying both financial and statistical tools and techniques.

3.5 Population and Sample Size

In the data of Beema Samiti, there are 19 insurance companies operating under its approval. Among them 5 Insurance company are selected for research purpose. They are Nepal Insurance Ltd. Nepal ltd, Himalayan General Insurance Company Ltd. and united Insurance Company(Nepal) Ltd ,Sagarmatha insurance company ltd Everest company Ltd which covers 26.32% of the total population.

3.6 Sampling Technique

The research is generalized on the study of five insurance companies. Five insurance companies are chosen by random sampling method. The name of all companies in a closed paper ball are taken in a jar and shuffled well and taken out five companies randomly. The companies are as follows:

- Nepal Insurance Co. Ltd.
- Hiamalayan General Insurance Co. Ltd.
- United Insurance Co. (Nepal) Ltd.
- Everest Insurance Co. Ltd.
- Sagarmatha Insurance Co. Ltd.

3.7Data Collection Procedures

The data used this study is secondary in nature. The study is based on secondary data. The nature and objective of this study does not demand for the primary data.

3.8 Methods of Data Analysis

The method of data analysis in this study is stated below.

- On the basis of research problem and objectives of the study, data and information are collected and gathered.
- The collected data and information and identified, classifed and arranged properly.
- Then the data and information are processed and analyzed
- Interpretation, recommendation and suggestion are made after analysis.

3.9 Period of the Study

The study is based on eight years financial data of insurance companies i.e. Nepal Insurance Company Ltd. Ltd, Himalayan General Insurance Company Ltd. United Insurance Company(Nepal) Ltd, Sagarmatha insurance company ltd Everest company Ltd and starting from 2058/59BS(year ending mid July 2001) to 2065/66 BS(year ending mid July 2009).

3.10 Method of Analysis

Statistical and Financial tools are to be used in the process of research and the economic and financial position of business unit through which measures can be seen.

3.10.1 Statistical Tools

Statistical tools are the measures or the instruments to analyze the collected data from different sources. In statistics, there are numerous statistical tools to analyze data of various natures. In this study, the researcher has used the following statistical tools to analyze the data.

3.10.2 Average (Mean)

An average is a single value related from a group of values to represent them in someway, a value, which is supposed to stand for whole group of which it is part, as typical of all the values in the group. There are various types of averages. Arithmetic mean (A.M. simple and weighted), median, mode, geometric mean, harmonic mean, are the major types of averages. The most popular and widely used measure representing the entire data by one value is the A.M. The value of the A.M. is obtained by adding together all the items and by dividing this total by the number of items or observations (Gupta, 1990:225).

Mathematically,

Arithmetic Mean (A.M.) is given by, $(X) = \frac{\Sigma X}{n}$

Where,

X = Arithmetic Mean

ΣX =Sum of all the values of the variable X.

n = Number of observations

3.10.3 Standard Deviation

The standard deviation (σ) measures the absolute dispersion. The greater the standard deviation, greater will be the magnitude of the deviation of the values from their mean. Small standard means a high degree of uniformity of the observations as well as homogeneity of a series and vice versa (Gupta, 1992).

Mathematically,

Standard Deviation (σ) = $\sqrt{\frac{\sum(X-\bar{X})^2}{N}}$

3.10.4 Coefficient of Variation

The standard deviation is absolute measures of dispersion: where as the coefficient of variation (CV) is a relative measure. To compare the variability between two or more series, CV is more appropriate statistical tool (Gupta, 1992:380).

Mathematically,

CV = $\frac{\sigma}{\bar{X}} \times 100$

Where,

CV = Co variance

$\bar{X}$ = Mean

σ = Standard Deviation

CHAPTER - IV

DATA PRESENTATION AND ANALYSIS

Data presentation and analysis is the major part of the research, which draws the conclusion and findings of the research. Different research tools and techniques are used to find out the results. This will help to gain the goal and objectives of the whole research.

There are five major sectors where, investments are to be made by insurance companies.

- Governmental Securities,
- Fixed Deposits on Commercial Banks
- Fixed Deposits on Development Bank,
- Fixed Deposits on Finance Companies and
- Miscellaneous (share purchase, land purchase etc.)

We can see the investment of insurance companies in the following way.

4.1 Sectoral Investment of Insurance Companies

4.1.1 Sectoral Investment of Nepal Insurance Co. Ltd.

Nepal Insurance Company is investing its premium collection in the different sectors as mentioned as below in the following proportion.

Table 4.1

Nepal Insurance Company Ltd.

(In Million**)**

Particulars	**Fiscal Year**							
	2058/59	**2059/60**	**2060/61**	**2061/62**	**2062/63**	**2063/64**	**2064/65**	**2065/66**
Government Securities	49.40	52.90	46.30	30.30	22.80	11.30	11.30	11.30
Fixed Deposit on Commercial Bank	81.17	75.53	65.91	72.77	78.29	98.52	103.37	132.00
Fixed Deposit on Development Bank	26.60	24.75	21.59	23.84	25.65	32.28	33.87	43.25
Fixed Deposit on Finance Company	24.63	22.92	20.00	22.09	23.76	29.89	31.36	40.05
Others	44.00	42.70	47.20	41.80	40.70	40.01	83.80	61.96
Total	**225.80**	**218.80**	**201.00**	**190.80**	**191.20**	**212.00**	**263.70**	**288.56**
Average	45.16	43.76	40.20	38.16	38.24	42.40	52.74	57.71

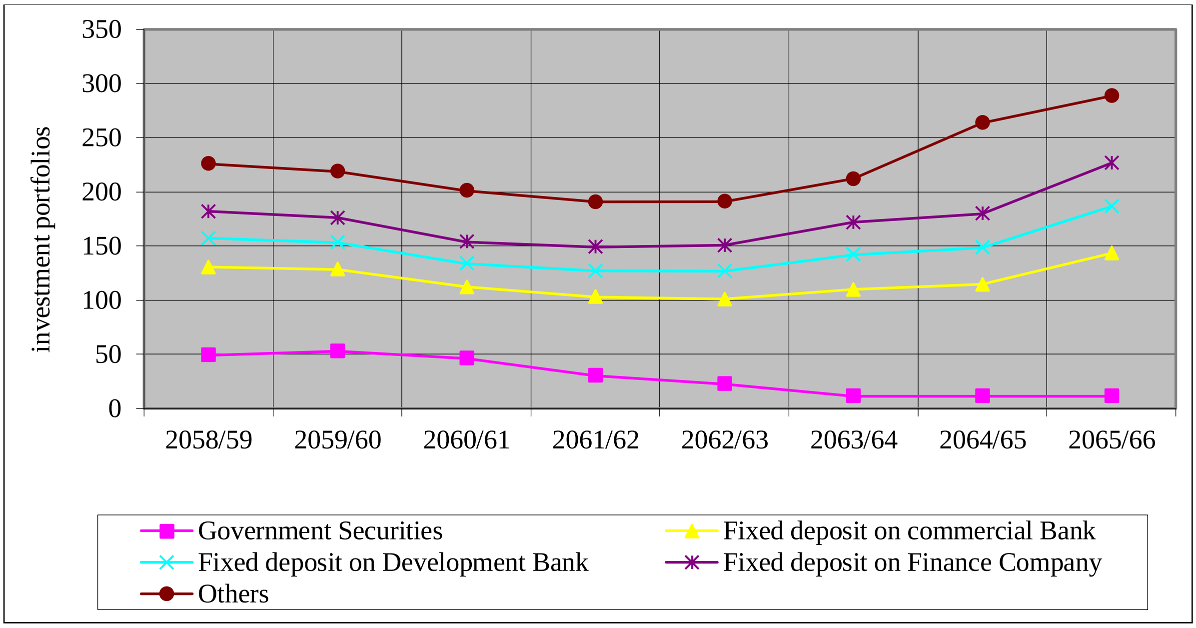
Source : Beema Samiti, Annual Report, 2065/66

According to table 4.1, the total investment of Nepal Insurance Company Limited is in increasing trend from 2061/62 and before 2061/62 is decreased. .In 2065/66 it is in peak by Rs .288.56 million and least in 2061/62 by Rs. 190.8 million.

Fixed Deposit on commercial bank has highest portion among all investment portfolio. Fixed Deposit on commercial bank have highest standard deviation by 21.70 and fixed deposit on development bank have least standard deviation by 7.11. Highest average is 88.45 million of fixed deposit on commercial bank and least 6.58 million of finance company. The data of table of 4.1 is plotted in figure 4.1.

Figure 4.1

Investment pattern of Nepal Insurance Co. Ltd



Source: Table 4.1

The investment of Nepal Insurance Limited is heavily bound by directives of Insurance Board regarding. Therefore, the variation of investment is less fluctuation than other financial institution. At least, 15% of total investment is to be invested in government bond as per investment directive issued by Insurance Board. The lower the investment in government securities, the higher the profitability exists. More than ten million Rupees amount could be invested in more profitable sector. That might less the profit. Investment proportion of fixed deposit on commercial and development bank and financial company seem better. At most 15% investment should be done in finance company (Beema Samitee Investment Guideline).

4.1.2 Sectoral Investment of Himalayan General Insurance Co. Ltd

As per investment directives of Beema Samiti, investment is made by Himalayan General Insurance Company in the following sectors.

Table 4.2

Himalayan General Insurance Company Ltd.

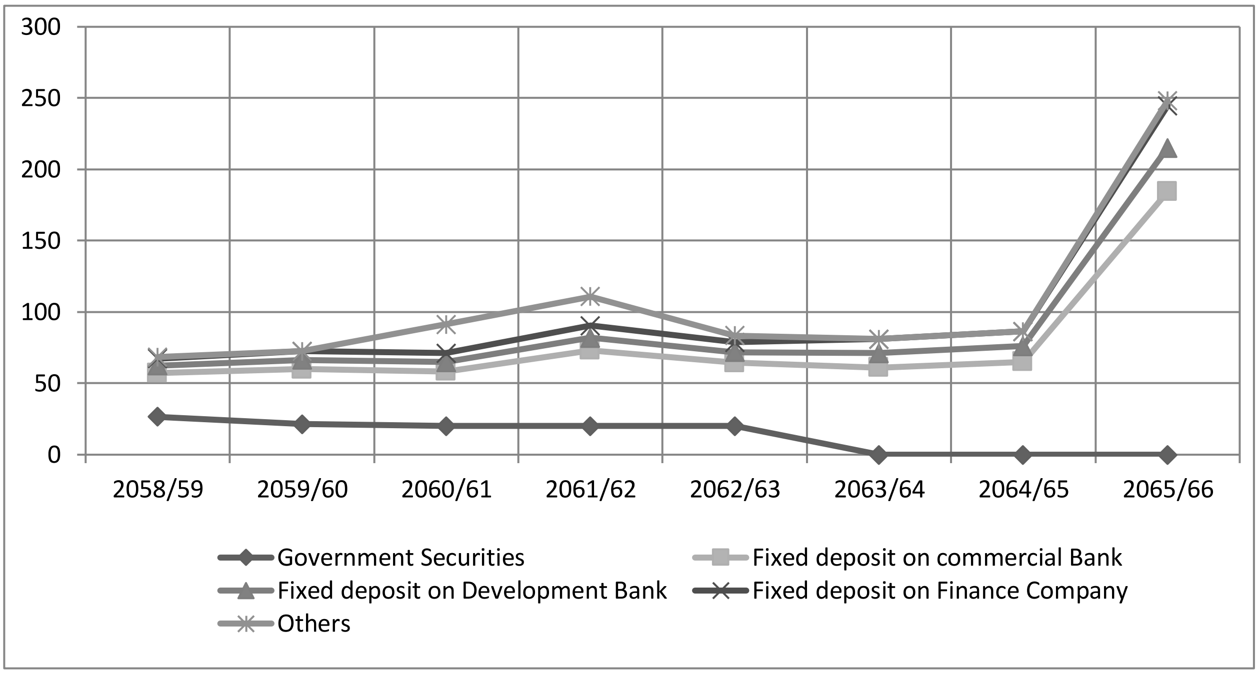
Particulars	Fiscal Year							
	2058/59	**2059/60**	**2060/61**	**2061/62**	**2062/63**	**2063/64**	**2064/65**	**2065/66**
Government Securities	26.50	21.50	20.00	20.00	20.00	-	-	-
Fixed Deposit on Commercial Bank	30.75	38.51	38.51	53.13	44.39	61.04	65.19	184.30
Fixed Deposit on Development Bank	5.14	6.45	6.45	8.89	7.43	10.22	10.91	30.85
Fixed Deposit on Finance Company	4.91	6.14	6.14	8.48	7.08	9.74	10.40	29.40
Others	1.20		20.30	20.30	4.70	-	-	3.57
Total	**68.50**	**72.60**	**91.40**	**110.80**	**83.60**	**81.00**	**86.50**	**248.12**
Average	13.70	18.15	18.28	22.16	16.72	27.00	28.83	62.03
Standard Deviation	13.80	5.35	3.26	8.24	6.58	9.48	1.49	82.47
Co-variance	100.70	4.57	2.55	2.30	9.19	09.19	09.20	32.95

Source: Beema Samiti, Annual Report, 2065/66

Its investment is highly affected by Nepal's insurance Law.The investment of Himalayan General Insurance Company seems begin to increase regularly from 2063/64. The total investment is highest in 2065/65 by Rupees 248.12 million and least is 2063/64 by Rs 81.00 million. Investment in fixed deposit on commercial bank has the highest portion and investment made on miscellaneous has the lowest position among all investment portfolios. fixed deposit on commercial bank are highly deviated from mid point by 49.84 and investment made on Government Securities is few deviated from mid point by 2.82. The total average of all investment is Rs. 105.3 million.

Figure 4.2

Investment Pattern of Himalayan General Insurance Co.Ltd



Source: Table 4.2

It is influenced by Nepali investment policies. Nevertheless, cannot violate investment directives issued by Insurance Board, the regulatory authority of insurance industry of Nepal. Like Nepal Insurance Company, It has also invested more than Rs 108 million amounts in government securities from 2058/59 in 8 years onward. Among them, at least Rs 132.378 million could be invested in more profitable sector. In this case, 15% of total investment (Rs about 132 million only) is compulsory to invest in government security. For investors, finance companies are more profitable but are nearly nil. The 15% of total investment can be invested in finance company in case of non-life insurance company. In overall Himalayan General Insurance Companies investment schedule can be re-managed if it wants gain more profit from investment. Now, highly profitable sectors have not been utilized well. Now average investment in finance company per year is 10.3 million only which is about 10 % of total investment.

4.1.3 Sectoral Investment of United Insurance Company (Nepal) Ltd.

Investment made by **United Insurance Company (Nepal)** is as under. It has invested its premium collection in four categories as like as other companies.

Table 4.3

United Insurance Company Ltd.

Particulars	Fiscal Year							
	2058/59	**2059/60**	**2060/61**	**2061/62**	**2062/63**	**2063/64**	**2064/65**	**2065/66**
Government Securities	2.10	1.10	10.70	14.00	5.50	16.70	23.50	16.68
Fixed Deposit on commercial Bank	49.23	49.31	45.75	51.57	66.10	68.57	96.50	107.85
Fixed Deposit on Development Bank	13.24	13.25	12.31	13.87	17.78	18.44	25.96	29.01
Fixed Deposit on Finance Company	15.43	15.44	14.34	16.16	20.72	21.49	30.24	33.80
Others		4.10	4.50	48.00	45.90	47.50	66.80	71.56
Total	**80.00**	**83.20**	**107.60**	**143.60**	**156.00**	**172.70**	**243.00**	**258.90**
Average	20.00	16.64	21.52	28.72	31.20	34.54	48.60	51.78
Standard Deviation	20.34	19.23	14.57	19.29	24.42	22.77	32.04	37.45
Co-variance	101.71	115.56	67.72	67.17	78.26	65.92	65.92	72.32

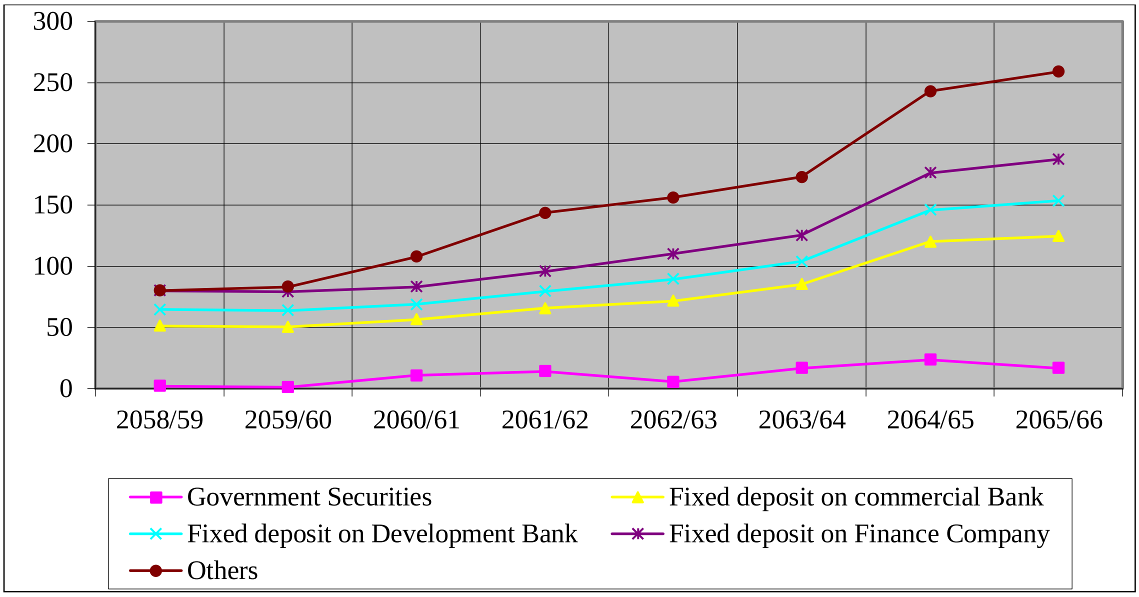
Source: Beema Samiti, Annual Report, 2065/66

The investment of **United Insurance Company (Nepal)** is in increasing trend . It has highest investment by Rs. 258.9 million in 2065/66 and lowest investment by Rs. 80 million in 2058/59. The highest investment portfolio is commercial bank in which invested Rs. 534.88 million and lowest investment portfolio is in government security invested by Rs. 90.28 million in 8 years from 2058/59 . The grand total investment is Rs. 1245 million. The highest standard deviation is 23.39 of miscellaneous sector and lowest standard deviation is 7.36 of fixed deposit on finance company. The total average investment is Rs. 155.62 million and average investment in government securities is Rs 11.57 million.

The Investment Pattern of United Insurance Company is Plotted as Follows:

Figure 4.3

Investment Pattern of United Insurance Co. (Nepal) Ltd



Source: Table 4.3

In case of life insurance at least 25% of total investment should be invested in government securities. Nevertheless, more than 10 million has been invested in government securities. That could be invested in finance companies' fixed deposit. Investment in fixed deposit of commercial and development bank is in optimum size. Investment in finance company is very few. Others investment also can be rescheduled.

4.1.4 Sectoral Investment of Everest Insurance Company (Nepal) Ltd.

Everest insurance company has made investment in the following sectors. Following four sectors are the sectors where it has invested.

Table 4.4

Everest Insurance Company (Nepal) Ltd.

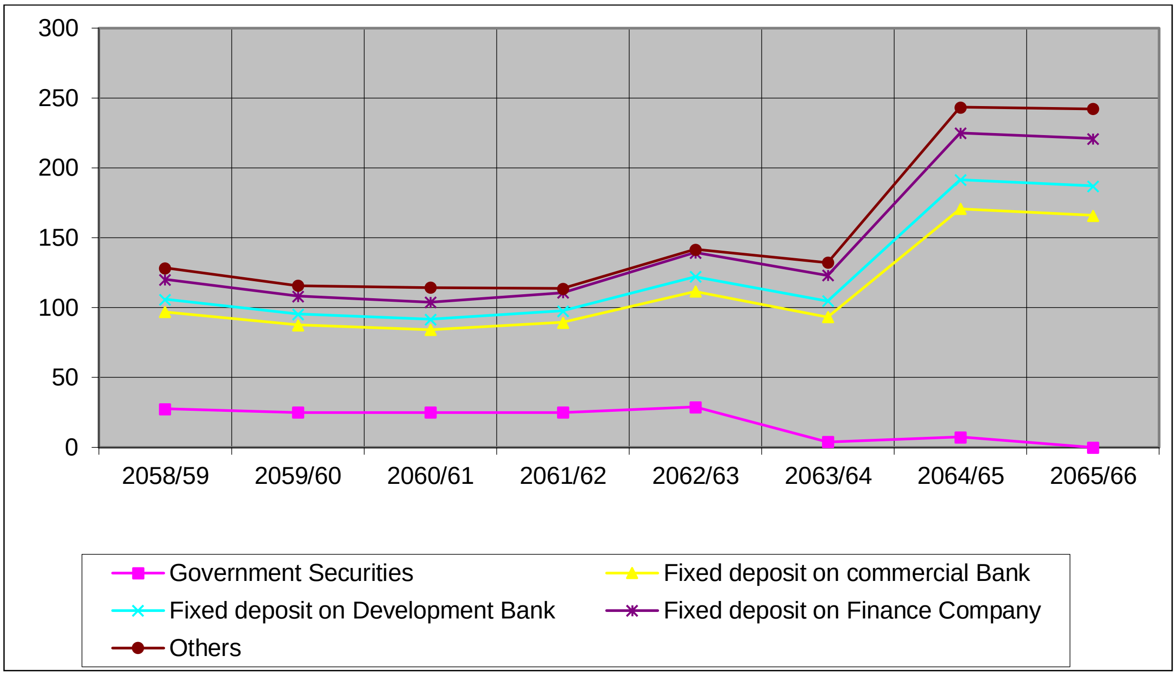
Particulars	Fiscal Year							
	2058/59	**2059/60**	**2060/61**	**2061/62**	**2062/63**	**2063/64**	**2064/65**	**2065/66**
Government Securities	27.70	25.00	25.00	25.00	29.00	4.00	7.40	
Fixed deposit on commercial Bank	69.35	62.52	59.22	64.39	82.78	89.39	163.31	165.90
Fixed deposit on Development Bank	8.84	7.97	7.55	8.21	10.55	11.39	20.82	21.15
Fixed deposit on Finance Company	14.21	12.81	12.13	13.20	16.97	18.32	33.47	34.00
Others	8.20	7.50	10.60	3.00	2.30	9.20	18.50	21.27
Total	**28.30**	**115.80**	**114.50**	**113.80**	**141.60**	**132.30**	**243.50**	**242.32**
Average	25.66	23.16	22.90	22.76	28.32	26.46	48.70	60.58
Standard Deviation	25.65	23.11	21.37	24.66	31.97	35.55	64.73	70.47
Co-variance	27.70	25.00	25.00	25.00	29.00	4.00	7.40	

Source: Beema Samiti, Annual Report, 2065/66

The investment pattern in whole is in decreasing-increasing trend. Up to 2060/61 the invest pattern is decreasing then from 061/62 the trend is increasing. The grand total investment is Rs 1232.12 million. The lowest investment amount is in 2061/62 and highest is in 2065/66. Its turnover seems to increase regularly after 2062/63. The highest standard deviation and average are of fixed deposit on commercial bank 44.41 and lowest standard deviation and average is on others. Total average is 154.0 million. The data above mentioned is presented in the following graphical presentation.

Figure 4.4

Investment Pattern of Everest Insurance Co. Ltd.



Source: Table 4.4

Everest insurance company Limited has invested heavy amount in fixed deposit on commercial banks. It has invested about 12% of total investment in government securities violating the investment directives because at least 15% is compulsory in this sector. It has invested optimum amount in finance company remaining within the limit. About 12% amount is invested in finance company. Optimum amount to invest in finance company is at most 15% of total investment . In overall Everest Insurance Company (Nepal) Limited has invested in well managed portfolio. Its impact will be seen on returns. In other sectors up to 5% of total investment can be made. So, there is a chance to seek more profitable sectors for remained portion of investment.

4.1.5 Sectoral Investment of Sagarmatha Insurance Co. Ltd.

Sagarmatha Insurance Company is investing its collected premium in the following five sectors as directed by Beema Samiti.

Table 4.5

Sagarmatha Insurance Co. Ltd.

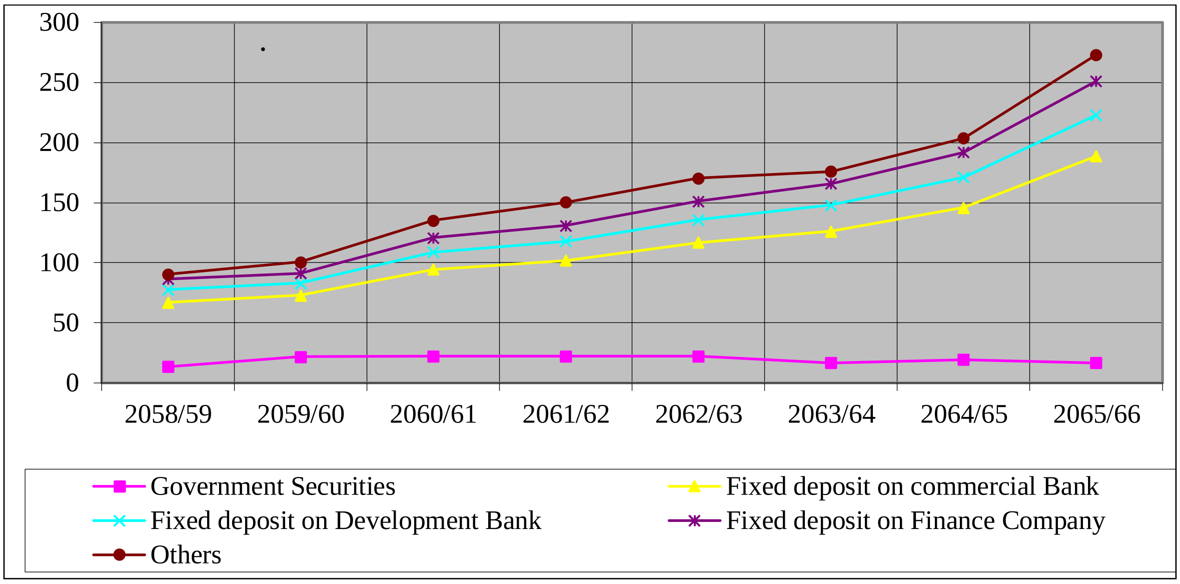
Particulars	**Fiscal Year**							
	2058/59	**2059/60**	**2060/61**	**2061/62**	**2062/63**	**2063/64**	**2064/65**	**2065/66**
Government Securities	13.50	21.70	22.30	22.30	22.30	16.70	19.30	16.65
Fixed deposit on commercial Bank	53.55	51.13	72.26	79.74	94.56	09.52	26.61	172.01
Fixed deposit on Development Bank	10.65	10.17	14.36	15.85	18.80	21.77	25.17	34.20
Fixed deposit on Finance Company	8.80	8.40	11.88	13.11	15.54	18.01	20.82	28.28
Others	4.00	9.10	14.40	19.40	19.30	10.10	11.70	21.94
Total	**90.50**	**100.50**	**135.20**	**150.40**	**170.50**	**176.10**	**203.60**	**273.08**
Average	18.10	20.10	27.04	30.08	34.10	35.22	40.72	54.62
Standard Deviation	20.12	18.18	25.58	27.98	33.88	41.75	48.26	65.96
Co-variance	111.14	90.44	4.61	93.01	99.36	118.53	118.52	120.76

Source: Beema Samiti, Annual Report, 2065/66

Sagarmatha Insurance Company is doing better according to its investment trend. Since 2058/59 investment is in increasing trend. The maximum investment is Rs 273.2 million in 2065/66 and minimum investment is Rs 90.5 million in 2058/59 . The grand total investment is Rs 1299.88 million. The total average is Rs 162.5 million per year . The highest standard deviation and average is of fixed deposits on commercial and development bank by 40.59 and Rs 94.9 million respectively. The lowest standard deviation and average are 3.36 and Rs 13.7 million in Government security and miscellaneous respectively.

Figure 4.5

Investment pattern of Sagarmatha Insurance Co. Ltd



Source: Table 4.5

Sagarmatha Insurance has invested in government securities by around 12%. among that could be invested in more earning sectors. Investment on finance company could be increased up to 15% level.

4.2 Return of Studied Insurance Companies

4.2.1 Return of Nepal Insurance Company

Return is the outcome of investment of insurance premium. The return of investment from different sectors are presented in table 4.6

Table 4.6

Investment return of Nepal Insurance Company Limited

(NRs. Million)

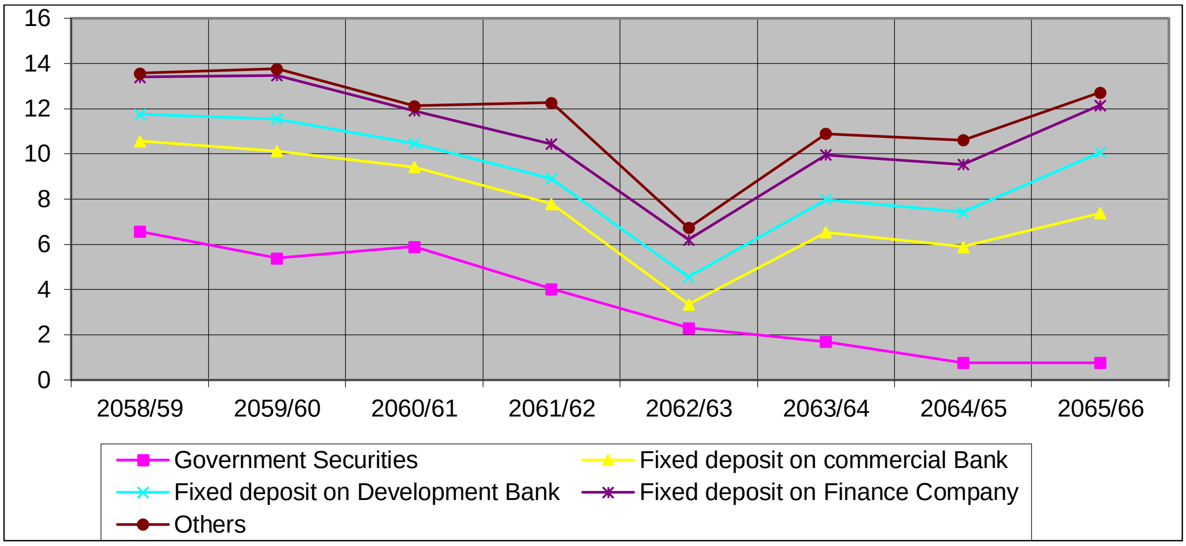
Particulars	**Fiscal Year**							
	2058/59	**2059/60**	**2060/61**	**2061/62**	**2062/63**	**2063/64**	**2064/65**	**2065/66**
Government Securities	6.57	5.39	5.89	4.03	2.30	1.69	0.76	0.76
Fixed deposit on commercial Bank	4.00	4.74	3.53	3.76	1.05	4.85	5.14	6.63
Fixed deposit on Development Bank	1.19	1.41	1.05	1.12	1.21	1.44	1.53	2.68
Fixed deposit on Finance Company	1.64	1.93	1.44	1.53	1.65	1.98	2.10	2.09
Others	0.17	0.30	0.22	1.83	0.52	0.94	1.08	0.56
Total	**13.57**	**13.77**	**12.13**	**12.27**	**6.73**	**10.90**	**10.61**	**12.72**
Average	2.71	2.75	2.43	2.45	1.35	2.18	2.12	2.54
Standard Deviation	2.57	2.20	2.29	1.34	0.67	1.54	1.76	2.45
Co-variance	94.79	79.97	94.33	54.72	49.71	70.67	82.97	96.36

Source: Beema Samiti, Annual Report, 2065/66

The maximum return is from fixed deposit on commercial bank by 6.63 million and its standard deviation and average are 1.6 and 4.2 respectively. The least return is from others by Rs. 3.36 million. Its standard deviation and average are 1.33 and 0.56. The grand total of return is Rs. 10.98 and total average is 1.83. Maximum profit is in 2060/61 by Rs 3.56 million and lowest profit is on 2056/57 by Rs 1.5 million. Its return is in fluctuating trend but drastically different is in 2060/61.

Figure 4.6

Investment return of Nepal Insurance Company Limited Insurance Co. Ltd.



Source: Table 4.6

Return depends upon the proper investment. It has earned 2.37 million from other sectors in 2060/61. The company has explored a big opportunity of gaining earnings in that year. Company needs to seek such profitable sector for other years also.

4.2.2 Return of Himalayan General Insurance Limited

Return of Himalayan Insurance Company is its outcome from investment from different sectors. The amount of return is presented in table 4.7.

Table 4.7

Return of Himalayan General Insurance Limited

(NRs. Million)

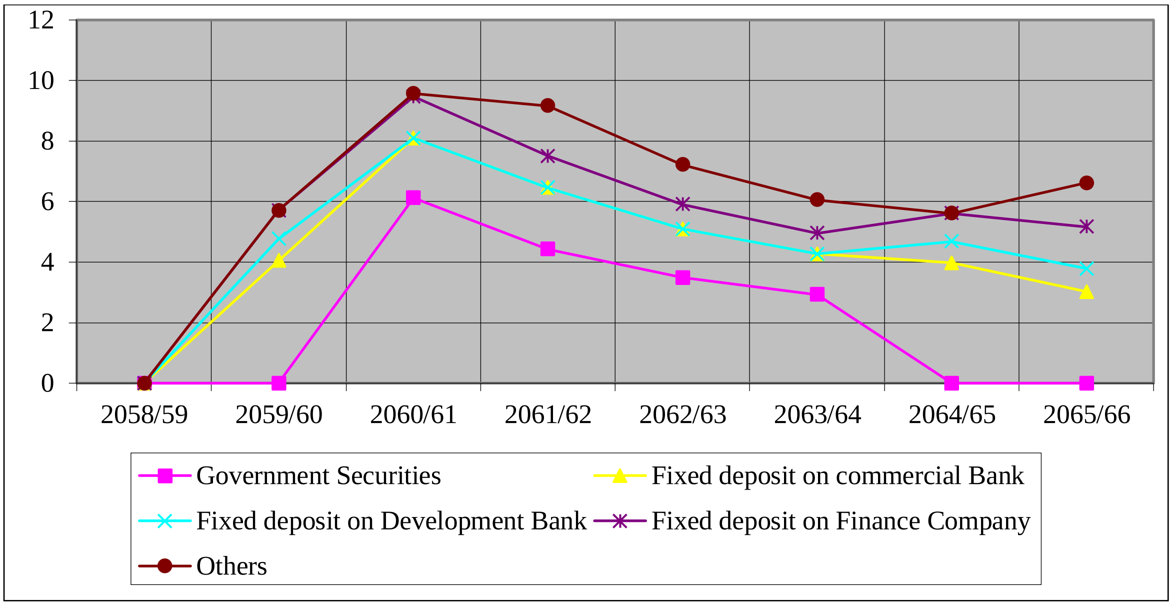
Particulars	**Fiscal Year**							
	2058/59	**2059/60**	**2060/61**	**2061/62**	**2062/63**	**2063/64**	**2064/65**	**2065/66**
Government Securities		6.12	4.43	3.49	2.93			
Fixed deposit on commercial Bank	4.05	1.98	2.03	1.60	1.34	3.97	3.02	8.38
Fixed deposit on Development Bank	0.72					0.71	0.76	1.49
Fixed deposit on Finance Company	0.94	1.37	1.04	0.82	0.69	0.93	1.39	1.96
Others		0.10	1.66	1.31	1.10		1.45	1.27
Total	**5.71**	**9.57**	**9.16**	**7.22**	**6.06**	**5.61**	**6.62**	**13.10**
Average	1.90	2.39	2.29	1.81	1.52	1.87	1.66	3.28
Standard Deviation	1.86	2.61	1.48	1.17	0.98	1.82	0.96	3.42
Co-variance	97.85	108.90	64.80	64.74	64.74	97.43	58.13	104.29

Source : Beema Samiti, Annual Report, 2065/66

In 2065/66, the maximum investment return is from fixed deposit on commercial bank, finance company bank by Rs. 8.38 million. That has standard deviation and average by 1.59 and 2.3 and 2.3 respectively. The lowest investment is the lowest return is fixed deposit on development by Rupees 3.7 million which standard deviation and average are 0.4 and 0.5 respectively. The total return is 63.05 million in 8 year from 2058/59 and total average is Rs. 7.9 million. The highest return is in 2065/66 and lowest return is in 2063/64. maximum covariance is in fixed deposit on development bank and least covariance is 36 % in return on finance company.

Figure 4.7

Return of Himalayan General Insurance Limited



Source: Table 4.7

Before fiscal year 2063/64 total return is decreasing trend and after that increasing trend. Investment return can be increased by effectively making investment portfolio and more profitable sector should be chosen.

4.2.3 Return of United Insurance General Insurance Co. Ltd.

United Insurance Company has earned profit from different investment, is presented in table 4.8.

Table 4.8

Investment Return of United Insurance Company (Nepal) Limited

(NRs. Million)

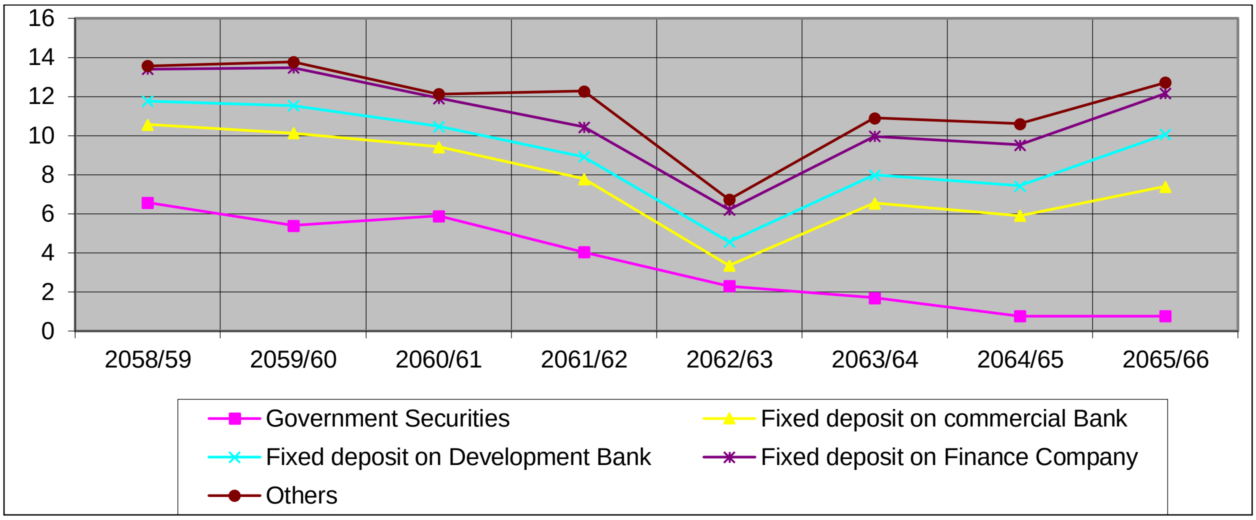
Particulars	**Fiscal Year**							
	2058/59	**2059/60**	**2060/61**	**2061/62**	**2062/63**	**2063/64**	**2064/65**	**2065/66**
Government Securities	2.06	6.12	4.43	0.49	0.27	0.30	0.86	1.03
Fixed deposit on commercial Bank	2.91	2.20	2.01	4.20	5.08	5.60	3.85	7.40
Fixed deposit on Development Bank	0.85	0.64	0.59	1.23	1.48	1.63	1.86	2.16
Fixed deposit on Finance Company	0.69	0.52	0.47	0.99	1.93	1.32	2.61	1.74
Others		0.10	1.66	0.85	1.45	0.43	1.15	4.59
Total	**6.51**	**9.58**	**9.16**	**7.76**	**10.21**	0.43	**10.33**	**16.92**
Average	1.63	1.92	1.83	1.55	2.04	1.86	2.07	3.38
Standard Deviation	1.05	2.48	1.60	1.50	1.81	2.17	1.21	2.61
Co-variance	64.59	129.51	87.20	96.93	88.45	116.84	58.36	77.24

Source: Beema Samiti, Annual Report, 2065/66

United insurance Company (Nepal) limited has fluctuating trend of returns up to year 2063/64 than increasing highest returns 16.92 million in 2065/66 and lowest returns is 0.43 million is in 2063/64 . The total investment return within the study period is Rs. 70.90 million and total average is 10.0 million. The highest income is from commercial bank and by 7.4 million in 2065/66 which has standard deviation and average by 1.8 and 4.2 respectively the lowest income is from others by 10.2 million during the study period which has standard deviation 1.5 and 1.3 million respectively standard deviation measures the total variability from average. There is not too much dispersion in return of united Insurance Company (Nepal) which as shown in fig. no. 4.8.

Figure 4.8

Investment Return of United Insurance Company (Nepal) Limited



Source: Table 4.8

In overall, the investment return of United Insurance Company (Nepal) has decreasing trend however it starts to increase from 2063/64. Its investment policy seems to review and investment portfolio should be restructured. It has very weak position of company to gain low return, however, it has invested directives.

Investment sectors selection seems better, but return is not so better. This means the related company chosen in specific sector is wrong. More earning company should be chosen among the industry, especially commercial banks and finance company

4.2.4 Return of Everest Insurance Co. (Nepal) Limited

Everest Insurance Company also has invested in the different sectors, directed by Beema Samiti is presented in table 4.9

Table 4.9

Investment Return of Everest Insurance Company Limited

(NRs. Million)

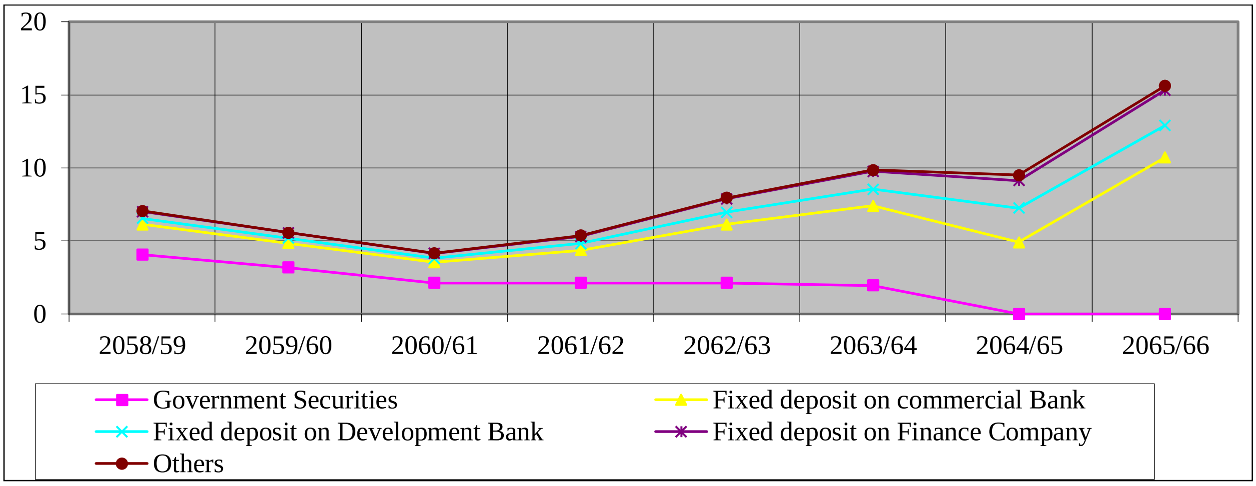
Particulars	Fiscal Year							
	2058/59	**2059/60**	**2060/61**	**2061/62**	**2062/63**	**2063/64**	**2064/65**	**2065/66**
Government Securities	4.06	3.17	2.13	2.13	2.13	1.95		
Fixed deposit on commercial Bank	2.06	1.68	1.41	2.23	4.01	5.46	4.90	10.71
Fixed deposit on Development Bank	0.42	0.34	0.28	0.45	0.82	1.12	2.34	2.19
Fixed deposit on Finance Company	0.46	0.38	0.32	0.50	0.91	1.23	1.89	2.42
Others	0.05		0.02	0.05	0.07	0.08	0.37	0.29
Total	**7.05**	**5.57**	**4.16**	**5.36**	**7.94**	**9.84**	**9.50**	**15.61**
Average	1.41	1.39	0.83	1.07	1.59	1.97	2.38	3.90
Standard Deviation	1.67	1.34	0.90	1.03	1.54	2.06	1.88	4.64
Co-variance	118.55	96.13	108.26	95.80	97.12	104.82	79.27	118.84

Source: Beema Samiti, Annual Report, 2065/66

Everest Insurance Company limited has fluctuating trend of returns. The highest returns is 15.61 million in 2065/66 and lowest returns is 4.16 million in 2060/61. The total investment return within the study period is Rs65.03 million and total average is 8.12 million. The highest income is from fixed deposit on commercial bank by average Rs. 4.1 million per year .It has standard deviation by 3.1 million. The lowest income is from others by 0.9 million. It has standard deviation and average by 0.1 and 0.1 respectively.

Figure 4.9

Investment Return of Everest Insurance Company Limited



Source: Table 4.9

Graphical presentations shows return has increased from 2060/61. Before this period the investment return of Everest insurance company is fluctuating trend or decreasing trend.

4.2.5 Return of Sagarmatha Insurance Company

Investment return of Sagarmatha Insurance Company is presented in the following table. The investment sectors are determined by Beema Samiti.

Table 4.10

Investment Return of Sagarmatha Insurance Company Limited

(NRs. Million)

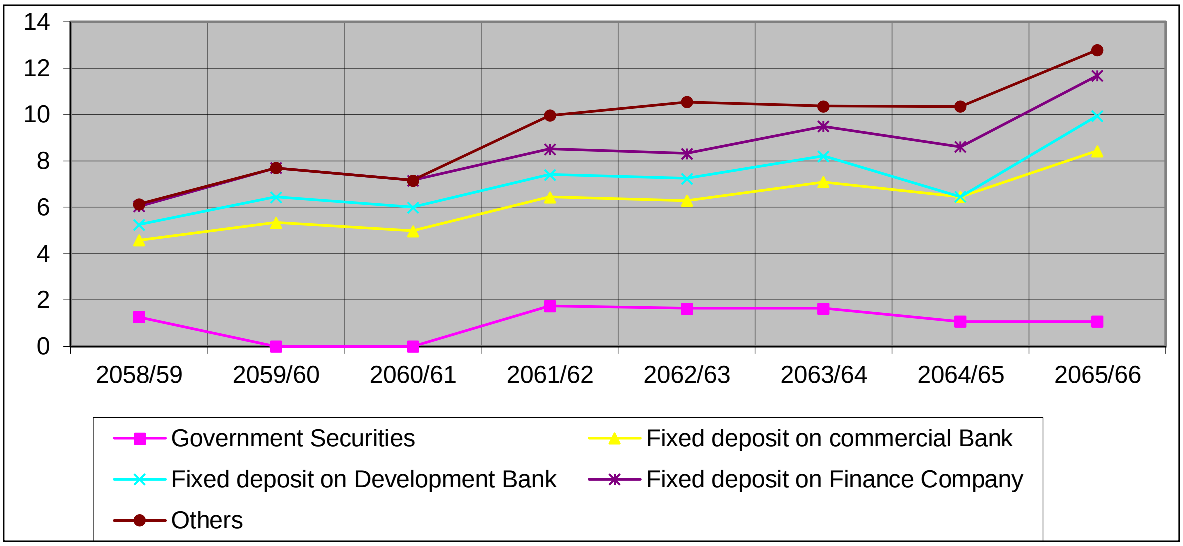
Particulars	Fiscal Year							
	2058/59	2059/60	2060/61	2061/62	2062/63	2063/64	2064/65	2065/66
Government Securities	1.27			1.75	1.65	1.65	1.08	1.08
Fixed deposit on commercial Bank	3.31	5.34	4.98	4.70	4.64	5.44	5.38	7.36
Fixed deposit on Development Bank	0.68	1.10	1.02	0.96	0.95	1.12		1.51
Fixed deposit on Finance Company	0.78	1.26	1.17	1.10	1.09	1.28	2.15	1.73
Others	0.10			1.46	2.21	0.87	1.74	1.11
Total	**6.14**	**7.70**	**7.17**	**9.97**	**10.54**	**10.36**	**10.35**	**12.79**
Average	1.23	2.57	2.39	1.99	2.11	2.07	2.59	2.56
Standard Deviation	1.24	2.40	2.24	1.54	1.50	1.90	1.91	2.70
Co-variance	100.64	93.63	93.90	77.43	71.19	91.89	73.94	105.49

Source: Beema Samiti, Annual Report, 2065/66

Sagarmatha Insurance Company's return is in smoothly increasing trend 2061/62. The highest return is in 2065/66 and lowest return is in 2058/59. The grand total return is 75.02 million under study period and total average is 9.3 million. Maximum return is from fixed deposit on commercial in 2065/66 is 7.36 million Has standard deviation and average are 1.1 and 5.1 million respectively. The lowest return is from others sectors by 7.5 million during the study period. This has standard deviation and average are 0.7 and 0.9 million respectively. Covariance maximum in miscellaneous sector on minimum return in commercial bank so, constancy of return is in commercial bank than others sector.

Figure 4.10

Investment Return of Sagarmatha Insurance Company Limited



Source: Table 4.10

Sagarmatha Insurance Company is not increasing its return despite of increasing its investment regularly. The selection of investment of company in proper sector seems reviewed. It needs to correlate investment and return. Investment decision seem to improve continue the better return as 2060/61.

4.3 Major Findings

- The total investment of Nepal Insurance Company Limited is in increasing trend from 2061/62 and that decreased before. In 2065/66, it is in peak by Rs.288.56 million and least in 2061/62 by Rs. 190.8 million. Fixed Deposit on commercial bank has highest portion among all investment portfolio.
- The total investment of Himalayan General Insurance Company is highest in 2065/66 by Rupees 248.52 million and least is 2058/59 by Rs 68.5 million. Investment in fixed deposit on commercial and development has the highest portion and miscellaneous sector has the lowest position among all investment portfolios.
- The investment of United insurance is increasing trend. It has highest investment by Rs. 2058.9 million in 2065/66 and lowest investment by Rs. 80. million in 2058/59. The highest investment portfolio is commercial bank is invested Rs. 33.43 million and lowest investment portfolio is on Government

security by Rs. 11.3 million. The grand total investment is Rs. 1245 million. occurred .

- The grand total investment of Everest Insurance Company is Rs 1232.12 million. The lowest investment amount is in 2060/61 and highest is in 2065/66. Its turnover seems to increase regularly after 2062/63.
- Sagarmatha Insurance Company is in increasing trend. The maximum investment is Rs 273.08 million in 2065/66 and minimum investment is Rs 90.5 million. The grand total investment is Rs 1299.88 million. Maximum standard deviation is 40.59 in commercial bank sector which has variation in investment.
- It is reasonable that the policy issued by Insurance Board should be loosen, means that more autonomy is needed to them regarding investment. Only one is in favor of tightening the policy.

CHAPTER-V

SUMMARY, CONCLUSION & RECOMMENDATIONS

5.1 Summary

Investment policy is an important ingredient of overall National economic development because it ensures efficient allocation of funds to achieve the material and economic well being of the society as a whole. In this regard, Insurance industry's investment policy is also a push drive to achieve goal of the industry. Investment policy is an important ingredient of overall National economic development because it ensures efficient allocation of funds to achieve the material and economic well-being of the society as a whole. In this regard, Insurance industry's investment policy is also a push drive to achieve goal of the industry. Insurance Board has set investment policy for insurance companies so that the liability of insured people as the collection of premium cold not be lost due to investing in high risk investment sector.

There are following investment sectors allocated by Insurance Board.

- Government Securities Bond issued by Nepal Government and Nepal Rastra Bank. (At least 15% of total investment)
- Fixed Deposit in Commercial and Development Bank (At least 35% of total investment)
- Fixed Deposit in Finance Company (At most 5% of total investment)
- To analyze the investment patterns in the insurance sector of Nepal.
- To know investment portfolio of insurance company.
- To observe area of investment of insurance.
- To review the investment policy of insurance companies.
- To study trend of the return of the investment of insurance company .
- To identify investment policy of insurance industry
- To analyze the investment in the insurance sector of Nepal
- To analyze the relationship between investment portfolios
- To assess the impact of investment policy in the insurance companies of Nepal

In this field, no research has been conducted yet. So, literature of only books and articles are taken. Normal research methodology has been used in this research. Average, standard deviation, correlation are normally used as statistical tools. Insurance companies are selected on the sampling method, i.e., lottery method.

5.2 Conclusion

The studied companies are not in well correlation. Their investment and return are not well correlated. More than half correlations are in negative figure in return. Some companies have violated the rule of Insurance Board regarding investment.Profit level of insurance companies is not in same line. Return is not found satisfactory for all companies. Almost all selected company has fluctuating trend in investment and return, despite of increasing total investment in long run.

Correspondents related to those insurance companies want change in the investment portfolio. Investments are not in well proportioned to earn better return.

Investment policy directed by Insurance Board is not easily taken by the stakeholders of insurance industry. The lack of long-term vision and proper investment with proper percentage is marked. Many of companies have gone to government securities to reduce risk and not chosen finance companies to get more return with high risk.

Many of company related think their company is one of the better in the market, which is positive for organization. Many of them think that company will change its investment pattern in future to earn more and more.

5.3 Recommendations

On the basis of above study, we can recommend the related insurance companies in the following way.

- Investment policy of insurance companies should be free from Insurance Board. Insurance Board has been directing the insurance companies since its establishment as authority in 2049 B.S. The investment directive decreases the return and weakens the risk assessment capacity of insurance companies. To prevent the premium of insured people, Board need to ban to invest in worst performing bank and finance companies by the help of NRB. Beema Samiti should loosen the directives to increase the better competition.

- Insurance companies should reschedule and re-manage the investment portfolio. Highly profitable companies should be chosen for investment. The return of different companies are not well correlated, some of them are negatively correlated. So, they should go in coordinating way.
- Companies have seemed to violate the Investment Policy issued by Insurance Board. However they have not earned good return. They must not violate the rule but need to manage portfolio in well proportion within the directed limit.
- Companies need to change the structure of investment. They should invest in housing, and real state like long term investment, and Samiti should permit them to such schemes, so that the money of general public as premium could be save and return too could be high.
- Investment and return are not in well correlation. That means they are not matching. In such case, investment only increases the cost. So, companies need to find the cause apply the remedy.
- Companies are advised to curtail the investment expenses and regularly monitor the invested company, prior to this they need to select most profitable company with best proportion within the limit of Insurance Board directives.
- Many have invested big amount in government securities, with low risk. They are recommended to invest in finance company to gain high return in short period of time however there is high risk. The search of more profitable areas is required to be enhanced.
- Many of company related are thinks their organization is good. Companies are recommended that rest of them also should make think better about organization by adopting best investment policy.

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Annex 1

Investment Patern of Nepal Insurance Company Limited

Particulars	Fiscal Year							
	2058/59	**2059/60**	**2060/61**	**2061/62**	**2062/63**	**2063/64**	**2064/65**	**2065/66**
Government Securities	49.40	52.90	46.30	30.30	22.80	11.30	11.30	11.30
Fixed deposit on commercial Bank	81.17	75.53	65.91	72.77	78.29	98.52	103.37	132.00
Fixed deposit on Development Bank	26.60	24.75	21.59	23.84	25.65	32.28	33.87	43.25
Fixed deposit on Finance Company	24.63	22.92	20.00	22.09	23.76	29.89	31.36	40.05
Others	44.00	42.70	47.20	41.80	40.70	40.01	83.80	61.96
Total	**225.80**	**218.80**	**201.00**	**190.80**	**191.20**	**212.00**	**263.70**	**288.56**
Average	45.16	43.76	40.20	38.16	38.24	42.40	52.74	57.71
Standard Deviation	22.81	21.74	19.38	20.83	23.54	33.10	38.92	45.31
Co-variance	50.52	49.67	48.20	54.60	61.56	78.06	73.79	78.51

Source : Beema Samiti, Annual Report, 2065/66

Annex 2

Investment Patern of Himalayan General Insurance Company Limited

Particulars	Fiscal Year							
	2058/59	**2059/60**	**2060/61**	**2061/62**	**2062/63**	**2063/64**	**2064/65**	**2065/66**
Government Securities	26.50	21.50	20.00	20.00	20.00	-	-	-
Fixed deposit on commercial Bank	30.75	38.51	38.51	53.13	44.39	61.04	65.19	184.30
Fixed deposit on Development Bank	5.14	6.45	6.45	8.89	7.43	10.22	10.91	30.85
Fixed deposit on Finance Company	4.91	6.14	6.14	8.48	7.08	9.74	10.40	29.40
Others	1.20		20.30	20.30	4.70	-	-	3.57
Total	**68.50**	**72.60**	**91.40**	**110.80**	**83.60**	**81.00**	**86.50**	**248.12**
Average	13.70	18.15	18.28	22.16	16.72	27.00	28.83	62.03
Standard Deviation	13.80	15.35	13.26	18.24	16.58	29.48	31.49	82.47
Co-variance	100.70	84.57	72.55	82.30	99.19	109.19	109.20	132.95

Source : Beema Samiti, Annual Report, 2065/66

Annex 3

Investment Patern of United Insurance Company (Nepal) Limited

(NRs. Million)

Particulars	Fiscal Year							
	2058/59	2059/60	2060/61	2061/62	2062/63	2063/64	2064/65	2065/66
Government Securities	2.10	1.10	10.70	14.00	5.50	16.70	23.50	16.68
Fixed deposit on commercial Bank	49.23	49.31	45.75	51.57	66.10	68.57	96.50	107.85
Fixed deposit on Development Bank	13.24	13.25	12.31	13.87	17.78	18.44	25.96	29.01
Fixed deposit on Finance Company	15.43	15.44	14.34	16.16	20.72	21.49	30.24	33.80
Others		4.10	24.50	48.00	45.90	47.50	66.80	71.56
Total	**80.00**	**83.20**	**107.60**	**143.60**	**156.00**	**172.70**	**243.00**	**258.90**
Average	20.00	16.64	21.52	28.72	31.20	34.54	48.60	51.78
Standard Deviation	20.34	19.23	14.57	19.29	24.42	22.77	32.04	37.45
Co-variance	101.71	115.56	67.72	67.17	78.26	65.92	65.92	72.32

Source : Beema Samiti, Annual Report, 2065/66

Annex 4

Investment Patern of Everest Insurance Company Limited

(NRs. Million)

Particulars	**Fiscal Year**							
	2058/59	**2059/60**	**2060/61**	**2061/62**	**2062/63**	**2063/64**	**2064/65**	**2065/66**
Government Securities	27.70	25.00	25.00	25.00	29.00	4.00	7.40	
Fixed deposit on commercial Bank	69.35	62.52	59.22	64.39	82.78	89.39	163.31	165.90
Fixed deposit on Development Bank	8.84	7.97	7.55	8.21	10.55	11.39	20.82	21.15
Fixed deposit on Finance Company	14.21	12.81	12.13	13.20	16.97	18.32	33.47	34.00
Others	8.20	7.50	10.60	3.00	2.30	9.20	18.50	21.27
Total	**128.30**	**115.80**	**114.50**	**113.80**	**141.60**	**132.30**	**243.50**	**242.32**
Average	25.66	23.16	22.90	22.76	28.32	26.46	48.70	60.58
Standard Deviation	25.65	23.11	21.37	24.66	31.97	35.55	64.73	70.47

Co-variance	99.96	99.77	93.31	108.33	112.88	134.36	132.93	116.33

Source : Beema Samiti, Annual Report, 2065/66

Annex 5

Investment Patern of Sagarmatha Insurance Company Limited

(NRs. Million)

Particulars	Fiscal Year							
	2058/59	**2059/60**	**2060/61**	**2061/62**	**2062/63**	**2063/64**	**2064/65**	**2065/66**
Government Securities	13.50	21.70	22.30	22.30	22.30	16.70	19.30	16.65
Fixed deposit on commercial Bank	53.55	51.13	72.26	79.74	94.56	109.52	126.61	172.01
Fixed deposit on Development Bank	10.65	10.17	14.36	15.85	18.80	21.77	25.17	34.20
Fixed deposit on Finance Company	8.80	8.40	11.88	13.11	15.54	18.01	20.82	28.28
Others	4.00	9.10	14.40	19.40	19.30	10.10	11.70	21.94
Total	**90.50**	**100.50**	**135.20**	**150.40**	**170.50**	**176.10**	**203.60**	**273.08**
Average	18.10	20.10	27.04	30.08	34.10	35.22	40.72	54.62
Standard Deviation	20.12	18.18	25.58	27.98	33.88	41.75	48.26	65.96
Co-variance	111.14	90.44	94.61	93.01	99.36	118.53	118.52	120.76

Source : Beema Samiti, Annual Report, 2065/66

Annex 6

Investment return of Nepal Insurance Company Limited

(NRs. Million)

Particulars	**Fiscal Year**											
	2058/59	**2059/60**	**2060/61**	**2061/62**	**2062/63**	**2063/64**	**2064/65**	**2065/66**	total	average	sd	CV
Government Securities	6.57	5.39	5.89	4.03	2.30	1.69	0.76	0.76	11.96	1.50	2.4	157.23
Fixed deposit on commercial Bank	4.00	4.74	3.53	3.76	1.05	4.85	5.14	6.63	8.74	1.09	1.6	147.21
Fixed deposit on Development Bank	1.19	1.41	1.05	1.12	1.21	1.44	1.53	2.68	2.60	0.33	0.5	160.94
Fixed deposit on Finance Company	1.64	1.93	1.44	1.53	1.65	1.98	2.10	2.09	3.57	0.45	0.3	58.30
Others	0.17	0.30	0.22	1.83	0.52	0.94	1.08	0.56	0.47	0.06	0.6	954.70
Total											2.3	

	13.57	**13.77**	**12.13**	**12.27**	**6.73**	**10.90**	**10.61**	**12.72**	27.34	3.42		66.14
Average	2.71	2.75	2.43	2.45	1.35	2.18	2.12	2.54				
Standard Deviation	2.57	2.20	2.29	1.34	0.67	1.54	1.76	2.45				
Co-variance	94.79	79.97	94.33	54.72	49.71	70.67	82.97	96.36				

Source : Beema Samiti Annual Report, 2065/66

Annex 7

Himalayan General Insurance Company Limited

investment return

(NRs. Million)

Particulars	**Fiscal Year**											
	2058/59	**2059/60**	**2060/61**	**2061/62**	**2062/63**	**2063/64**	**2064/65**	**2065/66**	total	average	sd	CV
Government Securities		6.12	4.43	3.49	2.93				27.39	3.42	2.4	68.65
Fixed deposit on commercial Bank	4.05	1.98	2.03	1.60	1.34	3.97	3.02	8.38	33.70	4.21	1.6	38.18
Fixed deposit on Development Bank	0.72					0.71	0.76	1.49	11.63	1.45	0.5	35.98
Fixed deposit on Finance Company	0.94	1.37	1.04	0.82	0.69	0.93	1.39	1.96	14.36	1.80	0.3	14.49
Others		0.10	1.66	1.31	1.10		1.45	1.27	5.62	0.70	0.6	79.84
Total	**5.71**	**9.57**	**9.16**	**7.22**	**6.06**	**5.61**	**6.62**	**13.10**	92.70	11.59	2.3	19.51
Average												

	1.90	2.39	2.29	1.81	1.52	1.87	1.66	3.28
Standard Deviation	1.86	2.61	1.48	1.17	0.98	1.82	0.96	3.42
Co-variance	97.85	108.90	64.80	64.74	64.74	97.43	58.13	104.29

Source : Beema Samiti Annual Report, 2065/66

Annex 8

United Insurance Company (Nepal) Limited

investment Return

(NRs. Million)

Particulars	**Fiscal Year**											
	2058/59	**2059/60**	**2060/61**	**2061/62**	**2062/63**	**2063/64**	**2064/65**	**2065/66**	total	average	sd	CV
Government Securities	2.06	6.12	4.43	0.49	0.27	0.30	0.86	1.03	16.97	2.12	1.4	65.83
Fixed deposit on commercial Bank	2.91	2.20	2.01	4.20	5.08	5.60	3.85	7.40	26.37	3.30	2.3	69.73
Fixed deposit on Development Bank	0.85	0.64	0.59	1.23	1.48	1.63	1.86	2.16	3.68	0.46	0.4	82.74
Fixed deposit on Finance Company	0.69	0.52	0.47	0.99	1.93	1.32	2.61	1.74	9.14	1.14	0.4	36.04
Others		0.10	1.66	0.85	1.45	0.43	1.15	4.59	6.89	0.86	0.5	63.49
Total	**6.51**	**9.58**	**9.16**	**7.76**	**10.21**	0.43	**10.33**	**16.92**	63.05	7.88	2.6	32.86
Average												

	1.63	1.92	1.83	1.55	2.04	1.86	2.07	3.38
Standard Deviation	1.05	2.48	1.60	1.50	1.81	2.17	1.21	2.61
Co-variance	64.59	129.51	87.20	96.93	88.45	116.84	58.36	77.24

Source : Beema Samiti Annual Report, 2065/66

Annex 9

Everest Insurance Company Limited

investment return

(NRs. Million)

Particulars	**Fiscal Year**											
	2058/59	**2059/60**	**2060/61**	**2061/62**	**2062/63**	**2063/64**	**2064/65**	**2065/66**	total	average	sd	CV
Government Securities	4.06	3.17	2.13	2.13	2.13	1.95			15.56	1.95	2.2	112.07
Fixed deposit on commercial Bank	2.06	1.68	1.41	2.23	4.01	5.46	4.90	10.71	33.25	4.16	1.8	44.12
Fixed deposit on Development Bank	0.42	0.34	0.28	0.45	0.82	1.12	2.34	2.19	10.44	1.31	0.6	44.32
Fixed deposit on Finance Company	0.46	0.38	0.32	0.50	0.91	1.23	1.89	2.42	10.27	1.28	0.8	59.40
Others	0.05		0.02	0.05	0.07	0.08	0.37	0.29	10.23	1.28	1.5	116.06
Total	**7.05**	**5.57**	**4.16**	**5.36**	**7.94**	**9.84**	**9.50**	**15.61**	70.90	8.86	4.6	51.77
Average												

	1.41	1.39	0.83	1.07	1.59	1.97	2.38	3.90
Standard Deviation	1.67	1.34	0.90	1.03	1.54	2.06	1.88	4.64
Co-variance	118.55	96.13	108.26	95.80	97.12	104.82	79.27	118.84

Source : Beema Samiti Annual Report, 2065/66

Annex 10

Sagarmatha Insurance Company Limited

investment return

(NRs. Million)

Particulars	**Fiscal Year**											
	2058/59	**2059/60**	**2060/61**	**2061/62**	**2062/63**	**2063/64**	**2064/65**	**2065/66**	total	average	sd	CV
Government Securities	1.27			1.75	1.65	1.65	1.08	1.08	15.57	1.95	0.8	43.24
Fixed deposit on commercial Bank	3.31	5.34	4.98	4.70	4.64	5.44	5.38	7.36	32.46	4.06	3.1	76.21
Fixed deposit on Development Bank	0.68	1.10	1.02	0.96	0.95	1.12		1.51	7.96	1.00	0.8	83.67
Fixed deposit on Finance Company	0.78	1.26	1.17	1.10	1.09	1.28	2.15	1.73	8.11	1.01	0.8	76.92
Others	0.10			1.46	2.21	0.87	1.74	1.11	0.93	0.12	0.1	118.65
Total	**6.14**	**7.70**	**7.17**	**9.97**	**10.54**	**10.36**	**10.35**	**12.79**	65.03	8.13	3.6	44.58
Average												

	1.23	2.57	2.39	1.99	2.11	2.07	2.59	2.56
Standard Deviation	1.24	2.40	2.24	1.54	1.50	1.90	1.91	2.70
Co-variance	100.64	93.63	93.90	77.43	71.19	91.89	73.94	105.49

Source : Beema Samiti Annual Report, 2065/66