

MARKET DISTRIBUTION OF LIFE INSURANCE POLICY IN NEPAL

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RECOMMENDATION

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DECLARATION

I hereby proclaim that the thesis work entitled **Market Distribution of Life Insurance Policy in Nepal** submitted to Balkumari College, Faculty of Management, Tribhuvan University is my original work for the partial fulfillment of the requirement for the Master's Degree of Business Studies (MBS) under the supervision of Mr. Bharat Khanal Lecturer of Balkumari College, Narayangarh, Chitwan.

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ABBREVIATIONS

A.D.	:	Anno Domini
ALICO	:	American Life Insurance Company
BS	:	Beema Samiti
C.B.S.	:	Central Bureau of Statistics
C.V.	:	Coefficient of Variation
Co.	:	Company
Ed.	:	Edition
FY	:	Fiscal Year
FYP	:	First Year Premium
GDP	:	Gross Domestic Product
HMG	:	His Majesty's Government
i.e.	:	That is
IB	:	Insurance Board
IC	:	Insurance Company
LIC	:	Life Insurance Corporation
Ltd.	:	Limited
MBS	:	Master's Degree in Business Studies
MOF	:	Ministry of Finance
NIC	:	Nepal Insurance Company
NLGI	:	National Life and General Insurance
NLIC	:	Nepal Life Insurance Company
PA	:	Personal Accident
PPD	:	Permanent Partial Disability
PTD	:	Permanent Total Disability
Pvt.	:	Private
RBS	:	Rastriya Beema Sansthan
Regd.	:	Registration
RNP	:	Renewal Premium
S.D.	:	Standard Deviation
TU	:	Tribhuvan University

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Human beings always tried hard to sustain their livelihood. They have faced many ups and downs to obtain the current stage in the world. Everybody must be proud for their effort to develop, reach and gain up to the today's modern world. Every sort of changes occurred in one sector of the world affects the other. In addition, development of various sectors gave the birth of the things like complexity, changes, safety, guarantee, uncertainty, losses, security and risk. Then people forced to feel for the safety of their gained value and of course the value that to be gain onwards. To be more precise, people thought about the risk and its harmful effects. Thus, the concept of Insurance has emerged.

Insurance and Risk are two side of one coin. No, doubt where there is insurance, there is risk. Life Insurance has closest relation with risk. Human life is full of risks and uncertainty. Each and every step of life is full of risks. We cannot eliminate risk. However, we can make provision for financial security against risk. Insurance is the means to get financial security against risk. It is simply a cooperative form of distributing a certain risk over a group of persons exposed to it. It is a promise by an insurer to an insured protection or service. Moreover, insurance is a contract by which one party for a compensation called premium assumes particular risk of the other party and promise to pay to him of his nominee a certain sum of money on a specified contingency. In other words, insurance is a contract in which a sum of money is paid by insured in

consideration of the insurer's incurring the risk of paying a large sum when the given contingency arises.

Similarly, Insurance is a legal contract that protects people from the monetary costs that result from loss of life, loss of physical well being, damage of material goods, failure of business enterprise, etc.

Insurance is a tool that provides financial compensation in the event of misfortune, where the payment is made from the accumulated contributions of all parties participating in the scheme.

Insurance helps to overcome the outcomes of undesirable and unforeseen happenings. However, insurance cannot stop losses incurred from risks. It can merely provide financial compensation for the effect of misfortune. Insurance, therefore, does not protect the material property, which is the subject matter of the insurance but safeguards the financial interest of the insured. Insurance have a wide scope in modern world. There are many forms of insurance such as life insurance, fire insurance, marine insurance, property insurance, vehicle insurance, etc. In general, insurance is classified as Life Insurance and Non-Life Insurance. Life Insurance is different from non-life insurance though objective of both forms are to safeguard the people. Fire insurance, marine insurance, property insurance, vehicle insurance, etc. all are categorize under non-life insurance. In general, insurance coverage other than life comes inside non-life insurance. On non-life insurance, the insurance company sells policy for financial protection of individual property from unsuspected risk. Insurance other than Life Insurances are the contract of indemnity, where the insurers agree to compensate in the event of loss such that the insured is left substantially in the same position financially after the loss as he/she was before it. But the principle of indemnity does not apply in

case of Life Insurance, as value of human life cannot be expressed in monetary terms.

Subject matter of life insurance is the life of human being. This report focus only with Life Insurance, its products/policies/plans and its market share mainly in the context of Nepalese life insurance market. Life Insurance simply is insurance on the life of people and the life insurance contract is a valued policy that pays a stated sum to the insured upon maturity else to the beneficiary upon the insured's death. In other words, a life Insurance policy is a contract between the policy owner (insured) and an insurance company (the insurer). Under the terms of a life insurance contract, the insurer promises to pay a certain amount of money (death benefit) to some one the insured chooses (beneficiary) when he/she die or to the insured himself/herself at the end of the contract (term) period, in exchange for the insured's premium (fee payments).

Thus, to purchase life insurance is a prudent act to get rid from uncertain risk and provides benefits against premature death, living a certain length of time, incapacities, injuries etc. At present there are 9 Life Insurance Companies in Nepal. They are Rastriya Beema Sansthan (RBS), National Life Insurance Company, Nepal Life Insurance Company(NLIC), Life Insurance Corporation (Nepal) Ltd. (LIC Nepal), American Life Insurance Company Nepal(ALICO Nepal), Asian Life Insurance Company, Gurans Life Insurance Company, Prime Life Insurance Company and Surya Life Insurance Company.

Table No. 1.1
Growth of Various Economic Sectors in Nepal

Economic Sector	2027	2037	2047	2057	2065
Commercial Bank	2	2	5	13	25
Development Bank	2	2	2	7	58
Finance Company	0	0	0	47	78
Insurance Company Life	0	1	2	2	9
Non - Life	3	4	4	12	16

(Source: Insurance News & Views)

NOTE: Rastriya Beema Sansthan (RBS) one of the pioneer government insurance company sell both Life & Non Life products.

Comprehending growth of Insurance sector in Nepal; we can simply analyze that the felt of insurance was there, many years back in Nepal but the pace of development of life insurance is less than non-life insurance despite the greater importance of former one. Perhaps, this is because people used to care more to their properties rather than their life. Besides, people hardly realize their death and its consequences but life insurance is what all about. Therefore, whatever be the facts, the importance and potentiality of life insurance in country like Nepal is very high and realizing it the various prominent people and government itself are focused for the development of life insurance sector in Nepal. In Life Insurance, life insurance products, life insurance policies and life insurance plans are synonymously used. Here to familiarize with the Title the word product has been used mostly. There are different types of life insurance products prevailing in the world. As per the demand of time and market, different types of Life Insurance product have been introduced so far in Nepalese insurance business.

1.2 Focus of the Study

In the context of Nepal, despite a long back inception of life insurance business, still it has lot to do in different aspects, though its business is growing slowly. So the general information and current situation of life insurance business are the subject matter of this study. Besides, the studies have used three insurance companies for statistical analysis. They are NLIC, LIC and ALICO. General profiles of sample companies are given below.

National Life Insurance Company (NLIC)

NLIC, established under the Company Act 2053 and Insurance Act 2049 as a public limited company on Classification of Life Insurance Products in Nepalese Market Endowment Life Insurance Policy Life Insurance Juvenile or Children Plan Others/Term Life Insurance Policy Anticipated Endowment Life Insurance Policy Classification Of Life Insurance Products In Nepalese Market 2058/01/21 (04/05/2001). NLIC is the foremost life insurance company established by private investors. The promoters of the company are a group of well known businessmen and business houses of Nepal. Within the nine years of operation the Company has set up an excellent business record and has a strong financial position. The company has an authorized capital of Rs. 100 Crore. Issued Capital of Rs 50 Crore and Paid-up Capital of Rs 30 Crore. The company has insured itself with well-know reinsurance company "Hannover Re Life Reinsurance Company", Germany for individual policies and "SCOR Global Life ", France for Term Assurance Foreign Expatriate policies.

Life Insurance Company Nepal (LIC)

LIC (Nepal) Ltd. is one of the largest capitalized insurance companies of Nepal. Promoted under a joint venture between India's state-owned Life Insurance Corporation (LIC) and Nepal's Vishal Group, this company was licensed in August 2001 and started issuing life insurance policies from September 1, 2001. The company has a paid up capital of Rs. 250 million of which LIC of India owns 55% while Vishal Group and ordinary shareholders (public participation) own 25% and 20% respectively. Life Insurance Corporation (Nepal) Ltd. Registration No: 765-057/58 and incorporated under the Companies Act 2053, 27.12.2000 while started operation in 1.09.2001. The company has 14 branches at present in different part of the country.

American Life Insurance Company (ALICO)

ALICO came to serve the people of the Himalayan kingdom of Nepal with more than 83 years of global experience gained through its operation in over 50 countries and jurisdictions. ALICO, originally named ALIC (Asia Life Insurance Company), was established in 1921 in Shanghai (the commercial heart of Asia at that time), China by Mr. C.V. Starr, the founder of what would later become the American International Group, Inc., (AIG). Today, ALICO operates in over 50 countries and territories worldwide. In 1972, ALICO was granted a license in Japan as the first foreign life insurance company fully admitted to the market. ALICO Nepal received its license to operate in the kingdom in 2001. The first policy, however, was issued in 2002. It is only the Multinational Life Insurance Company in Nepal. ALICO has branch offices, subsidiaries and affiliates in emerging, developing and developed markets in Europe, Asia, the Middle East, Africa and Latin America. ALICO is domiciled in

Wilmington, Delaware and has regional headquarters in Tokyo, Paris, Athens, Dubai and Santiago, Chile.

1.3 Statement of the Problem

Today, no doubt insurance has become an integral part of every sector of the country. On one hand, it provides the financial security against future loss & on the other hand it provides capital to the business house. By knowing this reality, the number of insurance companies is increasing in Nepal but at the same time there are a number of constraints that hinder the development of insurance sector in Nepal. In advance countries, insurance companies have played a very significant intermediary role, mobilizing funds through the prudential combination of investment portfolio. But, in developing countries like Nepal, the role of insurance company is still to be realised as an important vehicle for mobilizing the internal saving through various insurance schemes of life & non-life sector in the economy.

Growing number of companies in the Nepalese insurance market is the indication of expanding scope. However, despite the potentiality, the company is plagued with immense challenges to survive and to outpace those within the industry, mainly due to rising competition, weak economic condition and moreover lack of insurance awareness. In such a situation, the insurance business has a number of problems. Some of them are pointed out below:

1. Most of the Nepalese people live under poverty line thus limiting investment. People have problem of hand to mouth, they hardly think of insuring their life by paying a life insurance premium.
2. Majority Nepalese have no knowledge of life insurance due to lack of education. Even many of the educated people are unaware of it.

3. Most life insurance companies are located in urban areas with limited target customers leaving out a very large rural population.
4. Most companies lack professionalism, speedy transaction, timely payment of the claim and even do not follow insurance ethics.
5. Negligence of agents, brokers and even a staffs.
6. Unclear rules and regulation regarding insurance act.
7. Unhealthy market competition among prevailing companies.
8. Lack of Reinsurance Company.
9. Most of all, the political turmoil in our country has hindered the growth of insurance company to a large extent. Also, increasing violence & terrorism has been threatening the insurance business. Therefore, the insurance company should be very much cautious about their business operation.

1.4 Objectives of the Study

The main objective of this research is to analyze and study the total issued life insurance policies, premium collections of the Insurance Companies in Nepal. The specific objectives are:

- (i) To analyze present situation of the life insurance business in Nepal.
- (ii) To analyze the aggregate market trend of life insurance polices, premiums collections and largest share among the companies.
- (iii) To analyze the types of life insurance policies available in Nepal.

1.5 Research Questions

The present study will intend to explore the following research questions.

- (i) What is the basic thought of people about life insurance?
- (ii) Do Nepalese people feel to insured their life?

- (iii) Why the numbers of insurance companies intend to commence in Nepal?
- (iv) Why people buy life insurance policy? Are they satisfied buying it?
- (v) What types of life insurance policies are available in Nepal?
- (vi) What are the government policies against Life Insurance?
- (vii) What sort of activities need to be done to develop & expand the insurance sector?
- (viii) Are the activities executed by the prevailing companies sufficient for the entire development of the insurance industry?

1.6 Significance of the Study

Life insurance has become the most popular type of insurance. Life is the most important property to individual or family. Life insurance policies provide elements of protection and investment. After getting insured, the policy-holder feels protected because insured's nominee will be paid a definite sum at the death of the insured or the insured himself/herself will be paid on the maturity of the policy. Thus, life insurance has proven as double-edge weapon for social economic development of the nation. In one way it provides financial security against the uncertainties to the person & industry. In the other way insurance business collects the scattered financial resources & supplies the bulk amount of money in the productive sector, which helps for the entire economic growth of the country.

This research emphasizes various facts of life insurance that familiarize the present scenario of life insurance market in Nepal. Being an independent study in an eminent topic; product & market share, it is significant for the customer and the persons who are interested on it. No doubt the researcher believes that different institution& individual will be

benefited from the study. Researcher himself will feel significant to study on the topic that can access to different aspects of insurance sector.

- (i) Individual who carryout further research works in related topic.
- (ii) Individual who have keen interest in Nepalese economy & insurance industry.
- (iii) Investors, policyholder, students, policymakers, staffs, academic & professional people, companies etc.
- (iv) This study helps insurance companies to identify their hidden weakness regarding different operational, financial and distributional aspects of their business.

Hence, considering all of the facts the study helps to provides various parameters to investors, policyholders, insurer and future researcher as well.

1.7 Limitation of the Study

Nothing is perfect in itself. As every research has its own limitation, the study is not free from it. The study and outcome of the study will be an individual effort, thus limits the in-depth study. Besides, there are certain limitations observed in the study while writing this thesis.

1. The study may not be precise as it is to fulfill the partial requirement of degree in management (MBS) program and it is merely focused to analyze certain aspects of Nepalese insurance sector.
2. Resource, time, money constraints and inaccessibility of sufficient information also limit the conclusion drawn from the study.

3. The study is based on secondary data of few years period i.e. from fiscal year 2005/06 to 2009/10, therefore conclusion about the result confines only to stated period.
4. The evaluation is made through the analysis of financial statement published and provided by the companies and insurance board.
5. Finding of the study would be fully dependent on the accuracy and the reliability of the data provided by the respected organization and respondents.
6. The financial information of Rastriya Beema Sansthan of the few years was not available in the company as well as in the Beema Samiti as it had not conducted the auditing of its records for different period. Similarly, National Life Insurance also hasn't submitted a few years transaction report as per the prescribed manner, so its figures are also forecasted as per the financial analysis of data provided by them.
7. The study is mainly focused on the life insurance sector of the insurance industry in Nepal. Hence, it completely ignores other forms of insurance.
8. The study only deals with life insurance products available in Nepalese market. Despite these limitations, best possible efforts have been made to ensure that these limitations do not affect the findings of the study, in a significant manner.

1.8 Organization of the Study

This study includes five chapters such as Introduction, Review of Literature, Research Methodology, Data Presentation and Analysis and Summary, Conclusion and Recommendation.

Introduction:

The first chapter deals with subject matter of the study. This study contains general background of the study, statement of the problem, objectives, significance of study and the limitation of the study.

Review of Literature:

The second chapter is review of literature; it includes conceptual framework, review of books and review of previous study, reports, thesis and journal articles related to the topic of the study.

Research Methodology:

The third chapter is about research methodology; it includes the whole procedure of research work i.e. research design, sources of data, data processing procedures, population and sampling procedure, data analysis, statistical tools and all the methods of research.

Data Presentation and Analysis:

The fourth chapter is about presentation and analysis of data; it includes the presentation and analysis of primary data, secondary data, interpretation, major findings of the study and the statistical tools that has been used for the analysis.

Summary, Conclusion and Recommendations

The final or fifth chapter contains the summary of entire study. The conclusion will be presented and concrete measures are suggested in the form of recommendation. Besides these, bibliography and appendixes are also included.

CHAPTER TWO

REVIEW OF LITERATURE

This research study aims to analyze the Life Insurance products, their benefits and the market share in Nepal. For this purpose, review of related literatures in the concerned area is required that will give the researcher clear concept, ideas and opinions. Hence, this chapter emphasizes on the literatures which were concerned in this connection and therefore, extracts the views and concepts of various authors and intellectuals about the life insurance scenario in Nepalese context from different books, web sites, journals, research works, and previous thesis related to the subject. Moreover, products their benefits and premium collection regarding life insurance are reviewed and attempted to present them properly.

Also, this chapter deals with the review of literature related with the financial performance (in terms of premium collection) of insurance companies in Nepal. Thus, this chapter has been divided into two parts. The first part deals with the conceptual framework of the study, while the second part is related with the review of previous studies.

2.1 Conceptual Framework

2.1.1 Concept of Insurance

Developing modern society plays various roles in a society. They bear a major character, the inevitable uncertainty and revolutionize surroundings. Due to the uncertainty and competition factor the concept of insurance and its evolution was enforced and these days it is far more strengthening due to very competitive environment and many dropped

down situation. Thus, the insurance seems as an auxiliary for the modern society and organized business company as well as individuals.

Besides, the development of sophisticated technology and different scientific innovation has changed the human life. It has made the whole world a global village. But it has also increased a great deal of risk in human life. More specifically risk denotes the uncertainty of loss. No human activity is free from the risk. Some sort of risk is beyond the human control but human being always wants safe and secured life. To reduce such type of risk and uncertainties the concept of insurance is developed. Insurance is a way of reducing uncertainty of future outcome. It provides financial security against risk.

Insurance is a contract made by a company, society, or by the state, to provide a guarantee of compensation for loss, damage, sickness, death etc in return for regular payment. In other words, it can be said that any measure taken as a safeguard against loss, failure, perils etc. An insurance company means the enterprises that are involved in insurance business. Insurance companies are integrated part of the same business. Before knowing about insurance company's concept we need to know about concept of insurance. It is quite hard to define insurance to satisfy every view point of insurance. It may be defined as "A system of combining many loss exposures with the costs of the losses being shared by all of the participants." (Joshi, 2000:186)

It may be an economic system of reducing the risk through transfer and pooling of losses, "A legal method of transferring risk is a contract of indemnity a business institution providing many jobs in free enterprise economy a social device in which the losses of few are paid by many or an actuarial system of applied mathematic." (Vaidhya, 2002:43)

“Insurance is created by insurer which is a professional risk bearer, assumes the financial aspects of risk transferred to it by insured. As a device for handling the financial aspects of risk, insurance is feasible because insurance is able to combine the risks of individuals into groups and pay losses with funds collected from its members.” (Singh, 2007:25)

Insurance as a contract settled between the parties, one is insurance company and another is insured party who insure his properties as well as lives. They have stated as, it undertakes to indemnify to loss suffered (due to specified cases) by the other party known as the insured in consideration for a sum of money known as premium. Since the amount of the premium is generally small, insurance contract spreads the losses suffered by one person over a large number of persons. Everyone pays a premium those who suffer a loss are paid a sum of equivalent to loss (loss according to the term of contract) and those who do not suffer loss by the premium paid. The protection against unforeseen events is purchased through a contract of insurance.

In same generic term insurance is regarded as, "Co-operative risk carrying transfer of specializing risk carries, redistribution of actual loss etc, as a business institution insurance may be defined as a plan by which large number of people associated themselves and transfer to the shoulder of all risk that attach to an individuals". It is a universal fact that the outcomes of most activities are uncertain. Uncertainty remains in every nature of businesses. So, insurance is one of the major risk handling method, also it is an instrument to spread the loss caused by a particular risk among various people who are interested to accept risk for certain return. The word for taking risk or assuring to cover loss is known as insurance. There are no such devices or methods which confirm that there is no risk and no chances of loss occurrence in any types of business. It

should not necessarily be only businesses, even in the houses where we live; we are unsure what is going to happen tomorrow because we don't know when earthquake occurs. In fact, it is similar to our lives as we absolutely have no idea about our exact longevity. This is a tricky situation. Until now, we are able to transfer the risk primarily created due to natural disaster or an accident in the form of insurance but unable to eliminate in first hand. It is beyond our capacity to control natural calamities or an accident. Insurance is a precautionary measure that has been taken by any party's to compensate for the loss incurred due to any undesirable events. It is an intangible service which helps to get rid from the painful sufferings caused by the uncertainties. Thus the insurance provides a relief in the form of compensation packages in a period of desperate need.

In a period of deepest sorrow and need, when funds appear to drain into abyss of creditor's demand and estate duties, the hefty cheque brought in the form of insurance claims provide great relief. So, insurance offers excellent financial protection. Industrial and commercial risks are more complex. Apart from the normal trading risks, they are exposed to various natural and man created hazards, the result of which can kick them completely out of the business.

Moreover, not all the risks are insurable which means the careful risk management should be administered. Risk management deals with the technique of identification, evaluation and handling of risks. After properly identifying the risk one is exposed to, one has to evaluate the monetary consequences of such risks before thinking of handling of the risks which may be consciously assuming certain risks oneself and transferring others by various devices including insurance. Insurance is one of the risk transfer mechanism. Insurance is not a luxury; it is a

necessity especially when one's paid up assets is few. Many people think insurance is for the rich people as they can afford but it is precisely for those who are not financially secure.

Insurance business is broadly classified into two groups

1. General Insurance (non-life)
2. Life Insurance

There are various types of services offered by general insurance and the most important services are

1. Vehicle Insurance
2. Marine Insurance
3. Fire Insurance

Similarly, Life insurance is mainly focused on the life of individual. It is related to the health of individual or policy covering the death & disabilities of an individual.

2.1.2 Definition & Meaning of Life Insurance

A life Insurance policy is a contract between the policy owner (insured) and an insurance company (the insurer). Under the terms of a life insurance contract, the insurer promises to pay a certain amount of money (death benefit) to someone the insured chooses (beneficiary) when he/she die or to the insured himself/herself at the end of the contract (term) period, in exchange for the insured's premium (fee payments).

In other words;

Life insurance is a contract whereby the insurer promises to pay the defined amount either on the maturity of policy to the policyholder or to his/her nominee in case of the premature death of the policyholder, in consideration of premium paid. Thus, life insurance has both elements of protection as well as investment. It has the element of protection because

insurer pays the policy amount to the nominee in case of the death of policyholder. On the other hand, it is an investment because the policy amount is paid after the expiry of given period, if the policy holder survives.

American Heritage Talking Dictionary defines Life Insurance as, “Insurance that guarantees a specific sum of money to a designated beneficiary upon the death of the insured or to the insured if he or she lives beyond a certain age life insurance”.

According to Nepal Insurance Act 2049, Section (f), “Life insurance is a contract in which a particular sum of amount is paid in installment on the basis of age for insuring of the person; with the condition that the nominee or his dependent will receive a particular sum of amount at death or is a fixed period expires.”

Life Insurance is different from other non-life insurance. Other insurances are the contract of indemnity, where the insurers agree to compensate in the event of loss such that the insured is left substantially in the same position financially after the loss as he/she was before it. But the principle of indemnity does not apply in case of Life Insurance, as value of human life cannot be expressed in monetary terms. Subject matter of life insurance is the life of human being.

2.2 Origin of Life Insurance

There is no actual evidence of origin of insurance/life insurance. So we cannot accurately say how and where it was introduced. Today's modern form of insurance is not the effort of fortnight. It has crossed a long series of time to develop insurance from ancient practices to modern insurance practices. There was insurance in ancient time too, but not in its present form. Some say insurance is as old as human civilization. We can guess

that there was some sort of life insurance in this part of the eastern world. Insurance related word “YOGCHHYAM” (means complete protection/security to the people is found in religious texts like Rhigbed.

Historians accept that the insurance first developed in Sumer and Babylonia (both in what is now Iraq) beginning in about 3000 B.C. It is also believed that before 4500 B.C. there was a culture of some sort of Life Insurance in Babylonia, Greece and Rome. On 18th June, 1583 William Gibbons became the first person to get his life insured in England. He got insured for 1 year. The premium was 8% of the Face Amount. Gibbons died on 11th month so Face amount had to be paid. On 1693, Edmond Healy prepared the Mortality Table and submitted in Royal Society. It became basis for insurance table later. On 1696 A.D. the Hand in Hand Society became the first institution of the Insurance. Till 17th century Life insurance was issued only for rich and honourable people of England. But in the 18th century, it was opened for general public as well. The first life-insurance company in North America was founded in 1759 in Philadelphia. In the Eighteenth Century insurance business began to develop but at the same time there was a problem of irregularity and misuses due to lack of insurance act.

Hence insurance acts were passed. In 1774 Life Assurance Act was passed in England to prevent insurance from being gambling. From 1905 to 1912 establishments of many insurance companies took place in India. Till 1955, 259 Life Insurance Companies were working in India (inclusive of Provident Fund Societies) In 1956 Life Insurance Corporation Act was passed in India.

2.3 Origin & Development of Life Insurance In Nepal

The concept of insurance developed in ancient period in Nepal. The system maintaining Guthi can be taken as the starting point for the development of insurance. The income from such Guthi was used to built building, temple and repairing, etc. So, the concept of insurance was emerged with the religious view but not as commercial view.

The modern insurance business is relatively new in Nepal. There used to be agents of Life Insurance Companies of India working in Nepal. Indian insurance companies initiated the insurance business from the late 1930 in Nepal. The Indian insurance companies were enjoying monopoly over the insurance business and had a well development business network in Nepal, later in 1948. The first Nepalese insurance company, 'Nepal Mal Chalani Ra Beema Company Limited was established by Nepal Bank Limited. This pioneering insurance company renamed name into Nepal Insurance and Transport Company Limited in 2016 and Nepal Insurance Company Limited since 2048. The company started to provide only non life insurance. There was no only insurance company to carry out life insurance business until 2024. So, the government realized the necessity for the establishment of insurance company to execute life insurance business. As a result on 2024 B. S. His Majesty's Government established Rastriya Beema Sansthan (2024/9/1 BS). On 2025 B.S. Insurance Act 2025 was enacted to regulate insurance business in Nepal.

Similarly, unit to look after Insurance business under Finance Ministry was established. On 2029 B.S. Falgun 7, Rastriya Beema Sansthan (RBS) started its life division. Life Insurance Corporation of India closed their office in Nepal and handed over the transactions to Rastriya Beema Sansthan.

On 2044 B.S. National Life & General Insurance Company (NLGI) was established (2044/9/24 BS). On 2046 B.S. NLGI started their transaction in Life Insurance. On 2049 B.S., New Insurance Act & Insurance Regulation came into effect with full fledged Insurance Board; abolition of Insurance Act 2025. On 2058 B.S. Nepal Life Insurance Company (NLIC) was established and then a few months later Life Insurance Corporation Nepal (LIC Nepal) was established. On 5th December 2001, American Life Insurance Company Nepal (ALICO Nepal) was inaugurated in Kathmandu. From 2002 February onwards, ALICO started its transaction with totally new concepts and strategies in Nepal. On September 1, 2003 A.D. agent's code of ethics became effective. The insurance activities were regulated by Insurance Act 2026 B.S. (1969 A.D.). The Act and the regulations were modified and new Insurance Act and Regulations were enacted in 2049 B.S. (1992 A.D.). Beema Samiti observes and regulates the insurance activities in Nepal as per the provisions of Insurance Act 2049 and Insurance regulations 2049.

Now, the government has adopted liberal economic policy as a result many of the insurance company established after the restoration of democracy. Established under Insurance Act 2049, (1992) there are 25 insurance companies in operation by mid-April 2009. There are eight life insurance companies, 16 non-life insurance and (1) one company dealing with both life and non-life insurance. From ownership perspective, three of them are operating with full foreign capital investment and three companies on joint capital venture of foreign insurance companies. Similarly, 18 companies are under private ownership, while the Government of Nepal owns one company. The total resource/liabilities of these insurance companies have increased by 10.2 percent to Rs.44.15 billion between mid-July 2008 and mid-January 2009.

Table No. 2.1
Composition of Insurance Companies in Nepal Ownership

Ownership	Nature of Company			Total
	General	Life	Composite	
Government Owned	-	-	1	1
Private Sector	13	5	-	18
Foreign	2	1	-	3
Joint Venture	1	2	-	3
Total	16	8	1	25

(Source: Beema Samiti)

A. Insurance Companies Providing Both Life and Non-Life Insurance Services

- Rastriya Beema Sansthan

i) Insurance Companies Providing only Life Insurance Services

- National Life and General Insurance Company Limited
- Nepal Life Insurance Company Limited
- American Life Insurance Company Limited
- Life Insurance Corporation (Nepal) Limited
- Asian Life Insurance Company Limited
- Surya Life Insurance Company Limited
- Gurans Life Insurance Company Limited
- Prime Life Insurance Company Limited

ii) Insurance Companies providing only Non-Life Insurance Services

- Nepal Insurance Company Limited

- Himalayan General Insurance Company Limited
- United Insurance Company (Nepal) Limited
- Everest Insurance Company Limited
- Premier Insurance Company (Nepal) Limited
- Neco Insurance Company Limited
- Alliance Insurance Company Limited
- Sagarmatha Insurance Company Limited
- NB Insurance Company Limited
- Prudential Insurance Company Limited
- The Oriental Insurance Company Limited
- National Insurance Company Limited
- Shikhar Insurance Company Limited
- Siddhartha Insurance Limited
- Lumbini General Insurance Company Limited
- NLG Insurance Company Limited

Hence, these insurance companies are functioning as per the norms and values of Insurance act 1992, and Insurance Rules 1993. These companies perform the works of fund creation, underwriting insurance of life and non-life property for the best security against the specified or non-specified risk; third party insurance.

2.4 Operational Definition (Terminologies)

Insurance: Protection against economic consequences of loss

Insured: Person whose life is insured/secured

Applicant: Person who applies for insurance and seeks to purchase coverage

Payor: Person who pays the premium

Insurer: Company that covers the risk of insured

Sum Insured/Sum Assured/Face Amount: Amount payable under life insurance policy

Premium: Specified amount of money that insurer received in exchange for its promise to provide a policy benefit

Mode of Payment: Annual, Semi Annual, Quarterly

Term: Risk coverage period

Policy Document: Written paper of insurance contract

Policy Owner: Who owns a policy

Beneficiary: Person who receive the policy benefit

Insurance Agent: A person authorized by company to represent company to sell policy, and receives commission of certain percentage on selling a policy, i.e. insuring an individual in an insurance company.

2.5 Basic Principles of Life Insurance

Utmost Good Faith: Life Insurance is contract based on utmost good faith principle. Apart from other things, written actual facts (disclosure of material facts) should be disclosed by individual and institution at the same time of contract. If it is proved, facts were concealed at the time of contract, which could affect the contract; the contract is subject to void.

Insurable Interest: The presence of insurable interest must be established for every life insurance policy. Insurance is intended to compensate an individual or a business for a financial loss, not to provide

an opportunity for gain. Insurable interest exists between two people if the living of one person can benefit other & death cause loss (or one is compelled to look after the other as per law). Without insurable interest policy is not valid. It is necessary also to prevent crime. In its absence, insurance may become gambling. It can exist in two cases. With self Person with income can insure own life.

With another person: Family & become liabilities/investment related (third person). There is insurable interest between husband & wife, father/mother and children, Employer & employee, Creditor & debtor, between business partners. So a person can purchase insurance on his own life and on another person with insurable interest. The beneficiary also must have an insurable interest in the life of the insured when proposed/policy is issued.

2.6 Products

A product is anything that is capable of satisfying human needs and wants. “As anything that can be offered to a market for attention, acquisition, use or consumption and that might satisfy a want or need” (Kotler, 1999:274). In a broad sense, products include physical objects, services, persons, places, organizations, ideas or mixes of these entities. Viewed on a broad framework, product is everything that one receives on an exchange. Hence, here Life insurance dealt with service product and exchange with premium.

Out of various types of products; Life insurance categorized under unsought product, which are those consumer products that have very low consumer awareness and desire to purchase and consume. They are generally high priced items. Consumers generally show reluctance to buy these products unless approached by the marketer. Many of the new inventions are unsought by consumers until they become aware about its

benefits. Some products are known to consumers but they show very little interest to make any effort in buying them. Thus, life insurance as a product is different type of product which is concern with life of people.

2.6.1 Life Insurance Products

As already mention in chapter I; in Life Insurance, life insurance products, life insurance policies and life insurance plans are synonymously used. Here to familiarize with the Title the word product has been used mostly. There are different types of life insurance products prevailing in the world. As per the demand of time and market, different types of Life Insurance product have been introduced so far in Nepalese insurance business.

An insurance product/policy/plan covers the insured party (known also as the insured or the policyholder) for a specified period of time, called a term. When choosing an insurance policy, a person must decide what type of coverage to buy. This means deciding about the selection of plan, coverage amount, terms, additional benefits etc. All influence the cost of a policy, which is expressed as the price of a regular, repeated payment (known as the premium).

Different types of insurance products provide different amounts of coverage. They also provide coverage in different ways. Some policies, such as life insurance, determine an amount of coverage in advance. An insurance company pays the full amount of such a policy, called its face value, whenever a covered loss occurs. Most other types of insurance policies determine how much to pay according to what kinds of losses policyholders experience. Such policies specify a maximum amount they will pay. For example, a policy covering a home against fire for Rs.100,000 would pay for damages up to Rs.100,000 but no more.

2.6.2 Types of Life Insurance Products available in Nepal

The Insurance Regulation 2049, permits insurers to issue three major divisions of policies in Nepal, i.e. Whole Life, Endowment and Term Life Insurance Policies. Under these three categories there are further sub-categories of life insurance policies. There are 43 life insurance policies registered in the Beema Samiti by various life insurance companies in the Nepal market. Some of the policies have the same nature & features but have different names as they are registered by different companies. Therefore, Beema Samiti maintains its record by categorizing life insurance policies into four major types, i.e. Endowment, Anticipated Endowment, Children and Other policies. For simplicity, researcher also presents the report work as per the record maintained by the Beema Samiti.

The major categories of life insurance policies that are available in Nepal are:

- i) Endowment Life Insurance Policy
- ii) Anticipated Endowment Life Insurance Policy
- iii) Juvenile/Children Plan
- iv) Others/Term Life Insurance (Whole-Life Insurance policy/ Group Insurance/Expatriate Insurance/Life Shield) These policies may further be modified on the basis of requirement of the customer. It can be varied on the following basis;
 - i) Payment of Premium, i.e. single, regular or limited.
 - ii) Lives covered, i.e. Single life policy or joint life policy
 - iii) Participation in profit, i.e. participation and non-participation
 - iv) Payment of claim: Installment or Lump sum payment of claim.

Endowment Life Insurance Policy

These forms of insurance are essentially accumulation or investment forms purchased by the payment of equal annual, semi-annual or quarterly premiums paid only for limited period of years such as ten, fifteen, twenty, twenty five or thirty years, according to the period selected. Moreover, Endowment life insurance policy is issued for a certain/limited period of time. If the insured dies before the maturity of the policy term then his/her dependents/nominees/beneficiary will receive the assured amount plus bonus, but if he survives at the end of the policy term then he/she will receive the policy amount plus bonus himself or herself.

This plan has policy term of 10 to 30 years or maturity at the age of 55, 60, 65, 70 years endowments. The policy matures either by the expiration of the endowment period or prior to the death of insured. This policy can be taken for people or age 1 month to 60 years.

Some of the endowment policies that are available under different names and features in Nepal are, Endowment Life Insurance, Endowment Assurance with Double Accident Death Benefit, Surakshit Jeevan Beema Yojana, Keta-Keti- Jeevan Bima (Shiksha and Vivah), Children Marriage & Education Endowment plan etc.

Anticipated Endowment Life Insurance Policy

This sort of policy is new & modern insurance plan and can be called as modified version of endowment policy. Drawbacks of getting accumulated money only after the fixed period in endowment plans is left out by this plan. Under this policy, a part of sum assured is paid at certain interval before death within maturity of the policy and balance of the sum assured is paid at maturity. In the event of death of the insured before the

maturity date, full sum assured is paid, even if the insured had taken part of the sum from the insurer. The premium of anticipated endowment policy is higher than other policies.

Some of the anticipated endowment policies that are available in Nepal under different names and features are Anticipated Endowment Life Insurance, Children's Marriage and Education endowment Life Assurance, Three Payment Plan, Chhora-Chhori: Agrim Bhuktani Sawadhik Jeevan Bima, Jeevan Shanti, Money Back Policy, Griha Laxmi etc.

However, the nature and benefits are almost same in this product; the numbers of years or interval of getting back the certain benefits amount and percentage differs company to company. For instance, Three Payment Plan (ALICO) is one of the anticipated endowment plans very famous in Nepal. This plan provides very high insurance protection & attractive returns on investment at a very low cost. Under this policy 25% of the face amount is paid at the end of 1/3rd of the term of the policy. Another 25% is paid at the 2/3rd of the term of the policy. Remaining 50% with bonus (of the face amount) is paid at maturity. If the insured dies before the maturity of the period, no deduction is made for the installment already paid.

Juvenile / Children Plan

Juvenile or Children plans are not different plans in comparison with endowment & anticipated endowment plans describe above. This plan is combine plan between endowment & anticipated endowment plan especially designed for children. Children plan is foundation on which one can build their child's future and career.

Some of the Children policies that are available in Nepal under different names and features are Child's Education & Marriage Endowment Life Insurance, Child's Education & Marriage Anticipated Endowment Plan, Education Protection Plan, Child's Protection Plan, Bal Sneha, Bal Mamta, Batshalya Life Insurance, Bal Umang, Bal Bhabishya etc.

Under this plan, on the survival of child till maturity, they get face amount plus bonus. But the benefits are payable as per the terms & conditions of policy which vary company to company. The money can be used for education expenses or marriage expenses or for other purposes. Incase of child's death, FA plus bonus if child dies after start of risk coverage otherwise premium returns. Hence, in children plan coverage period starts mostly after 6 to 7 years of child age except in ALICO which starts after 31 days.

We should know that the almost all of the insurance companies have separate children products except ALICO whether endowment or anticipated endowment. Hence, though all the companies in Nepal sells similar type of products, they somehow differ in terms of term period, insured entry age, risk coverage and its benefits too.

Others

As already said that different products have been registered in Beema Samiti by various companies, except above mention policies all others are classify in this part. Some of the other products prevailing in Nepal are described below:

i) Term Life Insurance Policy

Term Life insurance policy is issued for a short period of time, i.e. up to 5 years. The insured amount is paid only in the event of death of the insured during the period and the assured amount is not paid on the

survival of the insured during the period. Only protection element is present in this policy and is the cheapest policy. This policy is mainly taken by those, who have taken loan and want their family to be free from any tensions relating to the loan. Some of the term life insurance policies that are available in Nepal are Level Term Life Assurance, Decreasing Term Life Assurance, etc.

ii) Whole Life Insurance Policy

Whole life insurance policy is issued for the whole life of a person. The premiums are payable as per the term agreed, i.e. semi-annually, annually or lump sum. The assured amount becomes payable only on the death of the policy holder to his/her nominee. In Nepal, this policy is only available under Rastriya Beema Sansthan but yet to be sold. These sorts of products are not much popular in Nepal. In Nepal, we can find combine insurance policy Whole Life & Endowment where benefits of FA plus bonus is given if insured dies during or after policy maturity and coverage of FA after maturity. For instance, we can find a new scheme in Nepalese market popularly known as Jeevan Anand for periodic plus posthumous security launched by LIC and similar type of plan launched by few companies. Under this plan clients enjoys both endowment & whole life insurance coverage. The insurance policy will continue to exist even after clients are paid back insured sum along with bonus at the end of the agreed insurance period. The customers need not have to pay premium after the payback period, but still the company will pay money equal to insured sum to the immediate nominees, one the policy holder's pass away.

iii) Group Life Insurance Policy

Group Life Insurance is an insurance plan which provides life insurance coverage for a group of people under a single insurance contract and

every individual member of the group enjoys a comparatively very lower rate for paying premium. It is an appropriate product for the employers to extend insurance cover on the life of its employees at nominal premium. On the death either by sickness or accident of an employee the face amount will be paid either to nominee or legal heir of the insured. In case of permanent disability due to sickness or accident the claim will be paid to the employee under the terms and conditions of permanent total disability compensation. This scheme safeguards the employer from paying huge amount of compensation in the event of any adverse eventuality. The employees and their family would also be financially secured. The policy is basically liked & designed for corporate houses, offices, organizations etc. Group Life Insurance policy can be an endowment life insurance policy as well as under term life insurance policy.

iv) Group Term Life for those going for Foreign Employment /Expatriate Insurance

This product is designed for those who go for foreign employment. Everybody who goes for foreign employment especially in Gulf country, should compulsorily insured their life before flying abroad with a sum prescribed by government. Responding to the rising incidents of death and severe injuries among Nepali workers in the course of their work, the government has passed a law requiring manpower agencies to arrange life insurance worth Rs. 500,000 for prospective foreign workers before issuing them the final approval. The insurance covers Death due to any cause/reason, Permanent Total Disability/PTD & Permanent Partial Disability/PPD. In addition, the policy also covers Body Repatriation charges (to fly home the body of the deceased from the accident site) up to sum Rs. 50,000. The Foreign Employment fulltime insurance covers migrant workers against death, permanent & partial disability for one to

three years. As numbers of people depart for foreign employment from Nepal, this plan has much support in collecting huge premiums for insurance companies. Even some companies are attracting people adding high benefits with some additional premium apart from the standard benefits directed by the government to compete within the market. For instance, ALICO's plan provides addition sum of Rs. 100,000 for body repatriation. Also, the company pays a sum of Rs. 3,000 per month for one year to family of the injured/death person for Death/PTD due to accident. Hence, this plan has highly protected migrant people and their family.

Besides these four major types of life insurance policies there are Supplementary Contracts that are attached with the above mentioned policies. These contract are normally of non-participating type, optional and can be attached with any of regular life insurance policy (like with Endowment, Anticipated Endowment etc.) Some of them are mention below:

Accidental Death Benefit (ADB): It provides coverage of an additional sum in the event of death from accident of insured. For this contract addition nominal premium amount should be paid in regular policy. Entry Age, Risk Coverage/limit & Maximum limits etc. as per policy wordings.

Disability Waiver of Premium (WP): If the insured attached this contract with the policy, then premium will be waived in case of total disability of the insured and the policy will continue till the maturity.

Disability Protection Rider (DPR): DPR also called EPR which is embedded (automatic coverage) basically in child's plan in some of the

company where in other should be purchase and can attach. It protects payer in the event of disability due to accident & sickness.

Personal Accident (PA): PA ensures that the policy holder's life plan is comprehensively protected, against accident. Accidental Coverage consists of the following coverage:

- Accidental Death (AD) – In case of accidental death of insured, lump sum cash to beneficiary.
- Permanent Total Disability (PTD) due to accident – Lump sum cash to insured.
- Permanent Partial Disability (PPD) – In case of loss sight, hearing & speech indemnity due to accident, payment as per benefit schedule of company.

2.7 Regulation & Legislation Relating to Life Insurance Business in Nepal

In Nepal, insurance companies (both life and non-life) are managed, developed and controlled by Beema Samiti (Insurance Board). Beema Samiti is located in Chabahil, Kathmandu. Insurance business in operated under a number of legalization.

- (i) Rastriya Beema Sansthan Act, 2025
- (ii) Insurance Act, 2049 (with amendment)
- (iii) Insurance regulation, 2049 (with amendment)
- (iv) Company Act, 2053
- (v) Contract Act, 2056
- (vi) Policies and directives, issued by Beema Samiti from time to time
- (vii) Rastriya Beema Sansthan is directed by Rastriya Beema Sansthan Act 2025 and Insurance Act 2049 and Insurance Regulation 2049.

Where as insurance companies in private sector are operated under Company Act 2053, Contract Act 2056, and Insurance Act, 2049 and Insurance Regulation 2049.

- (viii) Even though there are many acts that should be considered while carrying out life insurance business in Nepal, Insurance Act 2049 and Insurance regulation, 2049 are the major ones which should be strictly taken into consideration.

According to the Insurance Act 2049 (with amendment), insurer should get approval from Samiti for investment in different sectors. The insurer can't provide loan and invest in those organizations in which the board members of company are involved. The financial statement should be submitted to the Samiti within six months after completion of each fiscal year. Insurance companies should keep certain amount as reserve. The agent of the companies should meet certain criteria as specified by the Insurance Act, i.e. agents should be over 16 years of age and should have sound mind and character. The commission should be received as per the rule of Beema Samiti. There are various legal documents or legislation relating to the regulation of insurance business in Nepal which has been reviewed in this part.

Insurance Act 2049

To develop systematize, control and to regulate the insurance market in Nepal, the Insurance Act 2049 stands as a milestone. Especially following provisions have been contained in this Act.

- (i) Provision to form insurance Board (Beema Samiti) as a supervisory body to systematic regularize, develop and to control the insurance business in the country.

- (ii) Provision for the members of the board and their designation, terms and conditions.
- (iii) Provision for duty power and responsibility.
- (iv) Provision for registration, cancellation and their liabilities of insurers.
- (v) Restriction to grant loan, guarantee and security to directors of insurance companies.
- (vi) Provision on accounting record keeping and submitting of necessary documents to authorized body (Beema Samiti)
- (vii) Provision to create necessary reserve for unexpected risks and outstanding liabilities.
- (viii) Provision on auditing the various fiscal documents.
- (ix) Restriction to accept the risks before getting premium.
- (x) Compulsions to re insurance the risks beyond the retention limit of insurer.
- (xi) Provision for agents, brokers and surveyors responsibility and accountability to them and legal treatment to them if undesired activities will be conducted.
- (xii) Provision for separate funds under Beema Samiti.
- (xiii) Provision for insurance tariff advisory committee.

Insurance Regulation 2049

The insurance Regulation 2049 has been issued section(1), sub-section(2) of Insurance Act 2050; later on in 2053, it has been made necessary amendment in this regulation. Provision for types of insurance Business which are:

- (i) Life Insurance Business
- (ii) Non Life Insurance Business
- (iii) Re-Insurance Business
- (iv) Registration and Renewal of Insurance Companies.
- (v) Approval of investment sector other than priority sector fixed by the board.
- (vi) Fixation of reserve funds of various insurance sectors.
- (vii) Limitation on management expenditure.
- (viii) Restriction to collect premium as accordance with tariff fixed by committee.
- (ix) Commission to be got by the agent
- (x) Provision regarding surveyors
- (xi) Provision on claim paid procedure

2.7.1 Insurance Board (IB)/Beema Samiti (BS)

There is a provision for constitution of Beema Samiti in Insurance Act 2049, section 3. Beema Samiti has the supreme power over the insurance companies operated in Nepal. Beema Samiti is constituted to manage, develop and control insurance companies in Nepal. It has the authority to suggest government in policy formation for insurance business, determination of policies for investment and focus on priority sector for investment. It works as the intermediary between insured and insurer and has the authority for registration, renewal and discharge of insurer, agent, and surveyor.

According to section 3 and subsection (c) of insurance Act 1992 functions, duties and power of board are:

- (i) To offer necessary plan for HMG to formulate policies for systematizing,
- (ii) Regularizing, developing and controlling the insurance business.
- (iii) To formulate policies and fixed priority sectors for investing the insurance proceeds.
- (iv) To register and renew the certificate of insurers, insurance agents.
- (v) Surveyors and cancel such registration or make arrangement for doing so.
- (vi) To mediate in dispute between the insurer and insured.
- (vii) To formulate necessary criteria for protecting the interests of the insured and insurer too.
- (viii) To perform or make arrangement for performing other necessary function related to the insurance business.

2.8 Review of Previous Studies

2.8.1 Review of Related Articles & Journals

Various experts, authorities, professionals and MBS/MBA students have conducted a number of researches relating to insurance business. Among them very few are related with the products & market distribution of the insurance business. Although there are many research conducted in insurance field, the topic on “Market Distribution of Life Insurance Policy in Nepal” is a very new focus area in research work. Therefore, this may be the first attempt on this subject matter. Nevertheless, similar sorts of articles, affiliated topic, news & dissertation has been reviewed in this part.

Chalise K. (2008) in his article, focuses in insurance company's ambiguity in Nepal. He wrote Beema Samiti, the regulatory authority of

insurance companies is doing homework to make insurance companies more transparent. BS is working to make them publish their quarterly reports to maintain transparency and inform small investors about the companies. Regulatory authority that has primary duty to protect policyholders has also duty to protect interest of small investors. At present, the insurance companies submit their reports yearly to the board but do not need to publish that in the newspapers. BS has just started a new regulation of submitting detailed reports assessing that earlier disclosure system was not very good.

Bhattarai M. K. (2008), General Manager of NLIC, while taking with The Kathmandu Post said, “Tax on life insurance receipts must be scrapped”. Here, some questions with his answer are briefly described:

How has life insurance market grown in the country?

Well, the market has grown rapidly over the last eight years. Before we came into operations, only two companies were catering life insurance services to the people. The level of insurance awareness was very low. We sold mere 1,474 policies in the first fiscal year we operated, whereas in the recently concluded fiscal year we sold 40,000 policies. This shows how fast the market is being expanded. Of course, the awareness is still very low compared to what we would like to have. But today I can confidently say if you have a product and ability to sell, people will readily buy it. Also, the number of life insurance companies has increased to nine. They cover all the cities and are present in economically active towns as well.

How healthy is the competition in the market? Life insurance is fairly operated business. Still some unhealthy practices have emerged of late. Few companies are competing by giving extra incentives on top of the regular business commissions to the agents rather than coming up with

attractive products. This has created an environment wherein agents could be manipulated. It has put undue pressure on companies like us that focus on distributing the benefits to clients rather than siphoning earnings on other areas. It will also adversely affect the new companies. As for the business, I think the companies still need not compete with each other, as there is a huge untapped market in the country.

What are the major challenges facing life insurance sector?

I think raising the level of insurance awareness among people is still the foremost challenge facing the companies. People's perception is not much positive towards the business, as it is related with death and posthumous social security. Whatever insurance market companies have tapped far, they have created it through their individual efforts. This has not proved enough. The government, regulators and companies must launch joint campaigns to make people realize the real benefits of life insurance. Apart from that, life insurance companies in Nepal have falling short of innovative product designs and good product mix. Our companies are still to develop a strong corporate image and create an environment of trust to start unit link products linked with various capital instruments like bonds, shares and mutual funds. I think attaining this trust and moving to a higher stage of product development is another major challenge of the industry.

How friendly in the insurance regulator and government policies?

Insurance Board, the regulator authority has become much more mature than in the past. However, the insurance act and regulations are more focused towards non-life insurance businesses. This must be changed. The government regulations and policies must cater more to the needs of the life insurance business. More so because life insurance fills in the social security gap, in which the government has no presence. The

government is presently imposing tax on death claims and final insurance receipts of the clients. This does not match with insurance norms and must be scrapped. The regulator must also think seriously towards widening the investment areas for the companies.

Bhattacharai R. R. (2004) associated with Beema Samiti in his article, wrote insurance regulation and supervision were fundamental requirements for the sound development of insurance activities, and that insurance activities, properly supervised, played an outstanding role in the process of the economic growth of every country. Insurance legislation should always provide the basis for a continuous supervision over the insurance concerns so as to ensure that the legislation was observed in all respects. In developing countries, an additional specific and very important task of insurance supervision through regulation was to provide for measures to establish and strengthen the national insurance market, “sound national insurance and re-insurance market being an essential characteristic of economic growth”. Whatever may be the regulation or supervision practices the essential thing was to have a sound and efficient national insurance market, where fair premiums would be matched by efficient service to the nation. There should be a fair commercial competition. The important part of insurance supervision is to make sure that insurance companies remain solvent and policyholders are fairly treated. This can only be achieved by sound supervisory system. A conservative supervisory system can lead to overlook the necessity on innovation and creativity in any corporate system. At the other extreme, an overly open system will lead to increase in the number of company failures. This there should be a balance between the public aims of ensuring strong financial institutions and public protection on one hand and competitiveness, entrepreneurial spirit and efficiency, on the other.

Bhattarai R. K. (2009) vice-chairman, Nepal Insurer Association & MD, Asian Life Insurance Company Ltd. in his article, suggests concern authority to widen the investment area of collected income to foster the insurance business in Nepal. Currently, IB has limited the investment area of insurance companies. They have to invest their collected fund as per the area selected by the IB. Mr. Bhattarai express that for the rapid economic development of the nation; insurance business helps a lot and for this number of insurance companies should be operate which is possible only after expansion of investment area to attract the private sector. In Nepal around 60 billion premium are collected annually which is very positive sign for the economic development of the country. Lack of proper Act, Regulation, Legislation etc. also highly affecting the development of insurance sector today. Traditional Act is still in use. For the development of new product these Acts should be modify. Human Resource is still lacks in insurance field. There should be adequate man power for insurance business. However, IB is trying to open Insurance Academy to develop proper man power for insurance field. At present most of the companies are focussed in remote areas because most of the people in city area are interest in other benefit more than life. Besides, tax exemption limit on payment of premium should be increase up to Rs. 50,000/- which will increase people insuring their life. Moreover, in Nepal there is a very strict guideline issued by the BS for the investment of life fund by insurance companies. It is crucial to increase investment area to develop life insurance. IB should allow investing life fund beyond the current limit.

2.8.2 Review of Unpublished Thesis

Various experts, authorities and Masters Students have conducted number of researches relating to the insurance business. Among them only few are related to life insurance. In fact there are not sufficient studies concerned with the Life Insurance Products & its market Distribution in Nepal. Nevertheless, researcher tried hard to review the related thesis to some possible extent and illustrate in this part.

Similarly, research conducted by **Adhikari N. D. (2002)**, was also among those few research work in insurance. Adhikari's study is descriptive and analytical too and was intended to cover investment policy of life and non-life insurance business. In his study, Mr. Adhikari analyzed the entire existing insurer'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 detailed study and analysis he concluded that;

- (i) Regarding the product wise investment return, non-life insurance industry got higher return from Government securities and (bank & finance company deposits) than the life insurance 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.
- (ii) Regarding the life insurance industry, major proportion of investment was incepted within the "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".

- (iii) The return from the government securities was highest and the return from the "policy loan" was lowest and "Bank fixed deposit" was more stable than others.

Sharma B. (2003), in his thesis attempted to find out the various financial indicators of these RBS and Nation Life & General Insurance companies. The analysis concerned with financial performance of the company. He found the following major issues in his study. Absolute value of premium collection has been increasing but it is in decreasing trend in respect of GDP.

- (i) Net Premium to claim ratio is gradually decreasing, claim outstanding and premium outstanding are increasing year by year since the overall liquidity position is weakening.
- (ii) Most of the part of investment portfolio are composed of bulk fixed account and HMG securities. Based on the issues he gives various recommendations to the companies out of which main are as follows:
 - (iii) They should make an effective program to take larger share in insurance market.
 - (iv) They should increase their retention capacity.
 - (v) They should accelerate the outstanding premium collection speed.
 - (vi) They should make effective investment portfolio.
 - (vii) They should improve overall liquidity position.

Another study was conducted by **Goyal S. P. (2005)**. Mr. Goyal in his study analyzed only two insurance company's financial performance among various insurance companies. This study was descriptive and analytical too. He analyzes the financial position, liquidity and

profitability condition and market situation of NIC and NLGI in his study. After the detailed study and analysis he concludes that;

- (i) 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 company is not increased as increase in premium collection during the study period.
- (ii) The net profit percentage of NIC found better than NLGI but the liquidity position of both companies is found better.
- (iii) Change in insurance premium collection of NIC ranged about 18.04% to 34.64% whereas the NLGI premium collection ranged about 17.10% to 61.97%. So high fluctuation is found in NLGI. After the study and analysis Mr. Gelal recommends that;
- (iv) Insurance premium collected 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.
- (v) The necessity of training to agent is a must before their appointment in order to attract and well serve the people.

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

A study conducted by **Poudel R. B. (2006)**, found to be slightly related with the study among various topics. Poudel's study was descriptive and diagnostic one and was intended to cover every policy and practical issues relating the insurance business. In his study Poudel has tried to analyze the status of the insurance business. For this purpose he had set

the objectives like assessing the status of the industry, analyzing policy issues, examining 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 used qualitative rather than quantitative analysis. The research was concentrated on analyzing the regulatory provisions and its impact on the practice among the insurers. In the study, Poudel had analyzed provisions relating the formation, working and governance of the insurance companies. As a part of his study he had also provided insight upon the investment of the insurers and the provisions governing the investment. His all over findings and conclusion was that the basic law was not sufficient. The excess power on the hand of the insurance committee was advantageous to some extent but it was much costly in many cases. Hence, this study was descriptive rather than analytical.

A research conducted by **Thapa T. B. (2007)**, on the topic premium collections & investment pattern was based on secondary data as well as primary data from five insurance companies in Nepal. The primary data collection was done by the use of questionnaire. His main objectives were to compare the premium collection and investment patterns of various insurance companies and to examine its trend. It was also concerned with analyzing the management opinion on insurance premium

collection and investment system. In his research, he had identified the cause for earning less net amount tax is mainly due to time consuming procedures in accepting, issuing and dispatching policies and practice of only traditional insurance policies, practice and schemes. He tested hypothesis like significant difference between premium collection, investment, income earned, and claim paid by various insurance

companies. He identified that there is significant difference between premium collection, investment and income earned by insurance companies, where there was no significant difference in claim paid.

He concluded that premium collection rate of Nepalese insurance industry has been fluctuating under all respective policy in each year and differentiation in investment amount with respective investment sector. He also concluded that insurance companies are lacking in mobilizing collected premium in suitable sectors. The rate of premium of insurance policy which is regulated by Beema Samiti is unscientific.

He recommended that the entire insurers should follow the investment policy and improve its management. And should maintain and make uniformity on premium collection under all insurance policies and should try to reduce claim paid amount. He emphasized on the improvement in premium collection and investment system, and reduction in unnecessary process to provide prompt services to the public. He also emphasized on the investment of premium in other sectors rather only concentrating on "Government Bond" and "Bank Fixed Deposit."

2.9 Research Gap

Out of various studies in insurance and its sector, we could hardly find the research works in Life Insurance, its various products and its market distribution too. Besides, although there have been a several research works on the insurance reviewed above, this study is especially concerned with the life insurance product & its market distribution in Nepal. Moreover, while reviewing related subject matter, various researchers have attempted to assess the Financial Performance of a few insurance companies. But this study is different from others in that it deals with the issued products, its benefits, and reason behind its

popularity of all prevailing life insurance companies. Most of the studies are unable to present the research work in products/plans and exact sales figure in terms of premium collection (both New & Renewal) with statistical analysis of total policies issued as well. In this study, various primary data are also been observed to analyze, assess and to decide the various thoughts of people towards life insurance. Hence, this study is a supplement to overcome the weakness & limitation of previous studies.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research means the search for knowledge and methodology refers to various sequential steps that are adopted in the study. Research methodology refers to the various sequential steps to be adopted by a researcher in studying problems with certain objective view. The research methodology methods and techniques make the task of analyzing the data and information collection convenient. This includes personal observation, questionnaire distribution, secondary data collection, primary data collection, annual report, previous study, websites of insurance companies etc. Research methodology depends on the various aspects of research projects. The size of project, the objective of project, impact of project in various aspects of human life etc are the variables that determine the research methodology of the particular projects.

This chapter highlights the methodology, adopted to present the study. This chapter also mentions about the sources and limitations of the data collected for the purpose of the study. Thus, research methodology indicates the methods and processes employed in the entire aspects of the study. Research methodology is the way to solve systematically about the research problem.

3.2 Research Design

A research design is a plan or blue print of investigation for the collection and analysis of data .It helps the researcher in the right direction in order to achieve the goal.

The research is generally descriptive and analytical. Descriptive research is essentially a fact finding approach relative largely to present and abstracting generalizations by cross sectional study of the current situation and analytical research design relates to problem and to find out that solution. The research can also be taken as a development approach as it takes the developmental approach in finding out the solution. The research can also be taken as a development trend of life insurance business in Nepal. This research shows trend of life insurance business in Nepal.

In this study, the annual reports published by the insurance companies and other publications especially published by Beema Samiti (BS), various magazines and newspapers, internet and other related agencies are collected for the diagnostic purpose of the study. This research is aimed at finding out the current situation of life insurance industry in Nepal.

3.3 Nature and Source of Data

Each research has its own data needs and data sources. Data for this study has been collected from direct personal interview & questionnaire as well as from secondary sources.

3.3.1 Secondary Data

Secondary data are those data that has already been generated by others. Sources of secondary data for this study includes insurance policy sales information, annual accounting data internally generated reports which are found within the company, brochures of the companies, newspapers & magazines, web site of the company, insurance data from Beema Samiti and economic survey done by MOF. Sources for this study have been listed below:

- (i) Data and information relating to life insurance business in Nepal from Beema Samiti, Chabahil.
- (ii) Annual report of the 9 life insurance companies, of different years.
- (iii) Websites of the life insurance companies.
- (iv) Economic survey done by Ministry of Finance (MOF).
- (v) Internet articles and previous thesis and project works.

3.3.2 Primary Data

The data for this research work has also been collected from primary sources, i.e. through informal interviews with individuals working in the life insurance industry, i.e. staffs of life insurance companies and that of Beema Samiti. In this study, primary data includes data collected from the questionnaire and interview with the respective personnel in the insurance companies. Similarly in order to know the competitiveness in the market, interviews from the customers; who have insurance policy; is also taken to some extent.

3.4 Data Collection Procedures

Primarily, secondary data were used in preparing this report. Data was obtained directly from respective insurance companies, websites of the respective insurance companies and mostly from BS. The comprehensive data regarding insurance business, like cash flow of all the insurance companies, the premium collection, and policies sold under various policy categories were collected from BS.

Similarly, information was also collected through interview with some of the staffs of the life insurance companies, customers and BS.

3.4.1 Structured Questionnaire

In order to understand the general (prospective & present) peoples/customers view a customer survey has also been conducted. This questionnaire was targeted to people regardless of sex, age, education or any other such demographic criteria, the only requirement was that the respondent had to give their thoughts about life insurance. This questionnaire was designed to collect the general views regarding life insurance situation in Nepal. To gather the primary information small questionnaire survey has been conducted. A sample of 100 people has been taken randomly.

3.5 Data Processing Procedures

For the purpose of this study, the data are collected from different sources as mentioned above. These collected data are tabulated under different heads for the purpose of the study and also statistical tools are used for the analysis of the data. The instructions used in this research are mainly statistical as it shows the charts and bar diagram of the surveyed questionnaire.

3.6 Population Size and Sample

There are 25 Insurance Companies operating in Nepal at present. Population refers to the target group on whom we have conducted our research. Currently there are 9 insurance companies serving Life Insurance business; they are RBS, National LIC, NLIC, LIC- Nepal, ALICO-Nepal, ASIAN Life, PRIME Life, GURANS Life and SURYA Life Insurance Company.

Considering the gradual development of life insurance business here, all 9 companies operating in Nepal have been selected on "Simple Judgmental" basis for secondary data analysis.

3.6.1 Sampling Procedure

Sampling is the process of selecting the sample from the given population. The method of selecting a sample usually depends upon the nature of the investigation. Under different techniques of sampling, judgmental sampling technique has been used in this study. The sample insurance companies for this study particularly for statistical tools are NLIC, LIC and ALICO.

3.7 Methods of Data Presentation and Analysis

As stated earlier, the basic structure of this study is descriptive and analytical as well. In order to make the study more precise, the data are presented in tabular form. Figures and diagrams are used to clarify and verify the data presented. Various statistical tools are used to evaluate the performance of life insurance business. Life insurance business comparison among NLIC, LIC & ALICO are made through statistical tools.

3.8 Statistical Tools Used

The following statistical tools are used to evaluate the working performance of life insurance business in life insurance market in Nepal.

Standard Deviation (S.D.)

The standard deviation measures the absolute dispersion. The main characteristics of standard deviation are that it is based on mean, which gives uniform and dependable results. A standard deviation is the positive square root of average sum of squares of deviations of observations from the arithmetic mean of the distribution. Karl Pearson introduced the concept of standard deviation in 1823 and denoted it by small Greek letter called sigma.

Coefficient of Variation (C.V.)

The standard deviation in the formula gives an absolute measure of dispersion. The C.V. is used for comparing the homogeneity, uniformity, and variability of two or more distributions. Here, where the mean value of the variable is not equal, it is not appropriate to compare two pairs of variables based on standard deviation only. The coefficient of variation measures the relative measures of dispersion, hence capable to compare two variables independently in terms of their variability. Coefficient of variation can be expressed mathematically as,

$$\text{Coefficient of Variation (C.V)} = \frac{\sigma}{\bar{x}}$$

Where, σ = Standard Deviation or Risk the companies

\bar{x} = Average of number of Insured

Average Annual Growth Rate

$$g = \left(\frac{P_t}{P_0} \right)^{\frac{1}{t}} - 1$$

Trend Analysis/Time Series

Economists and business experts have often to deal with variates (quantities) which change in value with time. Variation of such quantities with time can be systematically studied and analyzed by presenting on the Figures. For obtaining knowledge about the nature of variation of a quantity along with time, time series can be used. Hence the time series is used to measure the change of the economical and commercial data like population, sales, productions, exports, and imports over a period of time.

When a series of data pertaining to a series of continuing periods should be studied, its characteristics and its future direction is best estimated by the time series. This analysis is a series of data keeping in mind the various short term and long term fluctuations.

The data of last five years from 2005/06 to 2009/10 has been used in measuring the trend analysis. The least square method to trend analysis has been adopted to measure the trend behaviour of sampled insurance companies. The straight line trend of series of data is represented by the following formula:

$$Y = a + bx \text{ (Regression Equation)}$$

Here 'Y' is used to designate the trend values to distinguish them from the actual 'y' value; 'a' is the 'y' intercept of the computed trend figure of the y variables. It is the minimum value of Y when $x = 0$, and b represents the slope of the trend line. It is the regression coefficient of Y on x or rate of change in Y for the unit change in x.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF DATA

4.1 Introduction

This chapter consists of presentation and analysis of secondary data and primary data related to different variables explained in the third chapter. It also consists of the secondary data, statistical tools that has been used for the analysis of the data. The basic objective of this chapter is to achieve the objectives which are set in the first chapter. In order to achieve these objectives the gathered data are presented, compared and analyzed with the help of different tools. Also, this chapter deals with the analysis and interpretation of the data collected form various sources and research methodology. In the courses of analysis, data gathered from the various sources have been inserted in the tabular or graphical form. Thus, this chapter is the focal part of the study which helps to analyze the life insurance scenario in the Nepal with reference to nine life insurance companies in operation. Hence, secondary & primary data are presented to make the topic meaningful.

A. Secondary Data

B. Primary Data

4.1.1 Presentation and Analysis of Secondary Data

Secondary data sources refer to those for already gathered by others. These data should only to be presented and analyzed. Annual transaction reports of Insurance companies have analyzed in this section to acquaint about life insurance policy, its number sold and market share in terms of policy issue. For these various data are presented in tabular and graphical order. Also, trend lines are shown to make the study statistical.

4.1.1.1 Issue of Total Life Insurance Policy with Classification

In this part, policies are present & analyse with respect to its issue. The sold/issue of polices are also shown with the help of trend line. Besides, top insurance company in terms of policy issue and most sold policies are also present in this part.

The researcher tries to present the data of five years with the classification of insurance policy into four main type's i.e. Endowment, Anticipated Endowment, Juvenile Plan and Miscellaneous Insurance plans. All types of the policies are categorized into four segments as per the nature of the policies. The total numbers of issued policies during five years are present in tabular form under each policy heads so that the researcher and the reviewer themselves can finds, analyse, evaluate and conclude the exact situation of life insurance and its development in Nepal. In fact, the data shows that the development of life insurance sector is very slow in comparison to other financial sectors. We can have a clearer picture of issued insurance policy by the help of the data available and that are presented below:

Table No. 4.1

Issue of Total Life Insurance Policy with Classification

FY	Endowment	Anticipated Endowment	Juvenile Plan	Miscellaneous Plan	Total Policy
2005/06	67,708	32,007	19,012	4,133	122,860
2006/07	59,759	30,202	21,409	4,124	115,494
2007/08	62,374	29,021	20,696	14,505	126,596
2008/09	77,223	29,777	25,799	12,498	145,297
2009/10	165,296	22,727	47,880	234,229	470,132
Total	432,360	143,734	134,796	269,489	980,379

(Source: Beema Samiti)

According to the secondary data presented above, we can assess quite positive figure during the five years. Issue of policies in each of the year seemed to be increasing & decreasing trend. During five years, the most sold life insurance policy is Endowment life insurance. Similarly, Miscellaneous, Anticipated Endowment and Juvenile plan are sold respectively. Most of the life insurance companies have Endowment plan. During 5 years, out of total 432360 numbers of issued Endowment policies; 67780 policies, 59759 policies, 62374 policies, 77223 policies & 165296 policies were sold in the FY 2005/06, 2006/07, 2007/08, 2008/09 & 2009/10 respectively. The establishment of new insurance companies aid to issue much new Endowment policies during the FY 2008/09 & 2009/10. During these years new insurance companies start their business. Likewise, Anticipated Endowment Plan also seems to be a popular plan as per its consistent number of sales during the 5 years of study. Now a day, this sort of plans is taking a good market in Nepalese Insurance market. The prominent feature of getting money back in some regular intervals is one of the best designs of this plan. As an insurance plan, it not only protects the insured but also fulfill the needs of money providing a certain percentage of sums insured during policy period. During 5 years, out of total 143734 numbers of issued Anticipated Endowment policies; 32007 policies, 30202 policies, 29021 policies, 29777 policies & 22727 policies were sold in the FY 2005/06, 2006/07, 2007/08, 2008/09 & 2009/10 respectively. Though the premium rate of this plan is slightly high, people today are more convinced to insured under this plan. Nevertheless, due to lack of awareness and promotional exercises by the concerned people of insurance business limits the sale of this sort of rich products despite a huge potentiality. Hence, if not now, this sort of modern plan will certainly obtain huge market in coming days.

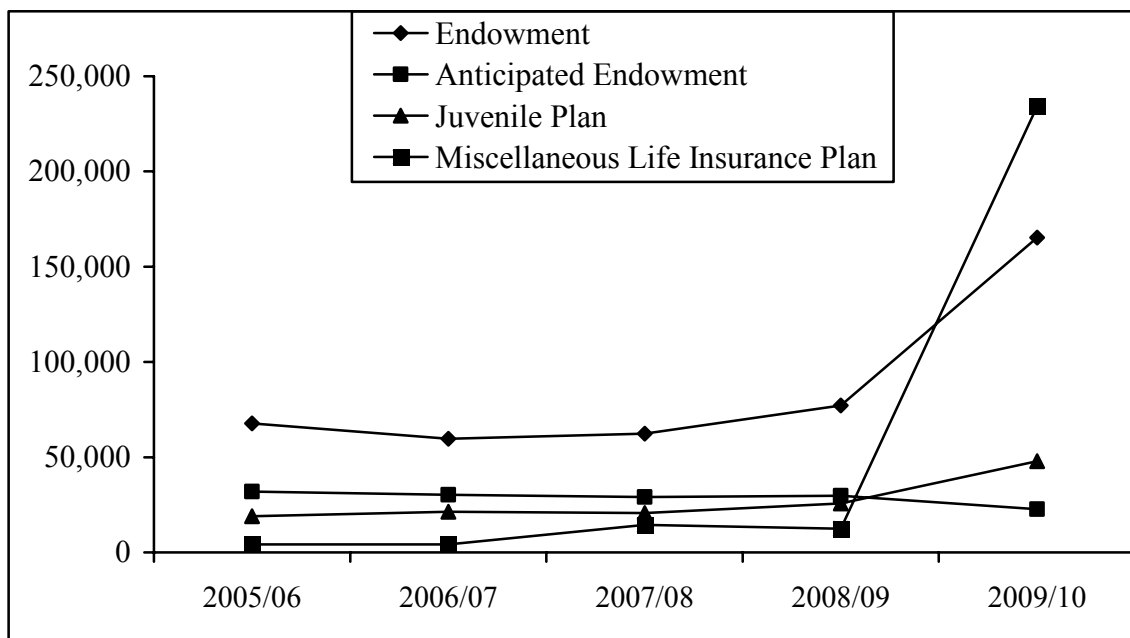
Similarly, issue of Juvenile/Children plans are also increasing in every year which is basically designed for children. With the development of insurance market, this plan is also becoming more popular in Nepal. Most parents purchased this plan for a saving purpose of money need for their children higher education, marriage and others. Sale of Juvenile plan seems continuously increasing as per the above data. During 5 years, out of total 134796 numbers of issued Juvenile policies; 19012 policies, 21409 policies, 20696 policies, 25799 policies & 47880 policies were sold in the FY 2005/06, 2006/07, 2007/08, 2008/09 & 2009/10 respectively.

Mostly, protection plans and non saving plans are categorized under miscellaneous plans. Term life insurance policy, Whole life insurance policy, Group life insurance policy, Expatriate insurance etc. are comes under miscellaneous plan. Insurance companies have not focused much for the sale of these products because people of Nepal hardly insured their life under saving plans rather than protection plans. As per the data, During 5 years, out of total 269489 numbers of issued Miscellaneous policies; 4133 policies, 4124 policies, 14505 policies, 12498 policies & 234229 policies were sold in the FY 2005/06, 2006/07, 2007/08, 2008/09 & 2009/10 respectively. Besides, the FY 2009/10 the sales of these products are very limited. Term life insurance is the cheapest form of life insurance where customers have to pay small amount of premium so now a days its popularity is very high in Nepal. Government policies towards the people going to aboard for foreign employment should have a compulsory insurance maintain this huge number of sales. Otherwise, very nominal numbers of policies were issued during other years. This sort of government policy needs to be regularly imposed to develop the insurance business in Nepal. Hence, the total patterns of sales during 5

years of study are presented in graphical way below to make the study more systematic.

Figure No. 4.1

Trend Line Showing Issue of Total Life Insurance Policy



Source: Table No. 4.1

4.1.1.2 Insured Trend of Life Insurance Business

Despite the early origin of life insurance business, it is still undergoing in a slow pace in Nepalese market. Hence the insured are subsequently low. The following table shows the number of insured or sale of polices of the sample insurance companies: NLIC, LIC and ALICO for the past 5 years.

Table No. 4.2
Insured Trend of Life Insurance Policy

Fiscal Year	NLIC	LIC	ALICO	TOTAL
2005/06	23337	22212	40988	86537
2006/07	21468	23389	45093	89950
2007/08	34780	29218	48325	112323
2008/09	39859	27975	45083	112917
2009/10	74986	52893	39641	167520
Mean	38886	31137	43826	113849
Avg. Annual Growth Rate	34%	24%	-1%	18%
Standard Deviation	19319.29	11195.46	3130.33	28985.79
Coefficient of Variation	49.68%	35.96%	7.14%	25.46%

Source: Appendix I (A,B,C & D)

The above table shows the trend of Insured/Sale of Policies of NLIC, LIC and ALICO. The average insured of different insurance companies: NLIC, LIC, ALICO and Total are 38886, 31137, 43826, and 113849 respectively. In comparison among the three insurance companies ALICO has the highest number of total insured but NLIC & LIC sold much policy in the latest year. Similarly annual growth rate of insurance companies NLIC, LIC, ALICO and Total are 34%, 24%, -1% and 18% respectively. NLIC has the highest growth rate among the three sample insurance companies and despite highest number of insured ALICO has the lowest growth rate but insured persistency of ALICO is high each year.

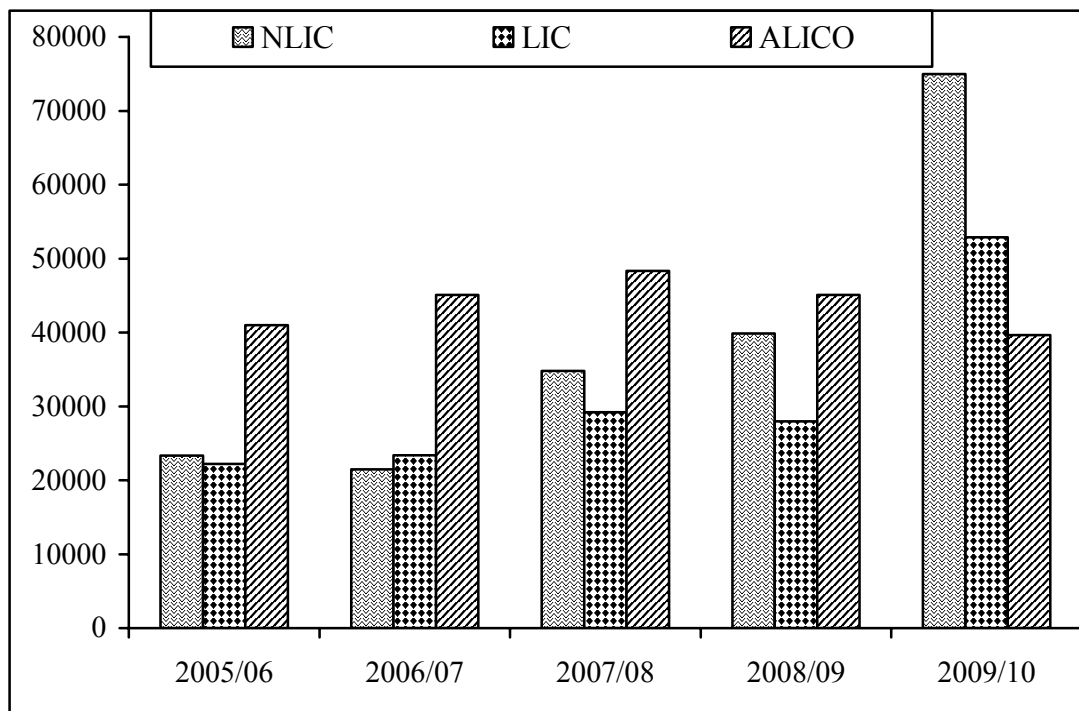
Standard deviation shows the volatility of the insured/sale of policies trend. From above data, the standard deviation of NLIC, LIC, ALICO and Total are 19319.29, 11195.46, 3130.33, and 28985.79 respectively. While

analyzing the volatility of insured trend, NILC has the highest volatility among three samples Insurance Company. The coefficient of variance measures the risk of business, higher the C.V. higher the risk, lower the C.V. lower the risk of business. Form above data, the coefficient of variance of insurance companies NLIC, LIC, ALICO and Total are 49.68%, 35.96%, 7.14% and 25.46% respectively. NLIC has the highest C.V.

It shows that NLIC has higher risk than other IC. Similarly ALICO has lowest C.V. and it shows that it has lower risk. In spite of having the highest number of insured and growth rate, NLIC has the greatest volatility and risk. ALICO has lowest growth rate but relatively lower risk. ALICO has both consistency & persistency in the number of insured which minimize the risk of business.

Figure No. 4.2

Insured Trend of Life Insurance Policy



Source: Table No. 4.2

4.1.1.3 Trend Analysis

For obtaining knowledge about the nature of variation of a quantity along with time, time series is used. When a series of data pertaining to a series of continuing periods should be studied, its characteristics and its future direction is best estimated by the time series. The most commonly used method to describe the trend is the method of least square which helps us know the movement of variables and by using this tool the future value can be predicted. In this analysis for predicting the future value of new number of Policies/Insured for present year 2009/2010, least square method is used and the summarized values are as follows:

Table No. 4.3

Projected Values of Different Life Insurance Companies for FY 2010/11

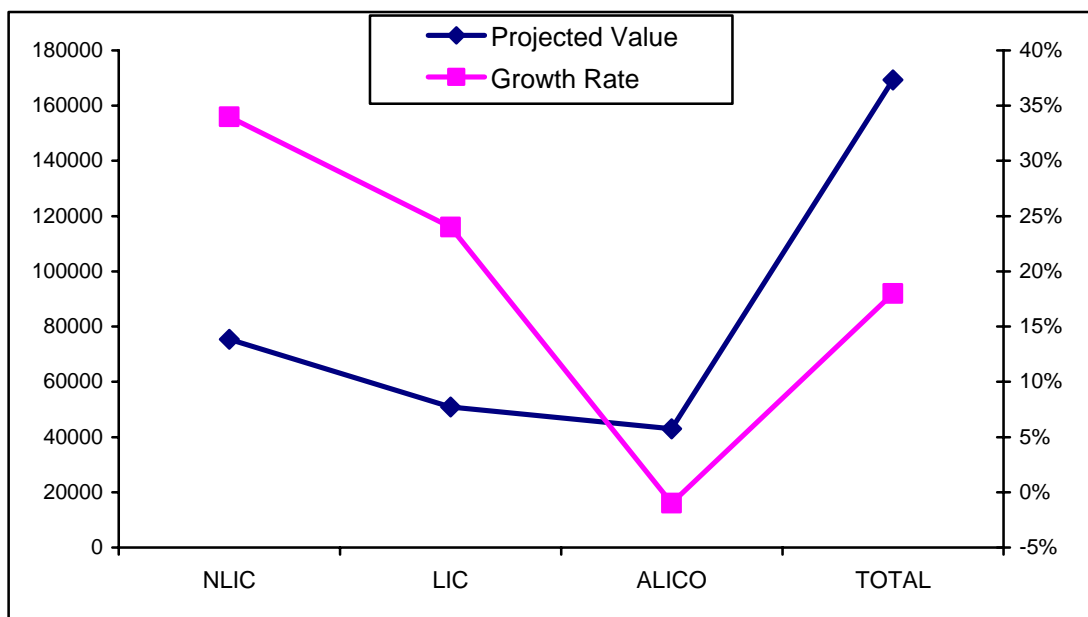
Tools (Least Square)	NLIC	LIC	ALICO	TOTAL
No. of Policies	75393	50922	43015	169329

Source: Appendix II (A, B, C & D)

Above table & below figure show the data for year 2010/2011. According to table, the number of policies of NLIC in 2010 is 75393, LIC is 50922, ALICO 43015 and Total are 169329. The projected values are just a calculation because in country like Nepal; life insurance business is still a perceived underdog business sector. Insurance companies are extremely depends upon marketing. Similarly, the average annual growth rate of NLIC in 34%, LIC in 24%, ALICO in -1% and the average total growth rate is 18%. Projected Values and Average Annual Growth Rate is shown in below trend line.

Figure No. 4.3

Projected Values & Avg. Growth Rate of Life Insurance Companies in FY 2011



Source: Table No. 4.2 & 4.3

4.1.1.4 Total Premium Collections

Premium is the specified amount of money that insurer received in exchange for its promise to provide a policy benefit. Life insurance premium collection has an increasing trend in Nepal but collection is very low despite its huge potentiality. In life insurance, two types of premium are collected i.e. New/First Year premium (FYP) and Renewal premium (RNP). Premiums collected selling new policies is said to be a new/first year premiums and the premiums paid to continue the old/existing policies is said to be renewal premiums.

Table No. 4.4

Total Premium Collections & Renewal of FY 2005/06 to 2009/10

(Rs. in "000")

FY	Total Premium Received				FYP & RNP
	FYP	%	Renewal	%	
2005/06	831638	15.65	2086210	14.66	2917848
2006/07	762674	14.35	2400613	16.86	3163287
2007/08	882757	16.61	2360494	16.58	3243251
2008/09	736682	13.86	3208966	22.54	4045648
2009/10	2100512	39.53	4179680	29.36	6280192
Total	5314263	100	14235963	100	19650226

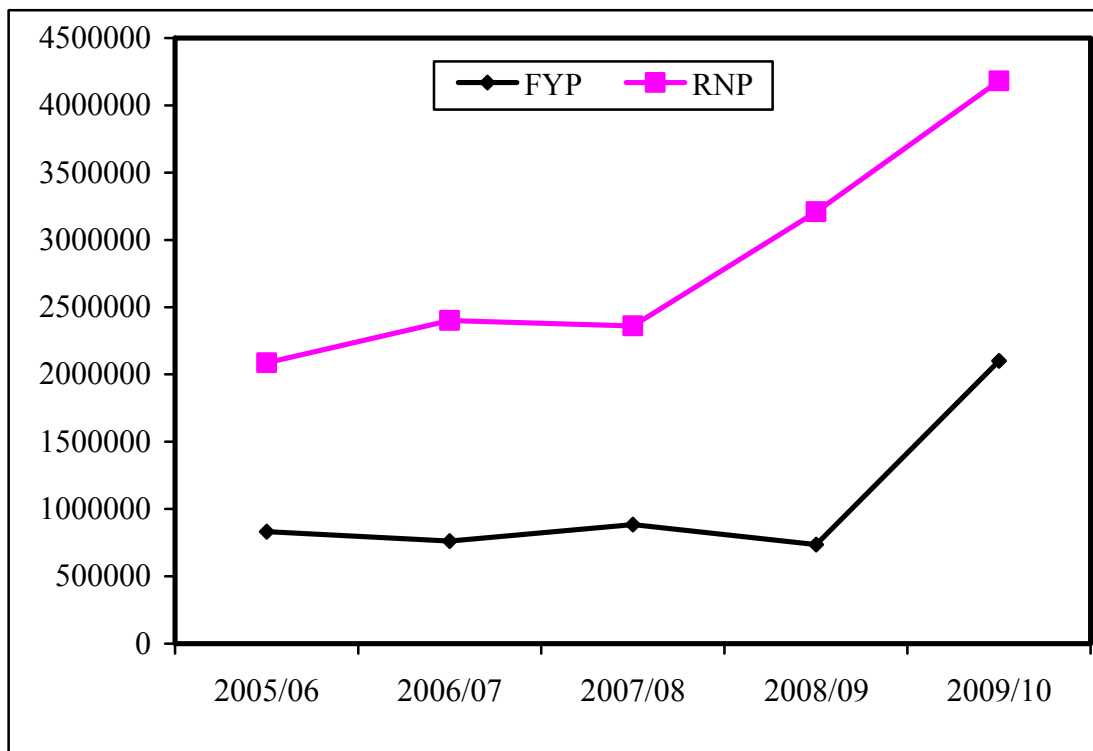
(Source: Beema Samiti)

Above table clearly shows that the life insurance premium collection has been quite consistent and anticipatory. Both FYP & RNP have good persistency rate. Above table show that out of total FYP collections of Rs.5314263 thousands during 5 years; Rs. 831638 thousands, Rs. 762674 thousands, Rs. 882757 thousands, Rs. 836682 thousands and Rs. 2100512 thousands were collected in FY 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10 respectively by various insurance companies. Similarly, out of total RNP collections of Rs. 14235963 thousands during 5 years; Rs.2086210 thousands, Rs. 2400613 thousands, Rs. 2360494 thousands, Rs. 3208966 thousands and Rs. 4179680 thousands were collected in FY 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10 respectively by various insurance companies. As per the study; out of total collections, 39.53% FYP were collected only in FY 2009/10 which is more than double the previous years. This is mostly because of the establishment of new life insurance companies and their promotional activities in the market. Similarly, out of total collections, 22.54% & 29.36% RNP were collected in FY 2008/09 and 2009/10 which are higher than the previous 3 years.

The reasons behind this might be the operation of new companies in the market, continuation of insurance policies by the customers as well as the policy conservation ability of insurance companies. Hence, the total collection undoubtedly helps to develop the insurance industry and a nation as a whole. Graphical presentation below helps us more to understand and assess the premium collections transaction in a systematic pragmatic manner.

Figure No. 4.4

Trend Line showing Total Premium Collections & Renewal
(Rs. in “000”)



Source: Table No. 4.4

4.1.1.5 Analysis of Premium Collections under Various Products

As premium analysis is one of the major parts of the study in this dissertation, the study of premium collections of various products makes the research work both much descriptive and explorative. The table below

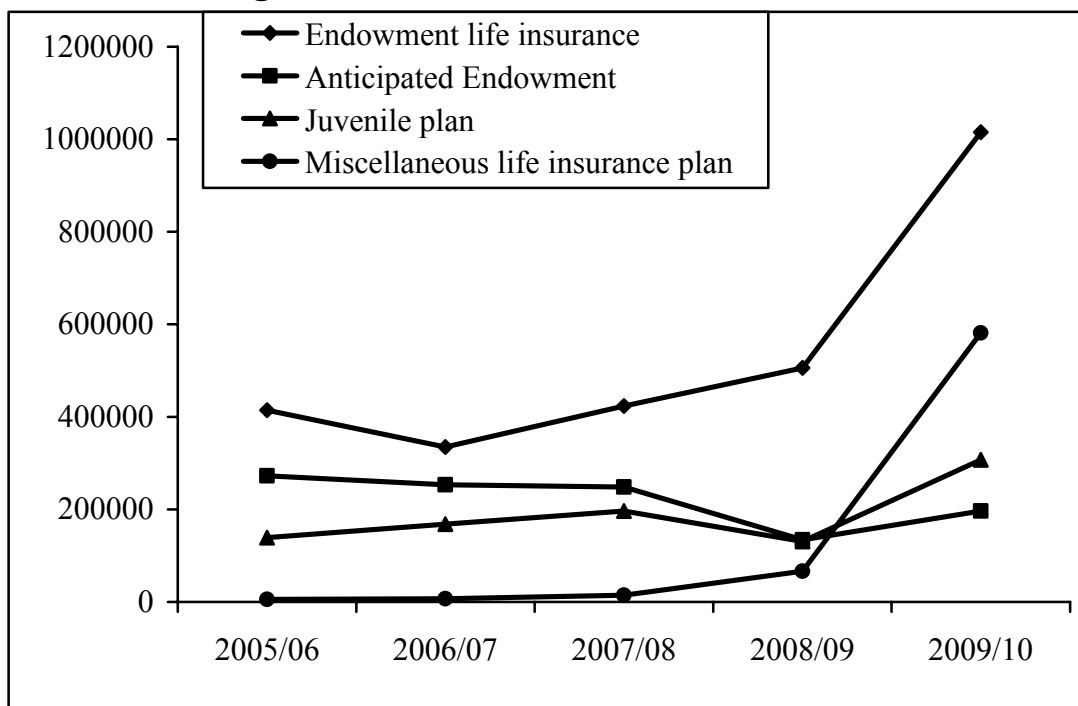
reflect the premium collections transaction of life insurance policy during 5 years of study.

Table No. 4.5
First Year Premium Collections under Various Insurance Policies
(Rs. in "000")

Policy	2005/06	2006/07	2007/08	2008/09	2009/10
Endowment Life Insurance	414826	334633	423799	505667	1015379
Anticipated Endowment	272452	253024	248323	133913	196641
Juvenile Plan	138965	167926	196392	130683	307396
Miscellaneous Life Insurance Plan	5395	7091	14243	66419	581096
Total	831638	762674	882757	836682	2100512

(Source: Beema Samiti)

Figure No. 4.5
Trend Showing FYP Collections under Various Insurance Policies



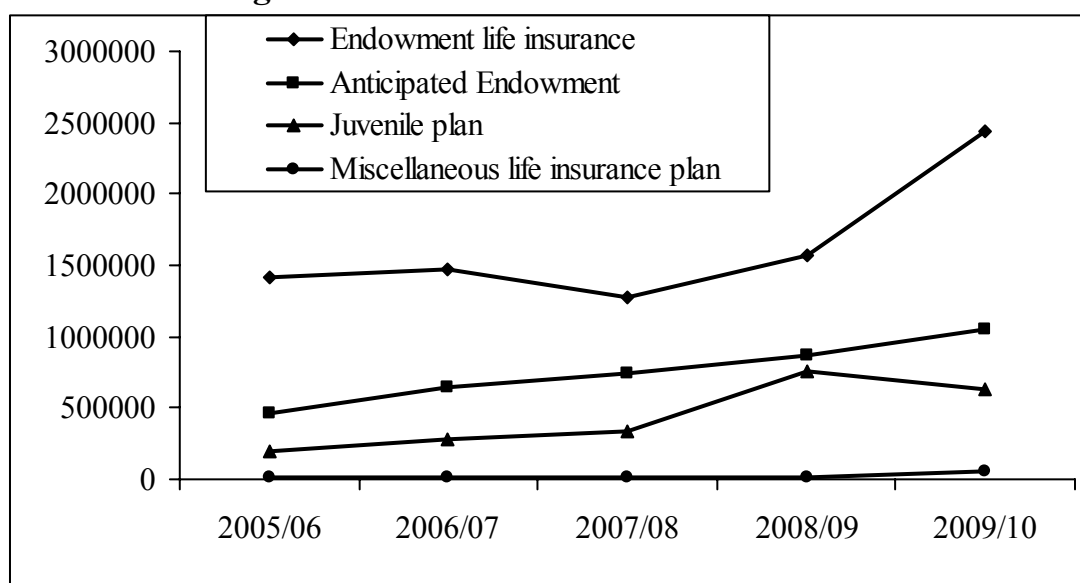
Source: Table No. 4.5

Table No. 4.6
Renewal Premium Collections under Various Insurance Policies
(Rs. in "000")

Policy	2005/06	2006/07	2007/08	2008/09	2009/10
Endowment Life Insurance	1416077	1466400	1275409	1564992	2432677
Anticipated Endowment	459198	647472	742018	875095	1058281
Juvenile Plan	202454	279672	332989	760150	626981
Miscellaneous Life Insurance Plan	8481	7069	10078	8729	61741
Total	2086210	2400613	2360494	3208966	4179680

(Source: Beema Samiti)

Figure No. 4.6
Trend Showing RNP Collections under Various Insurance Policies



Source: Table No. 4.6

Table above reveals the premium collections (FYP & RNP) of various life insurance products during 5 years of study period. Out of 4 major categorized life insurance products, the premium collections (FYP) of Endowment life insurance plan is higher which means the collections is

increased every year. As per the total FYP collections of Rs. 2,694,304 thousands in Endowment life insurance plan during 5 years of study; Rs.414,826 thousands, Rs. 334,633 thousands, Rs. 423,799 thousands, Rs. 505,667 thousands and Rs. 1,015,379 thousands were collected during the FY 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10 respectively. Premium collections are in increasing trend under this plan.

Collected premium under this plan is very good for investment purpose because insurance companies have to repay the policy benefit amount only after certain maturity period. Regular good collections in endowment insurance signify still a most popular plan in Nepal despite its traditional nature. Like wise, while evaluating the Anticipated Endowment plan, out of total FYP collections of Rs. 1,104,353 thousands during 5 years of study data's; Rs. 272,452 thousands, Rs. 253,024 thousands, Rs. 248,323 thousands, Rs. 133,913 thousands and Rs. 196,641 thousands were collected during the FY 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10 respectively. Despite, advance features of anticipated plan its collection is not much sufficient as expected by the companies. This is because lack of products awareness in people about the benefits of various plans. Similarly, out of total FYP collections of Rs. 941,362 thousands during 5 years of data; Rs. 138,965 thousands, Rs.167,926 thousands, Rs. 196,392 thousands, Rs. 130,683 thousands and Rs. 307,396 thousands were collected during the FY 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10 respectively.

Collections of juvenile plan are increasing every year which means people are interested to insured their children's rather than insuring themselves. In the same way, out of total FYP collections of Rs. 674,244 in miscellaneous plan during years; Rs. 5,395 thousands, Rs. 7,091 thousands, Rs. 14,243 thousands, Rs. 66,419 thousands and Rs. 581,096

thousands were collected during the FY 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10 respectively. Due to the protection nature with nominal premium, categorized miscellaneous plans premium collections are well increased every year. Its shows that the insurance companies are focused to increase the sale of miscellaneous plan because in one hand people can be convince to buy low premium products and in other hand insurance company can be benefited once the policy term finishes. Usually non saving plans are of few terms and the liabilities of IC ceases after a few terms. Besides, the FYP, RNP collections shown above during 5 years are in increased tend. All four products RNP collections are raising which is very positive condition for life insurance industry as a whole. RNP collection persistency seems to be very encouraging to all of the life insurance companies in Nepal. Hence, the graphical diagram below makes much clear observation to above tabular presentation.

4.2 Presentation and Analysis of the Primary Data

This segment consists of the presentation of the primary data collected through the questionnaires in the tabulated and graphical notation form with the description. Hence, the collected primary information is presented below in the following way:

4.2.1 Perception towards Life Insurance

Researcher tried to analyze how many people know about life insurance and why they take life insurance policy? Researcher collects about 100 respondent view and present below table.

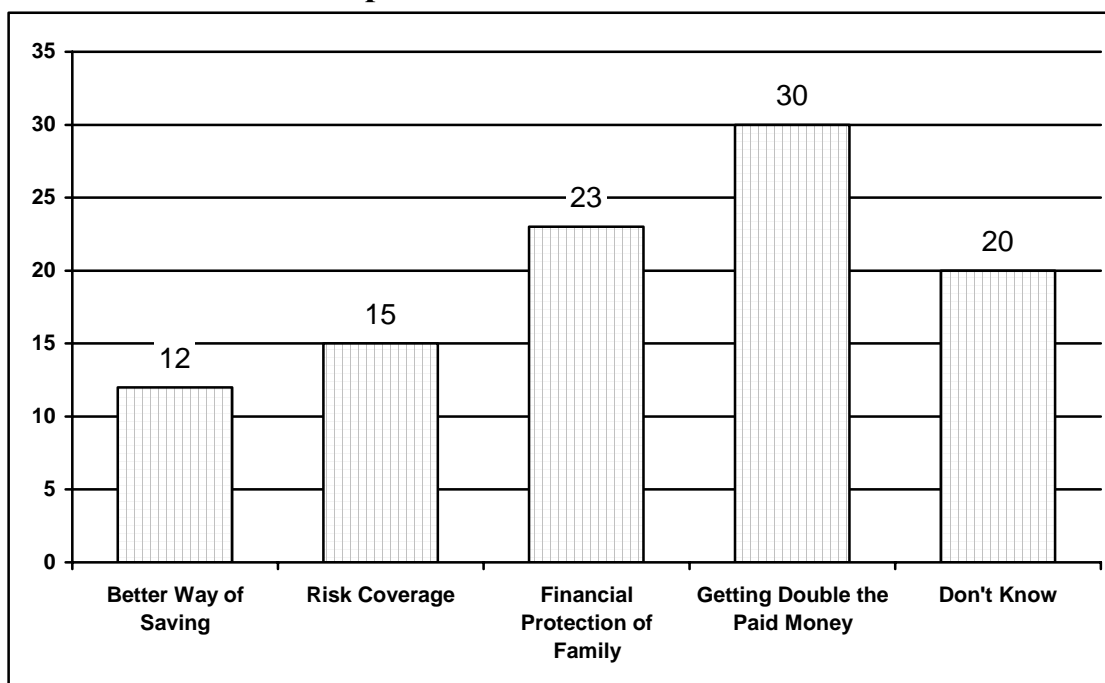
Table No. 4.7
Perception towards Life Insurance

S. N.	Respondent View	No. of Respondent	Percent
1	Better Way of Saving	12	12%
2	Risk Coverage	15	15%
3	Financial Protection of Family	23	23%
4	Getting Double the paid money	30	30%
5	Don't Know	20	20%
Total		100	100%

Source: Field Survey 2010

Above table shows, during research work researcher tried to analyze whether or not people know what insurance is all about? Out of 100 respondents 20% replied they do not know about it, 30% revealed it is for getting double the money paid, 12% said better way to for saving, 23% assumes its for financial protection of family and 15% defined insurance as risk coverage which is shown in below figure.

Figure No. 4.7
Perception towards Life Insurance



Source: Table No. 4.7

4.2.2 Insure of Life Insurance

When researcher asked all respondent do you have taken any Life Insurance Policy? Many respondents say No or some respondent says Yes. Following data presenting in below table.

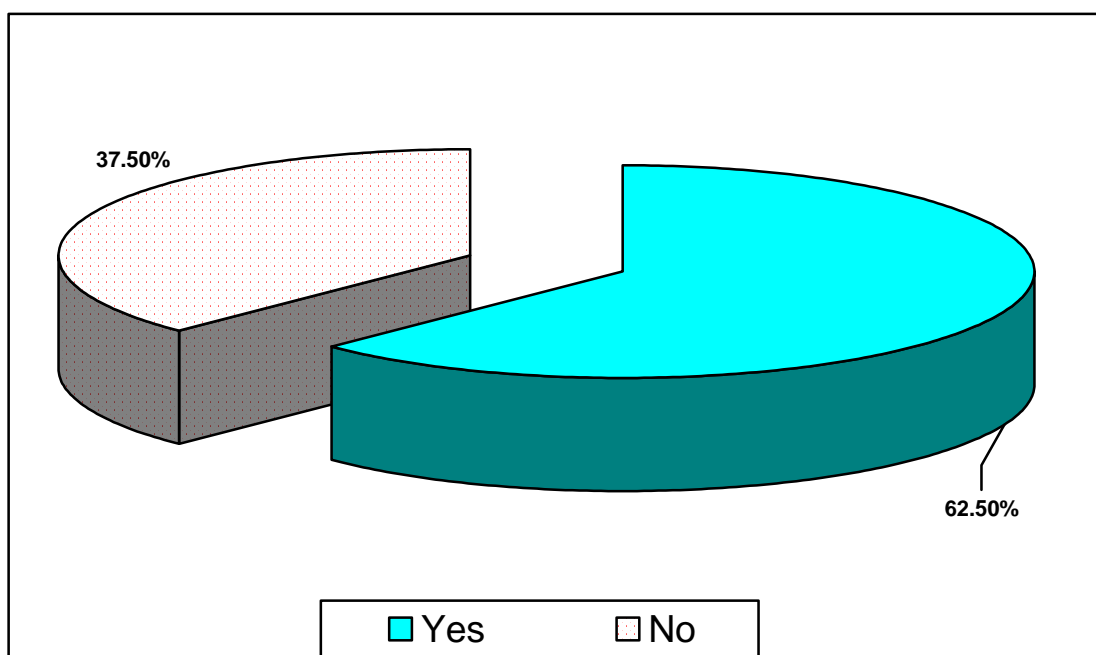
Table No. 4.8
Insure of Life Insurance

S. N.	Respondent View	No. of Respondent	Percent
1	Yes	50	62.5%
2	No	30	37.5%
Total		80	100%

Source: Field Survey 2010

Above table shows, during research work researcher found taken any life insurance policy only 62.5% and not taken respondent are 37.5%. This is shown in figure below.

Figure No. 4.8
Insure of Life Insurance



Source: Table No. 4.8

4.2.3 Favorite Company

Researcher presented these companies which are above questions result "Yes". This result given below table.

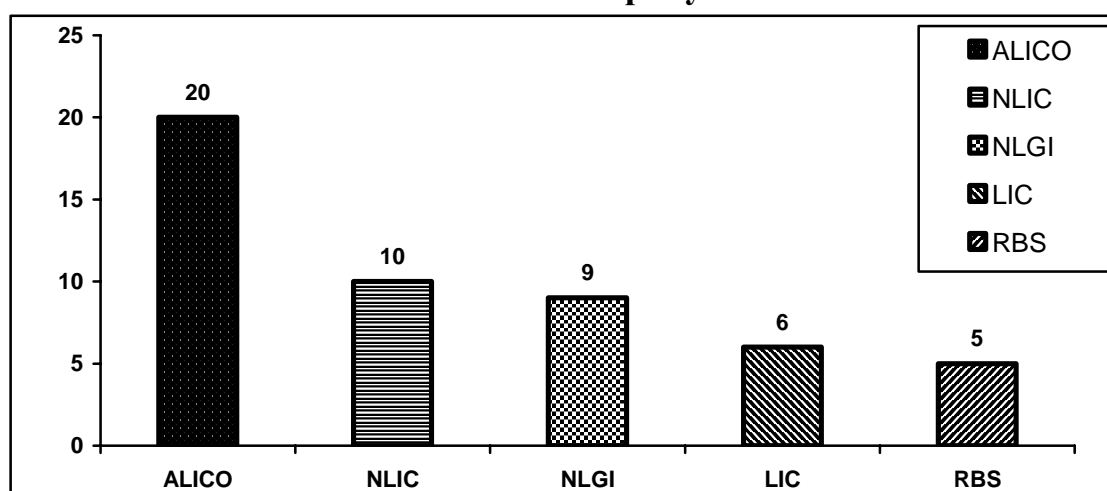
Table No. 4.9
Favorite Company

S. N.	Name of Company	No. of Respondent	Percent
1	ALICO	20	40%
2	NLIC	10	20%
3	NLGI	9	18%
4	LIC	6	12%
5	RBS	5	10%
Total		50	100%

Source: Field Survey 2010

Above table shows out of 50 respondents 20 (40%) American Life Insurance Company (ALICO), 10 (20%) Nepal Life Insurance Company (NLIC), 9 (18%) National Life & General Insurance (NLGI), 6 (12%) Life Insurance Company (LIC) & 5 (10%) Rastriya Beema Sansthan (RBS) are says respectively in his/her favorite company. Following data presenting in below figure.

Figure No. 4.9
Favorite Company



Source: Table No. 4.9

4.2.4 Reason of not taken any Life Insurance Policy

Researcher presented these companies which are above questions result "No". This result given below table.

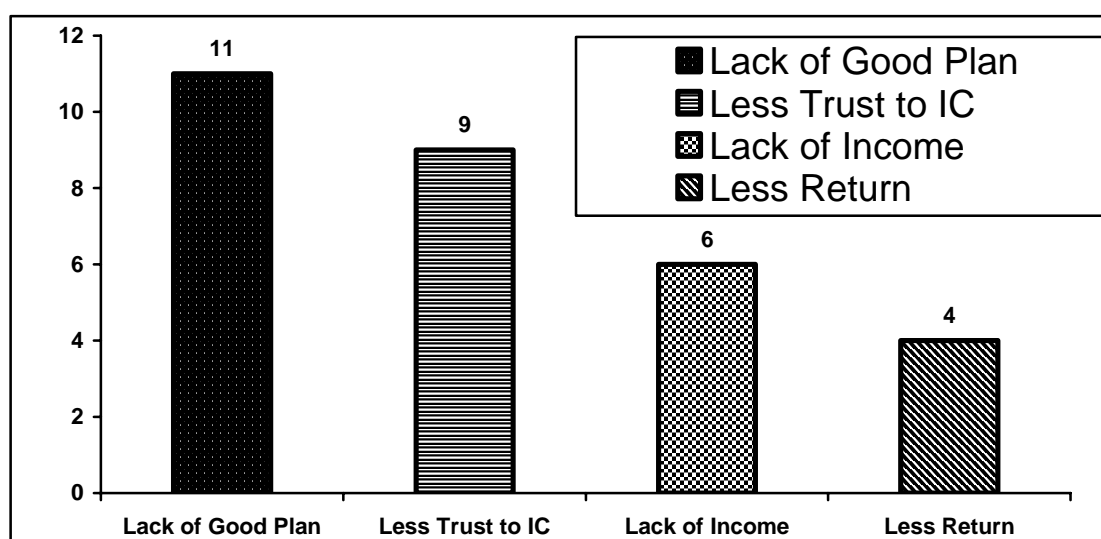
Table No. 4.10
Reason of not Taken any Life Insurance Policy

S. N.	Reason	No. of Respondent	Percent
1	Lack of Good Plan	11	36.67%
2	Less Trust to Insurance Company	9	30.00%
3	Lack of Income	6	20.00%
4	Less Return	4	13.33%
Total		30	100.00%

Source: Field Survey 2010

Above table shows out of 30 respondents 11 (36.67%) Lack of Good Plan, 9 (30.00%) Less trust to Insurance Company, 6 (20.00%) Lack of Income & 4 (13.33%) Less return are says respectively given own opinion for not taken any life insurance policy. Following data presenting in below figure.

Figure No. 4.10
Reason of not Taken any Life Insurance Policy



Source: Table No. 4.10

4.2.5 Reason of Purchase Life Insurance Policy

Researcher tries to find out the reason, why people acquire life insurance? Out of 50 respondent give own opinion is presenting below table.

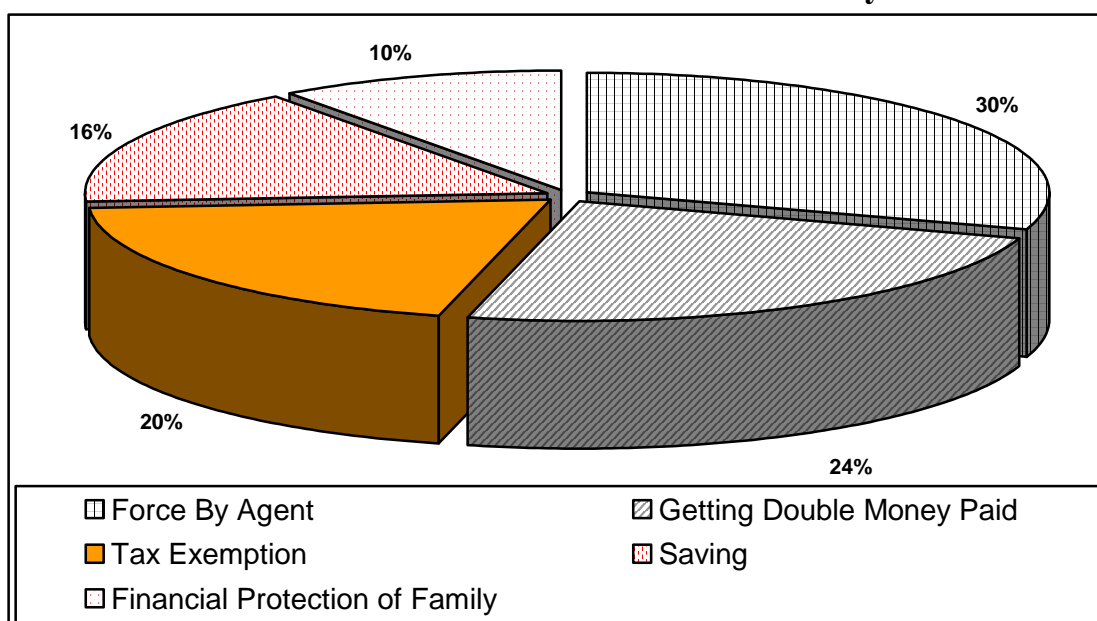
Table No. 4.11
Reason of Purchase Life Insurance Policy

S. N.	Reason	No. of Respondent	Percent
1	Force By Agent	15	30%
2	Getting Double Money Paid	12	24%
3	Tax Exemption	10	20%
4.	Saving	8	16%
4	Financial Protection of Family	5	10%
Total		50	100%

Source: Field Survey 2010

In above table & below figure; Almost 20% (15) acquire life insurance due to force by agent. Similarly, around 24% (12), 20% (10), 16% (8) and 10% (5) purchased it for getting double the money paid, for tax exemption, for saving and for financial protection of family respectively.

Figure No. 4.11
Reason of Purchase Life Insurance Policy



Source: Table No. 4.11

4.2.6 Necessary of Life Insurance Policy

Researcher tried to analyze Life Insurance Policy is necessary or unnecessary of our life. When researcher takes 50 respondent view, which is presenting in below table.

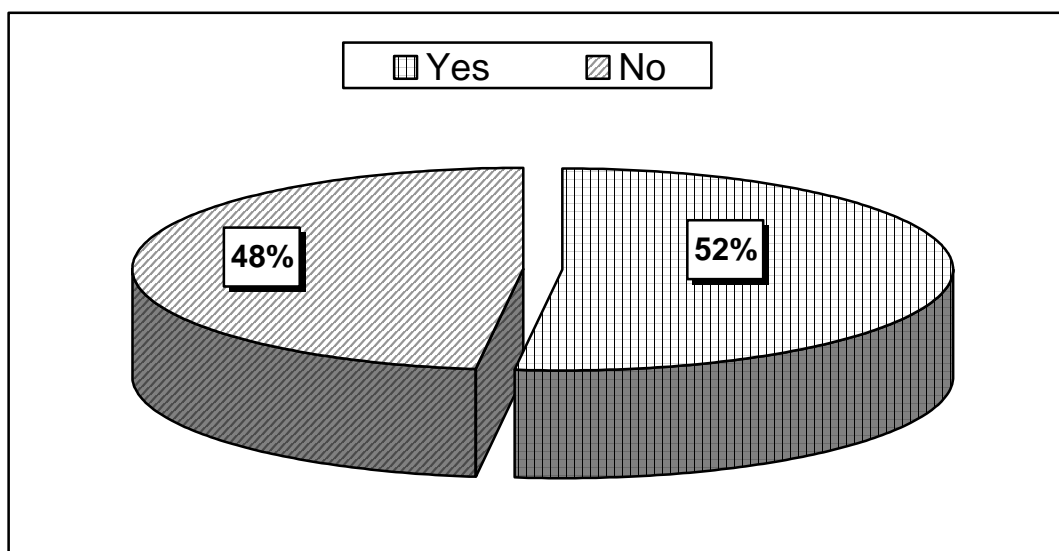
Table No. 4.12
Necessary of Life Insurance Policy

S. N.	Respondent View	No. of Respondent	Percent
1	Yes	26	52%
2	No	24	48%
Total		50	100%

Source: Field Survey 2010

In above table & below figure shows 52% (26) respondent though life insurance policy is necessary of life and 48% (24) respondent think this is not necessary for life.

Figure No. 4.12
Necessary of Life Insurance Policy



Source: Table No. 4.12

4.2.7 Purchasing of Life Insurance Policy

There are more types of life insurance policies but most popular policies are Endowment Plan, Anticipated Endowment Plan, Juvenile Plan and Miscellaneous Plan.

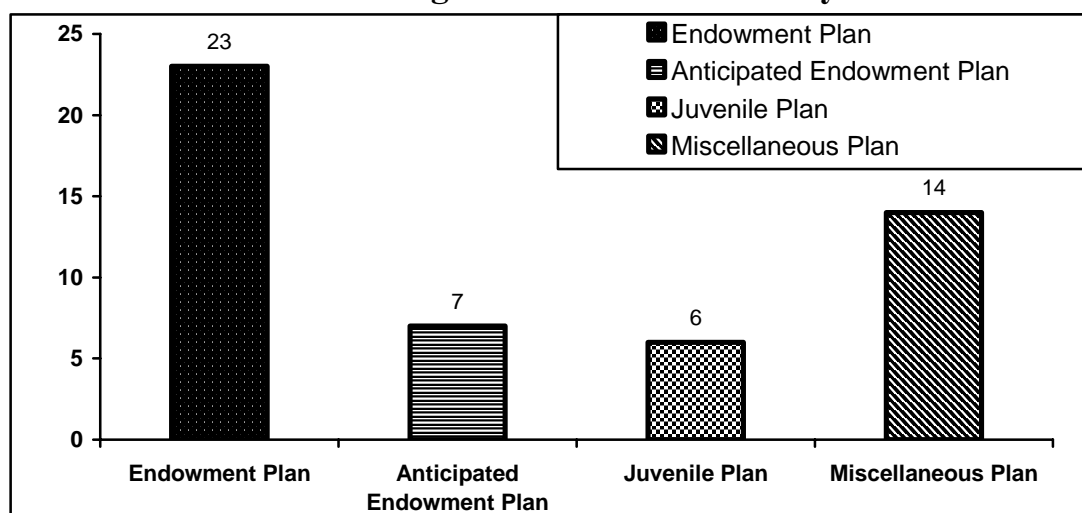
Table No. 4.13
Purchasing of Life Insurance Policy

S. N.	Types of Life Insurance Policy	No. of Respondent	Percent
1	Endowment Plan	23	46%
2	Anticipated Endowment Plan	7	14%
3	Juvenile Plan	6	12%
4	Miscellaneous Plan	14	28%
Total		50	100%

Source: Field Survey 2010

Above table shows there are 23 (46%) respondents purchase endowment plan, 7 (14%) respondents purchase Anticipated Endowment Plan, 6 (12%) respondents are purchase Juvenile Plan and 14 (28%) respondents are purchase Miscellaneous Plan. Following data presenting in Bar Diagram in below.

Figure No. 4.13
Purchasing of Life Insurance Policy



Source: Table No. 4.13

4.2.8 Attraction of Life Insurance Policy

Now a days, in every business competition plays the vital role so life insurance is also a types of business. All Life Insurance provides any profitability plans for attraction all people to taking Life Insurance policy. Researcher tried to analyze which policy or reason respondent are attraction for taking life insurance policy, which result are presenting in below table.

Table No. 4.14

Attraction of Life Insurance Policy

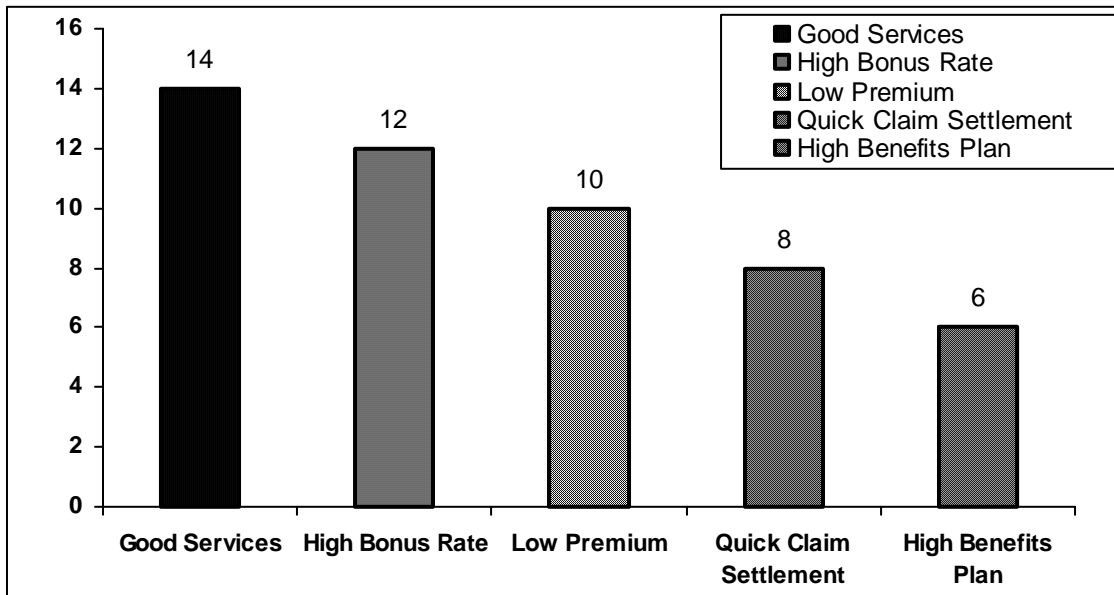
S. N.	Reason of Attraction	No. of Respondent	Percent
1	Good Services	14	28%
2	High Bonus Rate	12	24%
3	Low Premium	10	20%
4	Quick Claim Settlement	8	16%
5	High Benefits Plan	6	12%
Total		50	100%

Source: Field Survey 2010

In above table & below figure; researcher tries to analyze the reason, In which Life Insurance Policy people are attract? And Why? Almost 28% (14) attract life insurance policy for Good Services. Similarly, around 24% (12), 20% (10), 16% (8) and 12% (6) attract in High bonus rate, Low premium, Quick Claim Settlement, and High benefits plan respectively.

Figure No. 4.14

Attraction of Life Insurance Policy



Source: Table No. 4.14

4.2.9 Satisfaction of Bonus Rate

Researcher tries to analyze the responded view, are you satisfied with the bonus rate provided by Life Insurance Company?

Table No. 4.15

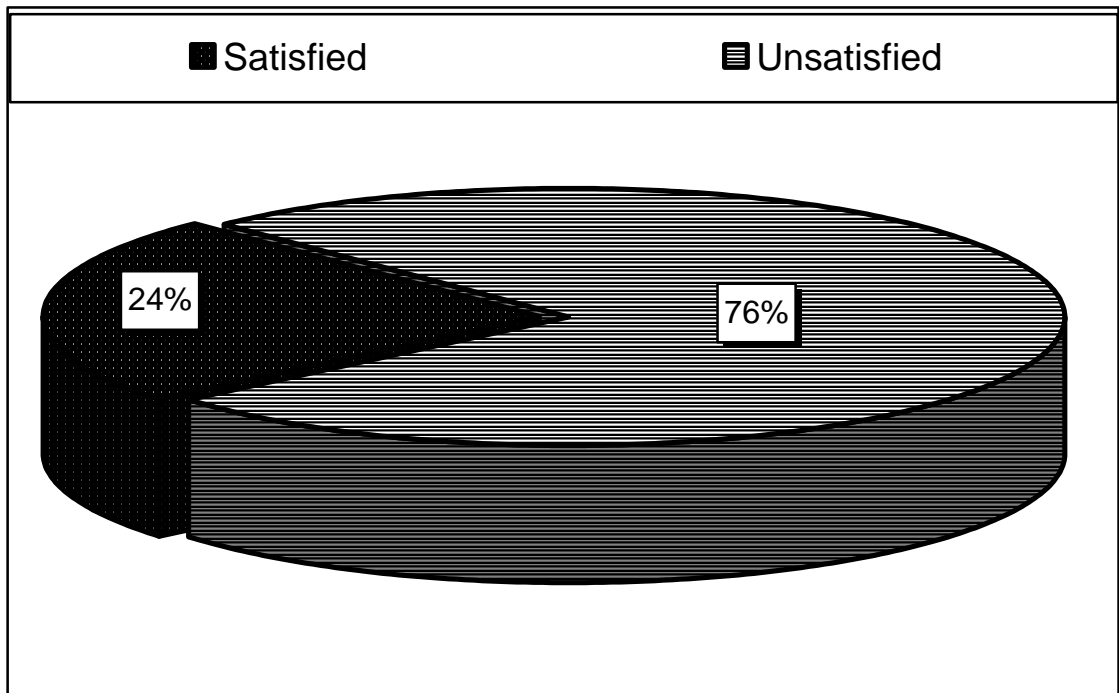
Satisfaction of Bonus Rate

S. N.	Responded View	No. of Respondent	Percent
1	Satisfied	12	24%
2	Unsatisfied	38	76%
Total		50	100%

Source: Field Survey 2010

In above table & below figure; Almost 12 (24%) says satisfied and 38 (76%) says unsatisfied.

Figure No. 4.15
Satisfaction of Bonus Rate



Source: Table No. 4.15

4.2.10 Causes of dissatisfaction problem in Life Insurance

Researcher found unsatisfied respondent found out of 50 respondent 38 (76%) are unsatisfied. The main causes of dissatisfaction problem in Life Insurance Company facing by all people are given below.

Table No. 4.16
Causes of Dissatisfaction Problem in Life Insurance

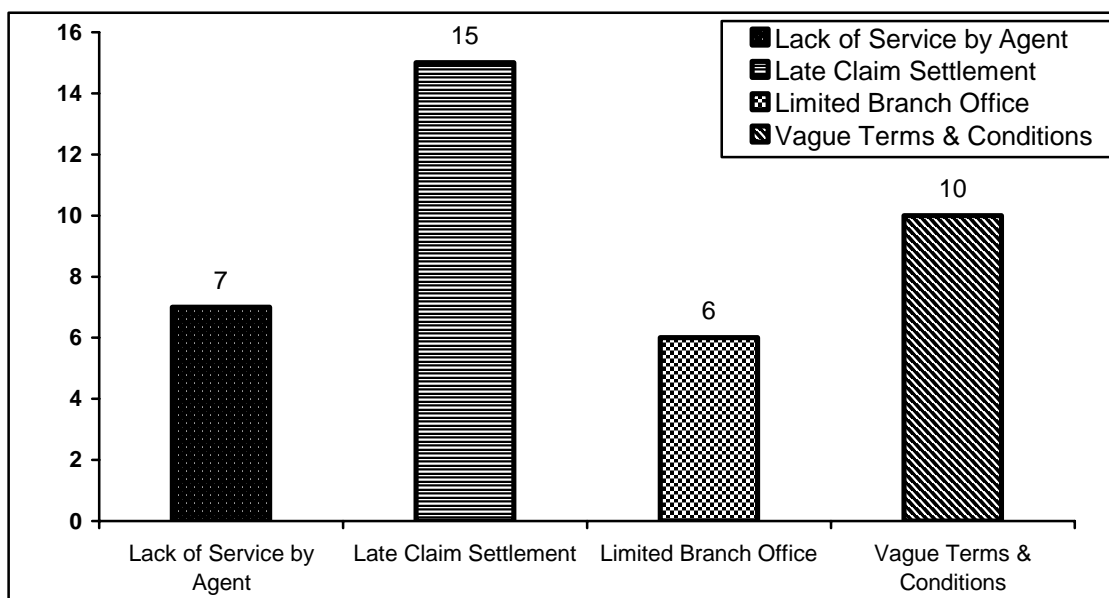
S. N.	Responded View	No. of Respondent	Percent
1	Lack of Service by Agent	7	18.42%
2	Late Claim Settlement	15	39.47%
3	Limited Branch Office	6	15.79%
4	Vague Terms & Conditions	10	26.32%
Total		38	100%

Source: Field Survey 2010

In above table & below figure; researcher tries to analyze the responded view, what are the causes of dissatisfied in Life Insurance Company?

Almost 39.47% (15) says Late Claim Settlement, 10 (26.32%) says Vague Terms & conditions, 7 (18.42%) says Lack of Service by Agent and 6 (15.79%) says Limited Branch Office.

Figure No. 4.16
Causes of Dissatisfaction Problem in Life Insurance



Source: Table No. 4.16

4.2.11 Preference Sector for Saving

Researcher analyze the total respondent who want to saving his income in believable sector but the first priority giving in which sector are presenting in below table.

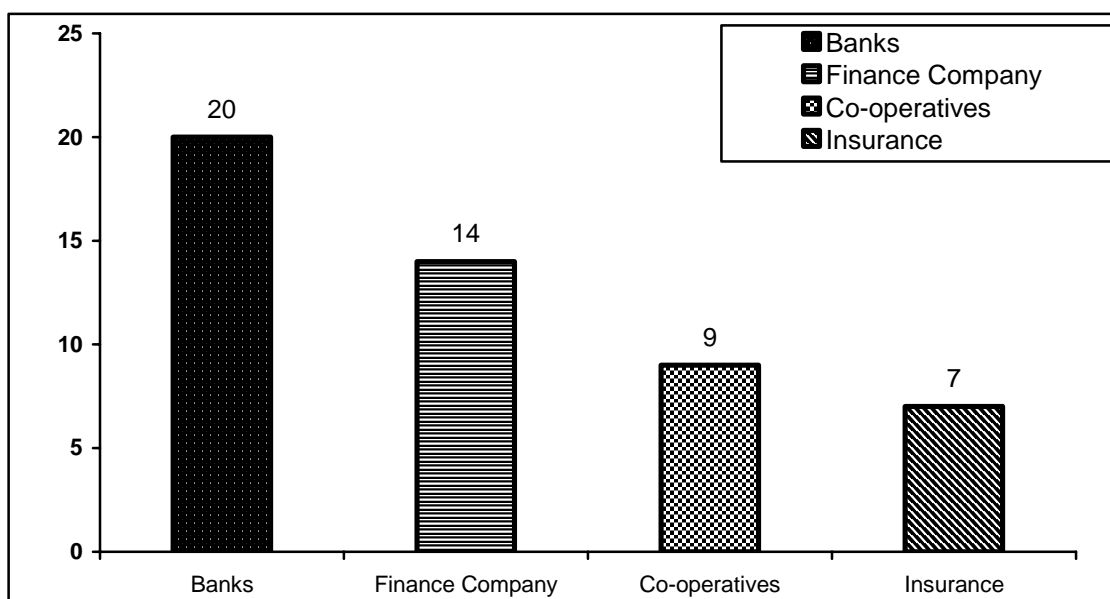
Table No. 4.17
Preference Sector for Saving

S. N.	Saving Sector	No. of Respondent	Percent
1	Banks	20	40%
2	Finance Companies	14	28%
3	Co-operatives	9	18%
4	Insurance	7	14%
Total		50	100%

Source: Field Survey 2010

In above table & below figure; 20 (40%) people want to saving own income in banks, 14 (28%) Finance Company, 9 (18%) Co-operatives and 7 (14%) want to saving own income in Insurance.

Figure No. 4.17
Preference Sector for Saving



Source: Table No. 4.17

4.2.12 Major Party for Development of Life Insurance Sector

Table No. 4.18
Major Party for Development of Life Insurance Sector

S. N.	Major Party	No. of Respondent	Percent
1	Company	13	26%
2	Agents	20	40%
3	Government	6	12%
4	Insurance Board	7	14%
5.	All	4	8%
Total		50	100%

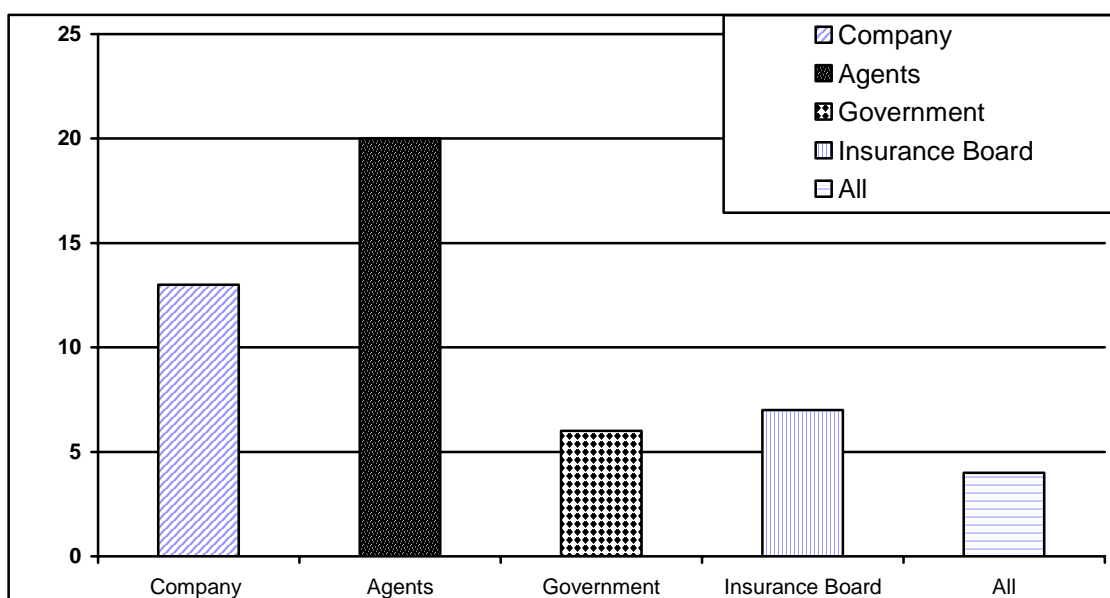
Source: Field Survey 2010

In above table & below figure; the main role of development of Life Insurance sector almost 20 (40%) people think agents are plays main role,

13 (26%) think company, 6 (12%) feel Government, 7 (14%) feel Insurance Board and 4 (8%) think plays the main role above all party.

Figure No. 4.18

Major Party for Development of Life Insurance Sector



Source: Table No. 4.18

4.3 Major Findings of the Study

From the analysis of both primary and secondary data, some of the findings have been drawn. The major findings of the study are as follows:

- Despite a long back inception of life insurance business in Nepal, it still needs immense and collective effort for its abundant growth and development. Hence, as per informal study; out of total population only around 4% to 5% people have taken life insurance plans.
- As old as insurance industry in Nepal, most of the companies have same types of traditional policy. Due to lack of awareness among the people, insurance companies are force to rely on traditional policy to attract the people. Hence, the available policies in

Nepalese insurance industry are all traditional type in comparison to other country.

- As per the study, life insurance business is still in early middle phase in Nepalese market. Hence the insured are subsequently low. Among the three sample insurance companies, ALICO has the highest number of total insured but NLIC & LIC have highest numbers of insured in the latest year than ALICO while LIC has lowest numbers of insured.
- As per the data, NLIC has the greatest volatility and risk among the three sample insurance companies. ALICO has lowest risk. Similarly, NLIC has highest C.V. which means NLIC has higher risk than other insurance companies while ALICO has lowest C.V. which shows that it has lower risk. In spite of having the highest number of insured and growth rate, NLIC has the greatest volatility and risk. ALICO has lowest growth rate but relatively lower risk. ALICO has both consistency & persistency in the number of insured which minimize the risk of business.
- The issue of policies and premium collection (New/Renewal) trend are increasing every year as per the data which shows immense possibility of insurance company in Nepal. Although, the issues & collections trend are increasing, the main challenge of insurance companies is to conserve the policies till the maturity. The renewal premium seemed to be huge as per first year premium.
- As per the study, life insurance business is still in early middle phase in Nepalese market. Hence the insured are subsequently low. Among the three sample insurance companies, ALICO has the highest number of total insured but NLIC & LIC have highest numbers of insured in the latest year than ALICO while LIC has

lowest numbers of insured. Similarly, NLIC has the highest growth rate of insured and ALICO has lowest growth rate of insured among three sample companies. In spite of having highest numbers of insured ALICO has lowest growth rate because insured persistency is very high of ALICO.

- As per the study, Endowment life insurance seems most sold among the various life insurance policy while Anticipated Endowment and Juvenile policies are becoming more popular now a days. Similarly, policy categorized under miscellaneous plans has bright market in coming days.
- During the research work, out of total questionnaire responded, majority do not have life insurance policy while only a minority percentage has life insurance policy. Similarly, the majority percentage has taken life insurance plans from ALICO. So, we can say ALICO is more superior and favorite among life insurance companies.
- As per study, various people gave various reasons for not buying life insurance plans. Among the reasons, majority reveal they are not interested in life insurance due to less return. Majority also said they do not have income to pay premium which means neither people were aware of insurance nor insurance associate and the companies able to make people understand about significance of life insurance. Actually life insurance is not for financial gain it's for financial protection. At least people can insured their life with protection plan which requires nominal premium.
- Level of satisfaction with insurance bonus rate is very low. So, majority reveal bonus rate should be increase.

- Most of the insured faces different problems while insuring their life. Among those encountered problems, most are facing problem of lack of services by agent while some are unclear about terms and conditions of their policy.
- Minority percentage of people gave preference for saving in insurance companies. People are more attracted in banks and finance companies.
- In Nepal, most people seek to get Medical and Health insurance plans from insurance company. But these plans are yet to be fully developed by Life Insurance Company. Similarly, Anticipated Endowment (Money Back) plans are more liked by people as this plan provides certain percentage of sum assured at pre-determined interval before the maturity.
- There are various parties for the development of life insurance industry in Nepal. As life insurance is agent based business, majority said agent's plays crucial role for development of life insurance. While some majority are also focused for only regularity authority of insurance IB for its development. Hence, whether all major parties agent/company/insurance board/ government, all plays significance role for effective development of life insurance business in Nepal.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

It has been more than 50 years since insurance business started in an organized manner in Nepal and more than three decades since life insurance business was started by Nepali Insurance Company for the first time. The life insurance business has improved over the years and due to competition among the companies there have been various product innovations to cater the people so as to increase their market share.

Currently, there are 9 Life Insurance Companies in Nepal. They are Rastriya Beema Sansthan (RBS), National Life Insurance Company, Nepal Life Insurance Company (NLIC), Life Insurance Corporation (Nepal) Ltd.(LIC Nepal), American Life Insurance Company Nepal(ALICO Nepal), Asian Life Insurance Company, Gurans Life Insurance Company, Prime Life Insurance Company and Surya Life Insurance Company. They all are operating under the supervision and control of Beema Samiti (Insurance Board) and under Insurance Act 2049 (with amendment) and Insurance Regulation 2049 (with amendment).

The Insurance Regulation 2049, permits insurers to issue three major divisions of policies in Nepal, i.e. Whole Life, Endowment and Term Life Insurance Policies. Under these three categories there are further sub-categories of life insurance policies. Some of the policies have the same nature & features but have different names as they are registered by different companies. Therefore, Beema Samiti maintains its record by categorizing life insurance policies into four major types, i.e. Endowment, Anticipated Endowment, Children and Other policies. For

simplicity, researcher also presents the report work as per the record maintained by the Beema Samiti.

Despite the fact that Nepal has been hit by continuous political instability and internal conflict, life insurance industry seems to be less affected by it. The life insurance premium collection of the insurance industry has an increasing trend. Even though it has not increased at a rate the insurers would have desired, however it has increased comparatively. The policy sales also have an increasing trend on an average. Establishment of new companies not only brought competition among them but also huge numbers of policies and premium collections were gained in recent years.

Basically, the entire research work has focused on the general scenario of life insurance, its products and market share of insurance companies. Hence, for this study, general available products, market share in terms of policy issues is analyse and evaluate the current status of life insurance industry in Nepal. Besides, to give the research with statistical touch standard deviation, coefficient of variation, correlation tools have been used to examine and to extract abundant information of life insurance business in Nepal. Also, will the life insurance market keep up with good business or not is predicted through time series analysis by using least square method which results to be quite optimistic. Despite early inception of life insurance business in Nepal, the industry has not able to fully penetrate the market. Life insurance business is niche area in finance industry which is still to be managed properly. Hence, its time for discussion to promote and to develop the life insurance sector by understanding the people in the market first and making the people understand what is life insurance all about and how significance it is in their lives. Hence, the development of life insurance business seems to be

very slow, it is area to be quite optimistic and the companies are doing best effort to develop this business in the coming days to come.

5.2 Conclusion

Insurance business is carried out with the objective of offering financial protection to human beings from losses out of control & situation unforeseen. Today the popularity of insurance business is growing day by day, it is considered as a great achievement in the financial world with its purpose of providing the protection to progress discourage fear of possible accident & to encourage progress & development. Insurance business also provides capital for the economic development of the nation. In this way the insurance business plays the integral role in the nation. The growing numbers of insurance companies is competing with each other to attract the people with the different types of policies. In this regards, the insurance companies that we have studied have played a vital role for the socio-economic development of the nation either by providing financial security against risk or collection of capital from scattered resources.

- Even after more than 30 years of formal start of life insurance business in Nepal, the growth of life insurance sector today is less than what it was perceived to be. Further, the established insurance companies and its associates have less achieved to make people felt significance of life insurance in their life. Meantime, it is more commercialized rather than socialized.
- Most of the companies have same types of traditional policy. Due to lack of awareness among the people, insurance companies are force to rely on traditional policy to attract the people.

- Life Insurance business is still in early middle phase in Nepalese market. Hence the insured are subsequently low. Among the three sample insurance companies, ALICO has the highest number of total insured but NLIC & LIC have highest numbers of insured in the latest year than ALICO while LIC has lowest numbers of insured.
- NLIC has the greatest volatility and risk among the three sample insurance companies. ALICO has lowest risk. Similarly, NLIC has higher risk than other insurance companies while ALICO has lower risk. In spite of having the highest number of insured and growth rate, NLIC has the greatest volatility and risk. ALICO has lowest growth rate but relatively lower risk. ALICO has both consistency & persistency in the number of insured which minimize the risk of business.
- Total issued policies and premium collection trend are increasing every year as per the data which shows immense possibility of insurance company in Nepal.
- The issues & collections trend are increasing, the main challenge of insurance companies is to conserve the policies till the maturity.
- Life insurance business is still in early middle phase in Nepalese market. Hence the insured are subsequently low.
- Endowment life insurance seems most sold among the various life insurance policies while Anticipated Endowment and Juvenile policies are becoming more popular. Now, policy categorized under miscellaneous plans has bright market in coming days.
- The majority percentage has taken life insurance plans from ALICO. So, we can say ALICO is more superior and favorite among life insurance companies.

- Various people gave various reasons for not buying life insurance plans. Among the reasons, majority reveal they are not interested in life insurance due to less return. Majority also said they do not have income to pay premium which means neither people were aware of insurance nor insurance associate and the companies able to make people understand about significance of life insurance.

5.3 Recommendations

Today, the life insurance is developing as an inevitable and integral part of the people and the nation. Due to the instability and low interest rate of saving in banking sectors and somewhat feeling of protection in peoples mind are few reasons for the swift development of life insurance in recent years. Though there is no exact figure of insured peoples in Nepal, but as per the informal information of Insurance Board, only 4% to 5% people of total population are insured till last year. Moreover, people are still not aware of basic subject matter of life insurance. Any individual hardly think their death and disability during their life time. Everybody feels to live longer without any contingencies what is exactly the issue of life insurance. A shopkeeper can show the utility of products during the sale of his products but the insurer cannot show the utility of insurance during the sale of his product. That is why the insurance business is still struggling in Nepalese market. The level of insurance awareness is very low. Hence, although inception of life insurance business was pretty far to recollect, it still has lot to do in coming days in Nepalese market. Therefore, as other sector, Insurance industry is not isolated from drawbacks, improvements, suggestions & recommendations.

On the basis of study, following recommendations are suggested.

- Despite a couple of decade since insurance sector liberalization in Nepal, 'consumer awareness', 'consumer education' and 'consumer

protection' are the topics on which a lot is talked but little is done and less achieved. Hence, for the proper development and improvements of life insurance, Beema Samiti, the only Insurance Regulatory Authority of Nepal, should launch the awareness programs about life insurance in coordination with insurance companies.

- The Insurance Act, 2049 and the Insurance Regulation 2049 should be followed by all the life insurance companies strictly to be in compliance and for better market conduct.
- Although the Insurance Act and Regulation are as old as Insurance industry in Nepal, they are not properly followed by the insurance companies so; Beema Samiti should make sure that all the rules and regulations are abided by all the companies. Besides, Beema Samiti should also mention the proper guideline for the agents which should be strictly followed if not then proper action should be taken.
- The Insurance companies should involve in fair competition with each other rather than making false advertisement or spreading false rumours about their competitors and life insurance itself.
- There should be proper coordination between life insurance companies and their respective trade unions. If any problem exists then it should be solved within the organization. As customers are considered as a God, they should not be in trouble due to their internal relationships.
- The insurance companies or their agents should not create misinformation regarding life insurance proceeds that is receivable at death or maturity which in fact is not happening. Most people

think that they will receive double of the money at the end of their life insurance contract which is neither in the hand of agents nor the company.

- Life insurance is a long term contract, which requires the company to make investment over a long term with guaranteed returns. Such avenues are very limited in present day in Nepal which is the major problem for the company right now. The limited specified investment sector by IB should be re think. Hence, the regulatory must think seriously towards widening the investment area for the companies.
- Raising the level of insurance awareness among people is still the foremost challenge facing by the companies. People's perception is not much positive towards the business, as it is related with death and posthumous social security. Whatever insurance companies have obtained, they have created through their individual efforts. This has not proved enough to reap the market easily. Hence, the government, regulators and companies must launch joint campaigns to make people realize the real benefits of life insurance.
- Life insurance companies in Nepal have falling short of innovative product designs and good product mix. Industry is still depends on the traditional products which is insufficient to improvise the development of life insurance business. Hence, for this company should timely research the market to produce the appropriate plan according to the need and desire of the people.
- Researcher attaining the trust among the people is another major challenge of the industry. Good customer service, prompt claim settlement and authentic returns are the main issue to earn the

better market share by the companies. Therefore, they should always try to win the customer value to sustain in the market.

- The agent training organized by the insurance companies before applying for license is insufficient for them to understand thoroughly and for them to do business. To mobilize and to build them strong insurance representative refreshment training with different issues should be organized by the companies which are lacking.
- Reinsurance Company if established can save a large amount of capital flow. Re-insurance is done for to minimize risk or transfer of risk from one company to another. Around 65 to 70 crore rupees paid to foreign reinsurance company annually through Nepal. But IB has not decided yet for establishment though it is inevitable in present stage. So proper steps should be taken by the concerned parties.

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APPENDIX - I

a) Calculation of Standard Deviation and C.V. of Nepal Life Insurance Company (NLIC)

Year	No. of Insured (x)	X - \bar{X}	(X - \bar{X}) ²
2005-2006	23337	-15549	241771401
2006-2007	21468	-17418	303386724
2007-2008	34780	-4106	16859236
2008-2009	39859	973	946729
2009-2010	74986	36100	1303210000
	$\Sigma x=194430$		$\Sigma(x - \bar{X})^2=1866174090$

$$\bar{x} = \frac{\sum x}{n} = \frac{194430}{5} = 38886$$

$$\text{Standard Deviation } (\sigma) = \sqrt{\frac{\sum (x - \bar{x})^2}{n}} = \sqrt{\frac{1866174090}{5}} = 19319.29$$

$$\text{Coefficient of Variation (CV)} = \frac{\sigma}{\bar{x}} = \frac{19319.29}{38886} = 0.4968 = 49.68\%$$

b) Calculation of Standard Deviation and C.V. of Life Insurance Corporation (LIC)

Year	No. of Insured (x)	$X - \bar{X}$	$(X - \bar{X})^2$
2005-2006	22212	-8925.4	7662765.16
2006-2007	23389	-7748.4	60037702.56
2007-2008	29218	-1919.4	3684096.36
2008-2009	27975	-3162.4	10000773.76
2009-2010	52893	21755.6	473306131.4
	$\Sigma x = 155687$		$\Sigma (X - \bar{X})^2 = 626691469.2$

$$\bar{x} = \frac{\sum x}{n} = \frac{155687}{5} = 31137.4$$

$$\text{Standard Deviation } (\sigma) = \sqrt{\frac{\sum (x - \bar{x})^2}{n}} = \sqrt{\frac{626691469.2}{5}} = 11195.46$$

$$\text{Coefficient of Variation (CV)} = \frac{\sigma}{\bar{x}} = \frac{11195.46}{31137.4} = 0.3596 = 35.96\%$$

C) Calculation of Standard Deviation and C.V. of American Life Insurance Co. (ALICO)

Year	No. of Insured (X)	$X - \bar{X}$	$(X - \bar{X})^2$
2005-2006	40988	-2838	8054244
2006-2007	45093	1267	1605289
2007-2008	48325	4499	20241001
2008-2009	45083	1257	1580049
2009-2010	39641	-4185	17514225
	$\Sigma x = 219130$		$\Sigma (X - \bar{X})^2 = 48994808$

$$\bar{x} = \frac{\sum x}{n} = \frac{219130}{5} = 43826$$

$$\text{Standard Deviation } (\sigma) = \sqrt{\frac{\sum (x - \bar{x})^2}{n}} = \sqrt{\frac{48994808}{5}} = 3130.33$$

$$\text{Coefficient of Variation (CV)} = \frac{\sigma}{\bar{x}} = \frac{3130.33}{43826} = 0.0714 = 7.14\%$$

D) Calculation of Standard Deviation and C.V. of Total

Year	No. of Insured (X)	$X - \bar{X}$	$(X - \bar{X})^2$
2005-2006	86537	-27312.4	745967193.8
2006-2007	89950	-23899.4	571181320.4
2007-2008	112323	-1526.4	2329896.96
2008-2009	112917	-932.4	869369.76
2009-2010	167520	53670.6	2880533304
	$\Sigma X = 569247$		$\Sigma (X - \bar{X})^2 = 4200881085$

$$\bar{x} = \frac{\sum x}{n} = \frac{569247}{5} = 113849.4$$

$$\text{Standard Deviation } (\sigma) = \sqrt{\frac{\sum (x - \bar{x})^2}{n}} = \sqrt{\frac{4200881085}{5}} = 28985.79$$

$$\text{Coefficient of Variation (CV)} = \frac{\sigma}{\bar{x}} = \frac{28985.79}{113849.4} = 0.2546 = 25.46\%$$

Appendix - II

A) Calculation of Projected Values of the Policies for NLIC

Year (X)	No. of Policies (Y)	$X = X - 2007$	X^2	XY
2005-06	23337	-2	4	-46674
2006-07	21468	-1	1	-21468
2007-08	34780	0	0	0
2008-09	39859	1	1	39859
2009-10	74986	2	4	149972
	$\Sigma Y = 194430$	$\Sigma X = 0$	$\Sigma X^2 = 10$	$\Sigma XY = 121689$

Since $\sum X = 0$, now $a = \frac{\sum Y}{N} = \frac{194430}{5} = 38886$

And $b = \frac{\sum XY}{\sum X^2} = \frac{121689}{10} = 12168.9$

Substitution the value of a and b in the required line then the equation is

$$Y = a + bx = 38886 + 12169x$$

When $X = 2011$, Then $X = X - 2007 = 3$

$$Y \text{ for } 2011 = 38886 + 12169 \times 3 = 75393$$

Hence the projected value for 2011 of NLIC is 75393.

B) Calculation of Projected Values of the Policies for LIC

Year (X)	No. of Policies (Y)	$X = X - 2007$	X^2	XY
2005-06	22212	-2	4	-44424
2006-07	23389	-1	1	-23389
2007-08	29218	0	0	0
2008-09	27975	1	1	27975
2009-10	52893	2	4	105786
	$\Sigma Y = 155687$	$\Sigma X = 0$	$\Sigma X^2 = 10$	$\Sigma XY = 65948$

Since $\sum X = 0$, now $a = \frac{\sum Y}{N} = \frac{155687}{5} = 31137.4$

And $b = \frac{\sum XY}{\sum X^2} = \frac{65948}{10} = 6594.8$

Substitution the value of a and b in the required line then the equation is

$$Y = a + bx = 31137.4 + 6594.8x$$

When $X = 2011$, Then $X = X - 2007 = 3$

$$Y \text{ for } 2011 = 31137.4 + 6594.8 \times 3 = 50921.8 \text{ or } 50922$$

Hence the projected value for 2011 of LIC is 50922.

C) Calculation of Projected Values of the Policies for ALICO

Year (X)	No. of Policies (Y)	$X = X - 2007$	X^2	XY
2005-06	40988	-2	4	-81976
2006-07	45093	-1	1	-45093
2007-08	48325	0	0	0
2008-09	45083	1	1	45083
2009-10	39641	2	4	79282
	$\Sigma Y = 219130$	$\Sigma X = 0$	$\Sigma X^2 = 10$	$\Sigma XY = -2704$

Since $\sum X = 0$, now $a = \frac{\sum Y}{N} = \frac{219130}{5} = 43826$

And $b = \frac{\sum XY}{\sum X^2} = \frac{-2704}{10} = -270.4$

Substitution the value of a and b in the required line then the equation is

$$Y = a + bx = 43826 + (-270.4)x$$

When $X = 2011$, Then $X = X - 2007 = 3$

$$Y \text{ for } 2011 = 43826 + (-270.4) \times 3 = 43014.8 \text{ or } 43015$$

Hence the projected value for 2011 of ALICO is 43015.

D) Calculation of Projected Values of the Policies for Total

Year (X)	No. of Policies (Y)	$X = X - 2007$	X^2	XY
2005-06	86537	-2	4	-173074
2006-07	89950	-1	1	-89950
2007-08	112323	0	0	0
2008-09	112917	1	1	112917
2009-10	167520	2	4	335040
	$\Sigma Y = 569247$	$\Sigma X = 0$	$\Sigma X^2 = 10$	$\Sigma XY = 184933$

Since $\sum X = 0$, now $a = \frac{\sum Y}{N} = \frac{569247}{5} = 113849.4$

And $b = \frac{\sum XY}{\sum X^2} = \frac{184933}{10} = 18493.3$

Substitution the value of a and b in the required line then the equation is

$$Y = a + bx = 113849.4 + 18493.3x$$

When $X = 2011$, Then $X = X - 2007 = 3$

$$Y \text{ for } 2011 = 113849.4 + 18493.3 \times 3 = 169329.3 \text{ or } 169329$$

Hence the projected value for 2011 of Total is 169329.

