

**INVESTMENT PATTERN OF LIFE INSURANCE BUSINESS IN  
NEPAL**

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## **RECOMMENDATION**

This is to certify that the thesis

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**BUSINESS IN NEPAL**

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## DECLARATION

I hereby declare that the work reported in this thesis entitled “**Investment Pattern of Life Insurance Business in Nepal**” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the degree of Master of Business Studies (MBS) under the supervision of **Lecturer Rita Maskey** of Shanker Dev Campus, T.U.

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## ABBREVIATIONS

A/C	:	Account
CA	:	Current Assets
CE	:	Capital Employed
CL	:	Current Liabilities
Co.	:	Company
CV	:	Coefficient of Variance
DPS	:	Dividend Per Share
F.Y.	:	Fiscal Year
Govt.	:	Government
Ltd.	:	Limited
LTF	:	Long Term Financing
NCW	:	Net Working Capital
NIC	:	Nepal Insurance Company Limited
NLGI	:	National Life and General Insurance Company Limited
NW	:	Net Worth
R.B.S.	:	Rastriya Beema Sansthan
R/I	:	Reinsurance
r:	:	Coefficient of Correlation
ROA	:	Return of Assets
ROCE	:	Return on Capital Employed
ROE	:	Return on Equity
sd	:	Standard Deviation
T.U.	:	Tribhuwan University

# **CHAPTER -I**

## **INTRODUCTION**

### **1.1 Background of the Study**

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

Nepal is one of the least developed countries of the world. More than 80 percent of total population is still in the rural areas and most of them are not yet getting minimum physical facilities that are necessary for human beings because of under development of those areas. The annual per capita income of Nepal is 735\$. It is rated as LDC (Least Developed Country). Its economy is based on traditional agriculture. Agriculture in almost every aspect is the principal occupation for the people of Nepal. More than 85 percent people of the population still directly or indirectly depend upon it for their livelihood. The agriculture plays a dominant role in Nepalese economy is well established. It provides employment to over percent of labour force, contributes more than half of the total gross domestic products and is a major supply of raw materials to the industries.

The population of Nepal is around 2,64,94,504 and growing at the rate of 1.35% annually. The population density is also in increasing trend ([www.cbs.gov.np](http://www.cbs.gov.np)). Risk is every where. Growing industrial sector like Nepal may face more perils and disasters, losses than other developing countries. Therefore, insurance is becoming popular nowadays. To get the indemnity of bearing risk insurance contract is done. In the modern world, it is impossible to side the insurance sector from society. Insurance is of two types. One is life insurance and another is non-life insurance. Both insurance sectors comprise to form whole insurance industry. Insurance companies take insurance premium and they invest them in safe and well earning sectors.

The premium collected by the insured is to be safely used, because in claim that amount is utilized to pay the claim. Therefore the investment becomes very sensitive

matter. If it is mis-utilized, the claim is affected. So, investment policy should be fair and better. Beema Samiti, the regulatory authority of insurance industry has been directing insurance companies as investment directives.

### **1.1.1 Investment Criteria of Insurance Industry in Nepal**

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

Government Securities

Fixed Deposit of Commercial Bank

Fixed Deposit of Development Bank

Fixed Deposit of Finance Company

Miscellaneous

### **1.1.2 Introduction to Insurance Industry, List of Insurance Company**

Nepalese organized insurance has very short history despite of being existence of community insurance since primitive era. Society used to compensate the victim contributing as their capacity of all members of society. From 2004 BS, insurance companies were established in Nepal. In Rana regime, United Insurance, Oriental Insurance and so like Indian companies were insuring Nepalese people and their business. After democracy established in 1950, the concept of Nepalese insurance companies was made by government. In initiation and investment of Nepal Bank Limited, in BS 2004, Nepal insurance company was made by government. In initiation and investment of Nepal Bank Limited, in BS 2004, Nepal insurance company was established. After that Oriental Insurance Company established as a branch office of Oriental Insurance Company of India. Later, in 2024 B.S., Rastriya Beema Samsthan was established which started its life business in 2029 B.S.

The list of existing insurance companies is presented below (Beema Samachar Ra Bichar, 2062 B.S.)

+	Name of Insurance Companies	Establishment Date
1	Nepal Insurance Co. Ltd.	24/09/1947
2	The Oriental Insurance Co. Ltd.	15/09/1967
3	Rastriya Beema Samsthan	15/12/1968
4	National Insurance Co. Ltd.	01/01/1974
5	National Life Insurance Co. Ltd.	07/01/1988
6	Himalayan General Insurance Co. Ltd.	21/07/1993
7	United Insurance Co. (Nepal) Ltd.	22/10/1993
8	Premier Insurance Co. Ltd.	21/04/1994
9	Everest Insurance Co. Ltd.	31/05/1994
10	Neco Insurance Co. Ltd.	30/05/1996
11	Sagarmatha Insurance Co. Ltd.	26/06/1996
12	Alliance Insurance Co. Ltd.	19/07/1996
13	NB Insurance Co. Ltd.	24/01/2001
14	Nepal Life Insurance Co. Ltd.	17/04/2001
15	Life Insurance Corporation Nepal Ltd.	07/08/2001
16	MetLife Insurance Co. Ltd.	02/08/2001
17	Prudential Insurance Co. Ltd.	06/05/2002
18	Shikhar Insurance Co. Ltd.	18/10/2004
19	Lumbini General Insurance Co. Ltd.	15/07/2005
20	NLG Insurance Co. Ltd.	09/10/2005
21	Siddhartha Insurance Co. Ltd.	05/04/2006
22	Asian Life Insurance Co. Ltd.	07/02/2008
23	Surya Life Insurance Co. Ltd.	19/03/2008
24	Gurans Life Insurance Co. Ltd.	31/03/2008
25	Prime Life Insurance Co. Ltd.	06/05/2008

Source: [www.bsib.org.np](http://www.bsib.org.np)

Many business groups are trying to establish new insurance companies and some are in pipeline.

### **1.1.3 Introduction of Sample Companies**

#### **National Life Insurance Company Ltd.**

National Life Insurance Company Limited (formerly known as National life & General Insurance Co.Ltd.) was incorporated in 1988 A.D. under Nepal Company Act 1964 and the insurance Act 1968 of Nepal with prime objective to meet growing insurance requirements of the country. For more than two decades, National Life has built reputation as a company that believes in highest level of customer's service. The company's well known name and good reputation are reinforced by their commitment to deliver value and service to all who do business with them ([www.nationallife.com.np](http://www.nationallife.com.np)).

#### **Life Insurance Corporation Nepal Ltd.**

LIC (Nepal) Ltd. is one of the largest capitalized insurance companies of Nepal. A joint venture between Life Insurance Corporation of India(55%) and Vishal Group of Nepal (25%), the insurance company has public participation to the extent of 20%. Life insurance corporation (Nepal) Ltd. having Registration No: 765-057/58, was incorporated under the Companies Act 2053, on 27.12.2000. It has started Operations since 01.09.2001 ([www.licindia.com](http://www.licindia.com)).

#### **Nepal Life Insurance Company Limited**

Nepal Life, established under the Company Act 2053 and Insurance Act 2049 as a public limited company on 2058/01/21 (04/05/2001). Nepal Life 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 eleven 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 37.5 Crore. As on poush 2067 the company has insured 3,65,562 under conventional policies worth Rs. 3707 Crore and 83,559 Foreign Expatriate policies worth Rs. 4178 Crore. Out of the total premium collected the company has invested Rs. 635 Crore as per guidelines of Bima Samiti. The company has insured itself with well-know reinsurance company "Hannover Re Life Reinsurance Company", Germany for conventional policies and "SCOR Global Life", France for Term Assurance Foreign Expatriate policies ([www.nlic.com.np](http://www.nlic.com.np)).

### **METLIFE Alico**

With office opened on 5 December 2001, MetLife were the first foreign organization to be granted a license to offer life and accident insurance in the country. Which is quite a big responsibility and which, they still do their best to live up to.

Today MetLife have over four hundred thousands (as of August 2012) customers in Nepal, and over a decade, they have become very used to listening to the local community and developing their offering according to peoples needs. MetLife knows that their success depends on the success of the local community. So they have always done their best to nurture talent, as well as work with government and partners to build a strong regulatory framework around the insurance sector so MetLife customers have the very best protection. They believe in diversity and ethnicity and make sure to reach people from all walks of life. MetLife have also learnt that its not just when the economy is thriving that they can make a difference –its also important that they try to do their bit to kelp in times of crisis too.

### **On November 2010 Alico become Part of MetLife**

With over 140 Years of experience , the MetLife Companies are a leading innovator and a recognized leader in protection planning and retirement and saving solutions around the world ([www.metlifealico.com.np](http://www.metlifealico.com.np)).

### **Asian Life Insurance Company Limited**

Asian Life Insurance Company has got operating license as per Insurance Act 2049 from Beema Samiti on 27<sup>th</sup> February, 2008 (Falgun 15, 2064) and started functioning on 3<sup>rd</sup> April, 2008 (Chaitra 21, 2064). After 6 years in Nepalese Life Insurance Business, Asian Life Insurance Company is the first life Insurance Company to receive operating License from Beema Samiti. The Authorized Capital of the Company is Rs. 500 million. Out of which 360 million is currently paid up (70% by the promoter and the remaining 30% by the general public). There are 68 promoters of the company: 6 institutional and the remaining 62 individual promoters. ([www.asianlife.com.np](http://www.asianlife.com.np)).

### **Surya Life Insurance Company Limited**

The Surya Life Insurance Co.Ltd. has been established and registered under Company Act 2063 B.S.(Regd. No. 1006/063-64) and Insurance Act 2049 as a public Limited Co. and was issued a license operate Life Insurance Business on 2064/12/06(19<sup>th</sup> March 08).

The authorized capital of the Company is NRs 50 crore and Issued and Paid up Capital is NRs 36 crore. The promoters have contributed 70% of this, amounting to NRs. 25.20 Crore whereas the other Nepalese Citizens contributed remaining 30% of this capital amounting to NRs. 10.80 Crore ( [www.suryalife.com.np](http://www.suryalife.com.np)).

### **Gurans Life Insurance Company Limited**

Gurans Life Insurance Co .Ltd. has been established and registered under Company Act 2063 B.s.(Regd. No. 1005/063-64) and Insurance Act 2049 as a public Limited Co. and was issued a license operate Life Insurance Business on 2064/12/18. Gurans Life Insurance Co .Ltd. is promoted by a Commercial Bank, T.M Dugar Group along with group of diverse and renowned Businessmen, Industrialist and Legal professionals Gurans Life Insurance Co .Ltd. have total authorized capital of 50 crore. Out of which issued and paid up capital is Rs 36 crores. 30% of the issued capital has been allotted to the public through IPO and 70% has been subscribed by the promoters. Total shareholders of the company are more than 26000. ([www.guranslife.com.np](http://www.guranslife.com.np)).

### **Prime Life Insurance Company Limited**

Prime Life Insurance Co. Ltd. (Prime Life) came into existence in June 2007. Promoted by eminent business groups, Prime Life has carved a niche for itself in the insurance sector and has achieved the following:

Earned net profit of NPR 56.75 million in the first fullyear operation. This is an unprecedented achievement in the Nepalese Life Insurance Industry.

More than 424,642 policies in just 4 years of operation.

Collected premium amounting to NPR 1,576 Million.

Increased its distribution network by opening 85 network points of representations (including Branches and Sales Offices) all over Nepal.

Continues to be among the fastest growing life insurance company with incremental growth in premium, quality of business, customer service and assurance of good returns.

The share holding constitutes of the promoters holding 70 percent and 30 percent is to be offered to general public. The promoters represent Nepal's leading and highly prominent business groups having widely diversified business interests and expertise. Laxmi Bank Limited, one of the leading commercial banks in Nepal, is one of the major promoters with 15 percent stake. We are expecting approval from Securities Exchange Board for Initial Public Offerings (IPO) amounting to NPR 108 million by the end of January 2010. After the completion of IPO, company's capital base will increase to NPR 360 million from existing NPR 252 million ([www.primelifenepal.com.np](http://www.primelifenepal.com.np)).

## **1.2 Focus of the Study**

The study is related on the insurance sector. It is not only the issue of academicians but of the insurers and entrepreneurs. Insurance is highly technical subject. Its valuation of liabilities and its assessment is very difficult. They both depend upon the proper investment of premium collection. Therefore, the study is focused upon the investment policy of insurance companies. Until now, the investment policy, is prepared and directed by insurance board. On the basis of this fact the research is conducted.

## **1.3 Statement of the Problems**

Very little research is performed in insurance sector in Nepal. Investment, which is directed by the regulatory authority, Beema Samiti, is more complex, topic in Nepal. So, the related problem to our issue is traced out difficulty. The major problems presented regarding this topic are as below.

What is the profitability position of the life insurance companies in Nepal?

What is the investment policy of life insurance companies in Nepal?

What is the relationship between the investment portfolios and returns of life insurance companies in Nepal?

Do the investment portfolios meet the compliance of investment guidelines issued by the Beema Samiti?

#### **1.4 Objectives of the Study**

The main objectives of the study are as follows:

To examine the profitability position of life insurance companies in Nepal

To identify investment policy of life insurance companies in Nepal

To analyze the relationship between investment portfolios and returns

To assess the impact of investment policy in the life insurance companies of Nepal

To identify whether the investment portfolio meet or not the compliance of investment guidelines issued by the Beema Samiti

#### **1.5 Limitations of the Study**

Limitations of the study are as follows:

Out of 25, the study has taken only 8 life insurance companies in Nepal as a sample. So, limitations of the small sample are also much common in this study.

This research is not be generalized due to being specific to life insurance sector.

In case of analytical tools, the study has used only average mean and correlation tests to examine the investment portfolio on the returns. The study results could have some limitations due to the limited analytical tools used.

The study also suffers from the limitation of covering only service sector of life insurance sector by ignoring others sub-sectors of service and manufacturing sectors.

This study is based on secondary data .

Only six years period from the fiscal year 2005/06 to 2010/11 are taken in the research.

#### **1.6 Organization of the Study**

Every study should be prepared in a specific format and style. The style and format has been utilized as like senior researcher. This study has been dividend into five major chapters.

#### **Chapter-I: Introduction**

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

## **Chapter-II: Review of Literature**

The second chapter is about literature review, Different related books, journals, previous thesis, articles have been reviewed. Core literature in the subject matter in presented in this chapter.

## **Chapter –III: Research Methodology**

The third chapter is about how research is performed i.e. the methodology of research. Tools of research, data collection procedure and types of data are presented there.

## **Chapter-IV: Data Presentation and Analysis**

The fourth chapter is data presentation and analysis, which is the core part of this study. Available data and information are processed using different tools and techniques for getting results and major findings of the study.

## **Chapter –V: Summary, Conclusion and Recommendations**

The Fifth Chapter is about summary and conclusion drawn. Recommendation is also made for related quarters.

At the end bibliography and Annex also included.

## **CHAPTER- II**

### **REVIEW OF LITERATURE**

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

#### **2.1. Conceptual Framework**

Modern society bears a major character, the inevitable uncertainly surroundings. Due to the uncertainly factor the concept of insurance and its evolution was enforced and these days it is far more strengthening due to very flexible business environment and many Dropped-down stations. Thus, the insurance, as an auxiliary for the modern society is regarded as an essence by the business community as well as by an individual. Before getting into the concept of insurance and its major areas one must be clear enough to understand the risk and risk management which is the pivot point of the concept.

##### **2.1.1 Risk**

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

Risk, as a term, will be the composite of peril. A Peril is the cause of loss. Peril will be the matter that is capable of causing loss to the physical or human condition. Peril may be the form of windstorm, Explosion, Collision, Pre-mature death, Accidents or else: Hazards- The acts or condition that increase the likelihood of a loss are the

hazards. It may be the condition that may create or increase the chance of loss from a given Peril: Loss is an untimely decline in value or disappearance of value. It is the undesirable result of risk. It is the decrease or disappearance of value, usually in an unexpected or at least relatively unpredictable manner. Loss and hazard which are the intimate part of the term risk used under the concept of insurance.

### **2.1.2 Risk Management**

After talking about risk, the risk management concept will also be the essence to understand the concept of insurance. In generic meaning Risk management will be the planning organizing, directing coordinating and controlling of risk. In practice, risk management will be the problem of decision making for either personal or organizational situation. Risk management is a general management function that seeks to identify, assess and address the cause and effect of uncertainty and risk on an organization. The purpose towards its goals and objective (its mission) in the most direct, efficient and effective path (Young, 1195:27).

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

Basic rules of risk management may be:

The size of potential losses must have a reasonable relationship to resources of the loss bearer.

The benefits of assuming the risk must be related to its costs.

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

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

### **2.1.3 Insurance**

It is quite hard to define insurance which satisfy every viewpoint of insurance. Insurance may be defined as a system of combining many loss exposures, with the cost of the losses being shared by all of the participants (Crane, 1980). It may be an economic system of reducing the risk through transfer and pooling of losses. A legal method of transferring risk in a contract of indemnity, a business institution providing many jobs in a free enterprise economy, a social device in which the losses of few are paid by many, or an actuarial system of applied mathematics (Bickelhaupt, 1983). In some generic term insurance is regarded as “cooperative risk carrying”, “transfer of specializing risk carriers”. “Redistribution of actual loss” etc. As a business institution. Insurance has been defined as a plan by which large no of people associate themselves and transfer to the shoulder of all, risk that to an individual's (Magee, 1995). Insurance, as a device for handling risk will include the transfer aspect of risk as well as control aspect of risk in some extent and can be regarded as risk handling device, which deals with risk control. And financing viz. reducing uncertainties appearing due to risk class and providing planned financing technique.

Insurance as a tool of risk management is often misleading concept. “the word insurance sometimes is applied to a fund accumulated to meet certain losses, as well as to a simple transfer of risk. But the accumulated definition of insurance must include either accumulation of a fund or the transfer of risk but not necessarily both (Mehr, 1986). In practice, Insurance involves spreading loss over more than one entity within a preset period. In fact, Insurance distributed the cost of the risk over a large group of individuals subjected to the some risk in order to reimburse the few who actually suffer from the risk (Ackerman, 1951).

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

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

#### **2.1.4 Types of Insurance (Insurance Contract)**

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

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

#### **2.1.5 Life Insurance**

Life insurance as a type of insurance plan conducted by the insurers plan conducted by the insurers is directly related with providing assurance against the economic part

of total human life. Since the earning power of an individual is the greatest assets a person has. It really will be the important part of human life. Life insurance is particularly concerned with that aspect of human life. The insurance or assurance of a person's life is impossible because of the certainty of death of a person once born. Life insurance only provides assurance against the economic aspect of human life. Not the assurances against financial loss in the circumstances like living up to the age of retirement when he will not have potential earnings power protecting insured's beneficiary if the untimely death of the insured took place or protecting the interest of the other parties like insured's creditor who are economically associated with the life of the insured.

Life insurance can be defined as a contract by which the insurer for a certain sum of money or premium proportionate to the age, health and other circumstances of the person, whose life is insured to the person in whose favor such policy is guaranteed (Bickelhaupt, 1983).

Nepal insurance act 2049 (section-2-F) has defined life insurance as the contract of insurance effected on human life on the basis of any contingency dependent on human life in consideration of payment of a fixed installment by the assured. Life insurance as a distinct characterized insurance policy takes different forms in practice. In practice, such forms are explained as term life insurance, Endowment policy whole life policy and annuity.

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

### **2.1.6 Non life Insurance**

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

Under the scope of general insurance every kinds of agreed risk might be included under agreed definition of loss but that must have some common principal (Principal of Indemnity, Principal of Subrogation Principles of insurance interest of contribution principal of probability and principal of good faith etc).

Based upon the principal the insurer and insured may agree to accept every kind of risk and its transfer though the insurance. But divided into five types, physical damage or loss, loss of income and extra expenses resulting from physical damage to property, liability health and surety (Mehar, 1986).

In practice the insurers provide various kind of non- life insurance policies which are based upon these classifications. Among them these are the practical forms.

#### **2.1.6.1 Fire Insurance Policy**

Fire insurance provides indemnity for loss or damage caused by the fire. Basic form of fire insurance offers protection to the insured against the destruction of physical property as a result of fire (Welshans and Melicher, 1980). Typical fire insurance does not cover the direct loss but with each other's consent insurer may provide protection in the modified form of the basic fire insurance policy. The field of fire insurance can be modified or extended to include a number of perils closely allied to fire like windstorm, earthquake, and Riot and strike damage terrorism. Explosion landslide or

else. Such contracts may be written not only to insure against the direct losses but also the indirect losses. Usually, insurer charges the higher premium rate for such modified policies.

#### **2.1.6.2 Marine Insurance Policy**

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

#### **2.1.6.3 Motor Insurance Policy**

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

#### **2.1.6.4 Aviation Insurance Policy**

Aviation insurance is related with the risk occurring due to the perils. Hazards or risks created by the aircraft. The subject matter of this type of insurance will be the Aircraft itself which requires very huge investment. Because of its huge capital outlay.

Individual organization. Operation the airlines business could not be bear the risk associated with the aircraft and the insurance companies practically, from a syndicate to bear the risk associated.

#### **2.1.6.5 Engineering Insurance Policy**

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

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

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

#### **2.1.6.6 Miscellaneous Insurance Policy**

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

### **Personal Accident Insurance Policies**

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

### **Fidelity Guarantee**

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

### **Burglary and Housebreaking Insurance**

This policy is designed to cover the contents of either business premises or private premises, against loss of damages by theft or house breaking under the policy the insurer will remit the loss occurred due to the theft or robbery. It can be written

separately for the variables or comprehensively for entire thing inside the house. However, under this policy the security provision will be very essential and important.

### **Cash in Transit Insurance**

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

### **Household Policy**

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

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

## **2.2 Insurance Companies from the Viewpoint of Their Functioning**

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

### **2.2.1 Insurance Companies as the Provider of Insurance**

The primary function and field of the insurance company will be to provide the insurance against the uncertainties inherent on the society, individual's life or in the business. To perform the function the insurance company may organize themselves differently but their organized type will base upon their own objective, which might be "a) to earn profit or to earn management fee for operating co-operative, b) to enrich its promoter, c) to lower insurance cost for their owners, d) to provide its owners with

a type of insurance protection not otherwise available to them, or e) to sell services (medical, legal, or administrative) on a prepaid basis (Mehar, 1986). Thus according to their motives they may stand as these –stock companies (Stock companies are incorporated business organization organized as profit making venture and owned by shareholders. The states' governing body guides and governs their operation, so they must meet assets and investments requirements), Mutual companies (Mutual companies are the companies owned by its policyholders. The policy holder participate in the operations of the company, at least through voting rights, and shares in the company's financial structure and sometimes failure), Lloyd's (LLOYD's organization, of which LLOYD's London is the prototype, is formed by a number of individuals who agree to accept risks individually for an agreed premium), Reciprocals (Reciprocals are the type of co-operatives insurers. Each policyholder under this form of insurance contract is insured by all of the others. Each insured is also an insurer, as contracts are exchanged on reciprocal basis. It will be, in effect, a joint venture conducted without profit motive) and others (Other many types of insurers are present in practice. Some of them are based upon the co-operative thoughts like saving Banks, Fraternal societies, Health associations etc, which are non-profit oriented, un-incorporated, and Voluntarily setup insurers and some of them may setup as Diversified Financial Service Co. Niche market insurers, or mutual fund co. and investment management firms).

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

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

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

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

### **2.2.2 Insurance Companies as Financial Institutions**

Another important aspect of the insurance industry will be their function of a financial institutions or intermediary. A financial institution is a business enterprise whose assets and thus source of earnings are primarily in the form of claims and equities, rather than buildings and grounds, equipments or inventories of goods (Frazer, N.D.). The assets of such institutions will be in the form of financial assets, rather than in the real (tangible) assets. Financial institutions are, generally, classified into these two broad classes as. “Depository type financial institutions” like Banks, Loan Associations and credit unions and “Contractual saving type financial saving type financial institutions” like insurance Companies. Pension Funds, investment companies as financial intermediaries, insurance companies or insurers are involved into saving- investment process. The insurers as to their function of the financial institutions. Provide industrial finance, government finance, and personal finance, too. But The purpose of insurance companies is not to finance the industry but essentially to invest the saving of policyholders in exchange for a promise to pay to the policyholders and/or beneficiaries a large sum either in the later life or upon death or the happening of a certain events (Sethuraman, 1970).

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

### **2.2.3 Inflow of the Financial Assets of the Insurer**

Insurers are directly involved and are also objected to provide the insurance: - their basic source of inflow will be the premiums they collect. Where in the premium will be the sum of the mathematically expectation of loss for each policyholder plus his share of operating cost (Trescott, 1960). The premium calculation and the rate vary according to the nature of the risk character and the policy type. "For the purpose of calculating a rate it is necessary to analyze it in terms of the items that it is expected to cover, broadly, losses expenses and a margin for surplus (Mowbray and Blanchard). After the inflow of financial assets in the form of the premium the next important one will be the income from the investment such investment income will be the surplus for the insurer for being successful in saving- investment process. However this part of the income will also indirectly include the policyholder's claim too. Then after, the dividends on the policyholder's accounts will be a major source. Such dividends will be left in the hands of the insurer on behalf of the insured or policyholders and will be immediate inflow, though they are payable at the maturity of the policy. Further the capital gain in the transaction of the investment components or the gain in the transaction of the capital items. This includes the physical assets. The paid in (surplus) capital accounts may also be another source of the investment. Further, the annual retained earnings will also be the inflow, which will be the outcome of being operated successfully.

### **2.2.4 Outflow of the Financial Assets of the Insurer**

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

The net of these outlay and inflows will be the net assets of the insurer as their functioning as intermediaries.

## **2.3 Investment and Investment Policies**

### **2.3.1 Investment**

“Investment” as a term is quite confusing and multi- faced. In pure sense the subsequent use of the term investment will be the prevalent financial sense of the placing of money in the hands of others for their use, in return for proper instruments entitling the holders to fixed income payments or the participation in expected profits (Dowrite and Fuller, ). But for manufacturing and trading firms the term investment will be “those long term expenditures that aim at increasing plant capacity of efficiency or at building up goodwill. Thereby producing and increased return over a period. Whereas an economist view “ investment as a productive process by means of which additions are made to capital equipments.

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

Since we are dealing with the insurers whose primary function will be to accept others risk against some benefits in the form of the premium. The investment problem will be the employment of available fund such fund will be the portion of others claims over them and it should be invested with the objective of attaining the gain whether in the shape of income or appreciation in value. The insurance companies handle investment management as secondary function or a supplementary of its major

function. Therefore they need to coincide the insurance business and investment management. Since they trade on the claims of the others their investment management must enhance the benefits from the insurer, which otherwise could not have been possible if they individually involved into saving- investment which is quite reasonable and rational too. “The two reasons can be advanced for presuming that insurer have advantage relative to their policyholders in this type investment one reason is related to the timing....second the consolidation of premium from a large number of policyholders allows insurer to specialize in this type of investment.

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

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

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

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

### **2.3.2 Investment Policy**

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

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

### **2.3.3. Principles of Investment**

While investment policies needed to be formed the investor needs to consider many factors. Usually these are the factors to be considered – planning decisions Security of principal. Stability of income and rate return marketability and liquidity.

Regarding the insurers investment policy selection criteria these will be the factors to be considered or simply we can say these are the basic principles to be followed while investing the investible insurance fund.

#### **2.3.4 Security of Principle**

The primary principle governing the investment policy and the component choice will be the principle of security. Since the insurers primary aim will be to provide the “risk financing assurance.” They need to be prompt in claims payment. Besides, the insurers mostly trade on others claims over them, especially claims of the equity holders and the policyholders. Therefore they should always be concentrating not to let decrease or go- off the value of their claims. Since investible funds are also derived from the claims of the owners or policyholders the security of such assets will be an essence to be successful in “risk financing assurance” as well as in the “collective saving- investment process.” Regarding the insurance business this principle is enforced by the federal of state laws, too “the basic principle for limiting the investment to those with the high margin of safety not only is imposed on the companies by the system of state investment laws described presently, it has long been recognized as a permanent consideration by the insurance companies themselves (Life Insurance Association of America, 1969). To attain the principle of security the investor need to analyze to portfolio matching their funds character and the line of insurance business. To maintain the secure investment holding the insurer need to concentrate on the secured leading which may be against some assets of the borrower or by the legal consideration. In other instances the safety of the investment is assured by the high credit standing of the burrower as evidenced by his ability to meet the interest payments or to provide a continuous flow of dividends to investors. Further, The security of investment depends upon the legal claims of the lenders and value of the underlying security but also upon the burrower’s ability to manage his affairs efficiently and his willingness as well as ability to repay.

#### **2.3.5. Maximized Yield**

After considering the principle of safety, next will be the maximization of the Yield. It means that the funds must be invested in the higher Yielding components. The rate of return must be matched with the rate of return to be proved on the policy reserve on simply the externally achieved return must exceed the return to be allocated

internally. “In considering Yield in relation to company’s operation” it is important to realize that the investment income must provide the addition to policy reserve in accordance with the basic upon which premiums and reserves are calculated and that the effective amount of such income will be partly determined both by the expenses of investment and by capital gains or losses (Maclean, n.d.). The incentive to maximize Yield on the investment portfolio is directly related to the net cost of insurance to the policyholders, since the earning above and beyond the assumed interest rates of policy contracts are a direct factor in the size of policyholder’s dividends (Life Insurance Association of America, 1969). It is assumed that that if the insurer can invest the fund in higher Yielding investment, it will be able increase the net benefits to the policyholders by increasing the dividend rate or decreasing the net cost of insurance but, in fact yield maximizing will not only the matter of investment it is also related with the level of investment expenses and gross yield on a particular components.

### **2.3.6 Diversification**

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

### **2.3.7 Marketability**

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

### **2.3.8 Liquidity**

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

### **2.3.9 Other Factors Affecting the Investment Policies**

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

### **Regulatory Provisions**

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

### **Management Perception**

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

### **Present Composition of the Investment Portfolio**

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

### **Availability and Accessibility of the Investment Components**

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

## **2.4 Investment Policies and the Insurers Operating under Different Insurance Industry**

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

Since life insurance and General insurance differ in their risk assurance character their claim's nature, volume, and nature of their policy holding of each type, the timing of insurance claims relative to payment of premiums etc. both differs with respect to the

investment policy and the choice among the various components of investment. In this study also both are related separately.

#### **2.4.1 Life insurance and investment Policy**

As above mentioned, life insurance companies are specially purpose financial institutions because of their character holdings. A life insurance company is more than a risk bearing institutions. It is a financial receiving, investing, and paying out large sums of money every day of the year (Mehar and Osler, 1949). Among the character/ attributes, one important attribute of the insurance fund is that they are long term nature. The claims against them by the policyholders materializes in a fairly regular pattern over time i.e. usually upon the death of the insured or at the maturity of the endowment policy (Mahat, 1981), Another important aspect of life insurance fund will be that it includes not only the insurance value from the insured but also the saving or security for life time, too. Due to the expectation of the insured or policyholders, the funds must be invested in the sectors, which have quite regular and higher return with lesson risk.

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

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

Regarding the investment of life insurance fund and policy formation the long- term nature of life insurance contracts plays major role. “Life insurance and annuity contracts are typically written on the basis of an insured rate of interest at which earning on policy reserves will be compared over the course of time (Life Insurance Association of America, 1969). This aspect of life insurance lure the investment policy of life insurance companies toward the long term natured components that yields fixed rate of return, regular payment of interest and a specified maturity of the components, which will be sufficient and enough to meet the contractual obligation made to toe policyholders, specially annuity contracts and endowment policyholders. Usually such long- term investment helps to reduce the expenses of reinvestment, voluntary of the interest/returns to meet the principles of safety of investment, maximized yield the life insurance funds can be invested in long-term i.e. semi permanent investment. The life insurance business also desires a significant proportion of the total fund for remittance of the claims like surrender values, policy loans and the claims arrived due to the maturity of the policy. To remit such claims the insurer needs certain portion of the total fund in liquid position, which needs to be in the form of either the cash or bank balance or the near cash components. Such liquidity position can also contribute to gain the speculative profits in some specific situation though the insurer should not enforce for such profits.

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

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

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

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

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

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

maturity of the policy as much as possible to meet the short-term contingency claims the short-term maturity investment will be helpful. Thus, the investment must be divided proportionately among the components.

#### **2.4.2 Non-life Insurance and Investment Policy**

The Non-life or property and Casualty insurers are the kind of institution which are specially purposed to transfer of the property and liability risk of others against some benefit unlike life insurance companies, property and casualty insurance companies do not collect savings, they sell service, and their liability so not represent firms dollar (amount) obligations to policy holders (Dougall and Gaurmintz, 1980).

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

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

Thus, to maintain the successful operation of the business and be prompt in claim payment the insurer need to held major part of their inflows available to pay future losses and expenses. Because accidents, casualties, and disasters are not all that predictable, property and liability insurance companies must have reserve of funds to cover large claims and settlements if and when they occur (Wrightsmann, n.d.). Liquidity is of much greater consequences than it is to a life insurance companies (Dowire and Fuller, n.d.). Since these insurers must be in the position to raise the an emergency funds in case of the maturity of policy very promptly, their investment

policy must be to invest on the components that can be converted without undue delay. Usually these will be the character of this kind of insurance and the investible funds: a) major part of the funds will be in the form of unearned premium collected in advance b) a portion of the fund will be in circulation or flow in the form of premium collection and cash balances c) In coming cash premium will usually be more than enough to pay all current expenses and losses (Clemdem, 1955).

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

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

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

Insurances contributes to society by favorably affecting the appointment of the factors of production, engaging in loss prevention activities, indemnifying losses, serving as a basis of the credit structure, eliminating worry and providing a channel for investible funds. Robbert I. Mehr and Emerson Cammack outlined the insurance as, insurance policies are written by business organizations called "insure". In order to function properly, these insurers must have a large number policy holders, who are obtained either by direct representatives or through agents he again stated 'insurance is a technical business involving the skills of statisticians, Financial analyses; engineers; physicians, economists, lawyers and others contracts must be carefully drafted, underwriting restrictions must be determined, rates must be equitable established, and funds must be prudently invested. Since insurance is affected with the public interest, it is closely regulated.

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

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

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

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

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

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

In its most basic form, the insurance mechanism is simply a process wherein a group of people agree to share the losses that may occur to various members of the group in advance and the fund so created, augmented by interest, is used for the purpose of paying losses and expenses. Further, the conditions surrounding the transfer of risks

from individuals to the group are carefully set forth in great detail in a formal contractual agreement. The organization that brings the group together and manages its affairs is called an insurer, and it is typically a stock or mutual corporation.

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

## **2.5 Review of the Related Studies**

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

### **2.5 .1 Review of Journals and Articles**

**Joshi (1978)** “*Premium collection policy of Insurance*” Seems to be high and recommended to the cooperation for having policy of low premium to increase business and the premium should reviewed carefully. The huge amount of outstanding premium is lying, which shows the corporation’s inefficiency to collect the outstanding premium and recommended to collect immediately for the protection of increasing bad- debt.

**Pant (1995)** “*The flow of funds in Nepal*”, has analyzed the flow of funds of Rastriya Beema Sansthan since 1975 to 1991. He found that the small volume of credit

transaction of Rastriya Beema Sansthan in areas other than government bonds means that it has influence is determining the structure of demand in the economic. The saving that it has managed to mobilize, especially through life insurance is considerable. It has, however, been used to finance government budget deficit or to further increase fixed deposit liability of the commercial banks which is many occasions, has excess liquidity at their disposal. Rastriya Beema Sansthan however, has no alternative either. Present study totally differs from the previous studies, because in this study, researcher has made an attempt to study the investment rationality of Nepal Insurance Company Limited. The previous relevant literature related to Insurance business has just reviewed to support the study. It will be easier to conduct the study in more meaning full way. The researcher tries to assess investment Rationality of NICO.

**Adhikari (2000)** explained that “*A study on investment policies and practices*” was among those few study was descriptive and analytical tool and was intended to cover investment policy of life and non- life insurance’s investment pattern. His study’s objectives were to evaluate the investment policies and to examine the trend and pattern of investment towards different portfolios. After detail study and analysis he concluded that, regarding the portfolio wise investment return, non life insurance industry got higher return from Government securities and ( bank and finance co. Deposits than the life 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.

**Shrestha (2003)** explained on, “*Changing Investment portfolio of Rastriya Beema Sansthan*”, attempted to analyze the investment portfolio holding pattern and its effect to financial performance of R.B.S. He found the dominant part of total volume of investment portfolios in development bonds of Nepal Government/Non -government and a very negligible figure of total investment in share of other companies, due to this fact, the contribution of income from development bond to total incomes from the portfolios in dominant part. The Creation by a sound investment project is very crucial to R.B.S. to minimize return rather than always taking same traditional policy investing in government securities, fixed deposits, certificates and others. But the time has come for the Sansthan to cop with increasing competition to tap profitable

investment opportunities by taking initiating in new industrial ventures for encouraging capital formation in the country.

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

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

### **2.5.2 Review of Unpublished Dissertation**

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

The Main objectives of the study are:

To investing the insurance premium fund in different sector other than Nepal Government bond in order to enhance the life standard of people there by increasing the insurance premium.

To give necessary training to agents before their (agent) appointment in order to attract the people.

To give advised NIC (Nepal Insurance co.ltd.) for minimizing the risk level by reducing debt participation and increasing equity proportion even though it is risk oriented instruction and it is advised to improve its managements in controlling operations expenses.

After the detailed study and analysis he has conduct following findings:

Premium collection of both life and non life insurance shows growing trend of this business in the recent year of the study period. But net claim paid and investment by insurance by company is not increased as increase in premium collection during the study period.

The net profit percentage of NIC found better than NLGI but the liquidity position of both companies are found better.

Current assets turnover ratio of NLGI followed decreasing trend, which is the indication that the efficiency of utilizing current assets deteriorated over the period due to negligence of management in utilizing current assets. The average turnover on current assets of NIC was 24 paisa where as NLGI'S return was 15 paisa which is not satisfactory comparatively NIC'S current assets turnover was found better then NLGI but the dividend per share of NLGI found higher than DPS of NIC during the study period.

Change in insurance premium collection of NIC ranged about 18. 04% to 34. 64% whereas the same of NLGI ranged about 17.10% to 61.97% high fluctuations is found in NLGI than NIC.

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

**Poudyal (1999)** conducted “*Insurance companies in Nepal*” was intended to cover every policy and practical issues relating the insurance business. In his study Poudyal had attempted to analysis the status of the insurance companies.

For this purpose he had set the followings objectives:

Assessing the status of the industry.

Analyzing policy issues.

Examine the liability structure and investment portfolio.

Review major policy issues of the insurers.

To attain the objectives he had used descriptive research design based upon the secondary data only. He had qualitative rather than quantitative analysis. Through out the study the research was concentrated on analyzing the regulatory provisions and its impact on the practice among the insurers. As a part of his study he had also provided insight upon the investment of the insurers and the provisions governing the investment function.

After the study the main findings are as follows:

The basics laws and by- law are/ were not sufficient.

The excess power on the hand of the insurance committee was advantage to some extent but it was much costly in many cases.

The investment was that the regulatory provisions were not welcoming rather they classification between the portfolios on Compulsory and optional caused hindrance to the insurers in their investment management process, but the limited number of allowed portfolios as optional sector causes more hardness.

The insurers from investing in the traditional fields of investment a conducive investment environment need to be created and it can be formed through adding more investment alternatives in Optional fields rather than increasing its share.

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

the views and perception of practicing manager regarding in the investment and its performance had also been ignored in his study.

A research “conducted by **Adhikari (2000)** entitled “*Insurance Industry in Nepal*” A study on Investment policies and practices was among few study was descriptive and analytical tool and was intended to cover investment policy of life and non- life insurance’s investment pattern.

After this he had set the following objectives:

To evaluate the investment polices on different insurance policies

To examine the trend and pattern of investment towards different portfolios.

After detail study and analysis he has found the following findings:

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

Regarding the life insurance industry, major proportion of investment was incepted within the head ‘Government securities’ and ‘Bank fixed deposits’, falling into the classification ‘compulsory’ only a very smaller portion of investment was invested in the sector falling into the classification ‘optional’.

The return from the ‘Government securities’ was highest and the return from the ‘policy loan’ was lowest and ‘Bank fixed deposits’ was more stable than others.

Non life insurance industry and insurer also the major portion of investment was incepted within the heads ‘Governments securities’ and ‘Bank fixed deposits rather than the classification ‘optional’.

**Shrestha (2010)** analyzed that “*An Overview of Life Insurance Products and it's Market Distribution in Nepal*”.

The main objectives of this study are as under:

To observed present situation of the life insurance business in Nepal.

To analyze the area covered by life insurer.

In this research, descriptive statistic, correlation, trend analysis have been used.

Major findings of the research are as under:

Categories of life insurance policies and products.

Feature of life insurance policies and products

Market coverage of life insurance products.

AS per Insurance Regulation, 2049 it permits insurers to issue three majors divisions of polices in Nepal. i.e. whole life, endowment and term life policies. Under three categories there are further sub categories of life insurance policies. Although there are 43 life insurance policies registered in the Beema Samiti by various life insurance companies in the Nepalese market. Therefore, Beema Samiti maintains its records by categorizing life insurance policies into four major types i.e. Endowment, Anticipated Endowment, Children and other polices. Similarly, all products/polices are varied in terms of payment of premium (i.e. single, regular or limited), life covered (i.e. single of joint life policy), participation of profit (i.e. participation or non-participation), and payment of claim (i.e. installment or lump sum payment of claims).

**Pyakurel (2010)** analyzed that “*Working Capital Management of Nepal Life Insurance Company Ltd.*”.

The main objectives of this study are as following:

To find the relationship between operating income and different variable of working capital

To find the turnover position of Nepal Life Insurance Company Ltd.

In this research, descriptive statistic, correlation, trend analysis have been used.

Major findings of the research are as follows:

Profitability cannot be considered as sufficient with compared to the increment in investment in current assets.

The average return on current assets during the study period is 3.34% with 52.89% of variation. It has decreased to 1.62% from 5.1%. Return on net working capital is also decreased to 5% from 128.70%. Return on capital employed is also decreasing trend. So, return on working capital has not provided satisfactory result. The profitability position is also being unsatisfactory.

Nepal Life Insurance Company Ltd. was regular in profit. The relationship between profitability and liquidity ratios shows that increase in liquidity reduce the profitability and decrease in liquidity increase in profitability during the study period i.e. there is negative correlation coefficient liquidity and profitability. That condition exactly meet the proposition 'higher the liquidity, lower the profitability'.

**Dahal (2010)** analyzed that “*The Study on Investment Policy of Nepalese Insurance Industry*”.

The main objectives of this study are as follows:

To examine the profitability position of life insurance companies in Nepal

To identify investment policy of life insurance companies in Nepal.

The major finding of this research are as follows:

The total investment of Nepal Insurance Company Ltd. is in increasing trend.

Fixed deposit on commercial bank has highest position among all investment portfolio

Miscellaneous sector has the lowest position among all investment portfolio.

**Maharjan (2011)** analyzed that “*Role of Competitive Generic Strategies in Profitability of Insurance Industry in Nepal*”.

The main objectives of this study are as follows:

To examine the profitability position of Non-life and life insurance companies in Nepal.

Among 25 insurance companies registered in Beema Samiti (Insurance Board, Nepal), eight insurance companies are sample (16 Non-life ,8 Life and 1 life & Non-life).

In this research, descriptive statistic, correlation, regression have been used.

Major findings of the research are as follows :

Among the sixteen non-life insurance companies ROA and ROE of the oriental insurance are the highest and the lowest to Neco Insurance company.

Among the eight life insurance companies ROA and ROE of MetLife (ALICO) insurance company are the highest and ROA of Nepal life insurance company and ROE of Life insurance corporation (Nepal) Ltd. are the lowest respective

## **2.6. Research Gap**

This topic includes research gap of the study. Several research works have been conducted by many researchers in different ways as well as geographic locations in the context of different strategic and its effects in performance of the firms.

Those research works are somehow different with each other regarding sample selection, statement of problems, main purpose of the studies, application of methodology and statistical tools and other data analysis.

The present study has generated several ideas on various theories and methodology on the basis of review of the past studies.

This research work is concerned with the relation between investment pattern and return analysis of the life insurance industry in Nepal.

On the basis of the review of previous related studies, some research can be different than other.

There was no sufficient investigation of investment pattern and return of the insurance industries in Nepal.

The study is covered life insurance industry, As previous related studies were mostly covered with selected non-life insurance companies.

In this study have been used six years data. Since no previous studies have taken upon it.

Previous studies have not checked the investment portfolio with the compliance of investment guidelines of life insurance companies in Nepal which is issued by Beema Samiti.



## **CHAPTER-III**

### **RESEARCH METHODOLOGY**

This chapter describes the methodology employed in this study. The research methodology is the process of arriving to the solution of the problem through planned and systematic dealing with the collection, analysis and interpretation of fact and figure. It consists of research design, data collection procedure, data processing procedure and techniques of analysis of data.

The study is more analytical. It covers quantitative methodology using statistical tools. The study is mainly based on data gathered from Beema Samiti and different life insurance companies.

#### **3.1. Research Design**

This study is descriptive as well as analytical in nature. It has attempted to cover the impact of investment portfolio on returns. Research design is the plan, structure, and strategy of investigation conceived so as to obtain answers to research questions and to control variance. The main purpose of the research design is to control variance.

#### **3.2. Nature and Sources of Data**

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

#### **3.3. Population and Sample**

A total 25 insurance companies have been registered in Beema Samiti, Nepal Government's Regulatory Authority. Among them, 8 private life type insurance companies have been taken as a sample. The life insurance companies are clustered in two categories – Old Aged (i.e., establishment before 2008) and New Aged (i.e., establishment in 2008 and onward).

**Table 3.1**

**List of Old Aged Life Insurance Companies**

S.N.	Establishment Year	Old Aged Life Insurance Companies
1	1988	National Life insurance Co. Ltd.
2	2001	Nepal Life Insurance Co. Ltd.
3	2001	American Life Insurance Co. Ltd.
4	2001	Life Insurance Corporation (Nepal) Ltd.

Source: Beema Samiti ([www.bsib.org.np](http://www.bsib.org.np))

**Table 3.2**

**List of New Aged Life Insurance Companies**

S.N.	Establishment Year	New Aged Life Insurance Companies
1	2008	Asian Life insurance Co. Ltd.
2	2008	Surya Life Insurance Co. Ltd.
3	2008	Gurans Life Insurance Co. Ltd.
4	2008	Prime Life Insurance Co. Ltd.

Source: Beema Samiti ([www.bsib.org.np](http://www.bsib.org.np))

### 3.4 Research Methods

Being a small and confined research, in spite of available many research tools, few the most suitable ones are selected for this study. It is to be noted that though many tools are in line and could be used the left over are to the subject to the limitation of this study. Some research financial tools which were used in this study are:

#### 3.4.1 Descriptive Statistics

Descriptive statistics is an important statistical tool to compute different values of the cases or variables of a study. It exactly provides different aspects of measurement. In this research, arithmetic mean and standard deviation are used.

#### Arithmetic Mean

$$\bar{X} = \frac{\sum X}{n}$$

Where,  $\bar{X}$  = Arithmetic mean

X = Variables

n = No. of observation

### Standard Deviation

$$s = \frac{\sum (X - \bar{X})^2}{n - 1}$$

$\sigma$  = Standard deviation

$(X - \bar{X})$  = Deviation from mean

### 3.4.2. Correlation Coefficient (r)

Correlation coefficient is calculated in order to find out the relation between the variables in our case, interest rate and portfolio investment. The correlation coefficient between two variable X and Y, usually denoted by  $r_{xy}$  is a numerical measure of linear relationship between them and is defined as:

According to Carl Pearson's coefficient of correlation

$$r_{xy} = \frac{\sum xy}{\sqrt{\sum x^2 \cdot \sum y^2}}$$

Where,

$$x = X - \bar{X}$$

$$y = Y - \bar{Y}$$

$$\bar{X} = \frac{\sum X}{n}$$

$$\bar{Y} = \frac{\sum Y}{n}$$

$\bar{X}$  = Mean of Variable X

$\bar{Y}$  = Mean of Variable Y

n = No. of pairs

If  $r = 0$ , There is no correlation

If  $r = 1$ , correlation is perfectly positive.

If  $r = -1$ , correlation is perfectly negative.

The closer the value of r is to 1 or -1 the higher the relationship between the variable.

### **3.5 Compliance**

Companies are directed to invest in government bond and securities by equal or more than 25% of total investment. Similarly, companies need to invest in fixed deposit of commercial banks by equal or more than 35% of total investment. Fixed deposit of development bank is to be ceded by equal or less than 15% of total investment and so is 10% in fixed deposit of finance companies. Similarly, in miscellaneous group equal or less than 15% can be invested. Investment criteria other than miscellaneous are mandatory. But if insurer will to invest in miscellaneous group, that cannot exceed 15%.

$$\text{Compliance} = \frac{\text{Portfolio wise Investment}}{\text{Total Investment}} \times 100$$

### **3.6 Graph**

Tabulated data and information are presented in the diagram or graphs. The graphs or diagram are as different as nature of data and information. Simple diagrams are used.

## **CHAPTER -IV**

### **DATA PRESENTATION AND ANALYSIS**

This chapter is concentrated on using the mentioned methodology to meet the objectives of the study and set forth a logic and numerical framework to recommend the probable solution to the problems that are inherent within investment aspect of the insurance industry in terms of investment. While flowing through the data classification and analysis, hierarchal orders, according to the spelled; objectives are maintained.

The investment patterns of insurance companies are divided in five parts.

They are:

Governmental Securities

Fixed Deposits on Commercial

Fixed Deposits on Development Bank

Fixed Deposits on Finance Companies and

Miscellaneous

The category miscellaneous is further divided into Corporate Bond, Debenture & Preference Share, Ordinary Share and Others.

All investment patterns are presented in the above-mentioned sequences.

#### **4.1. Investment Pattern of Old Aged Life Insurance Companies**

##### **4.1.1 National Life Insurance Company Ltd.**

The investment pattern of National Life Insurance Co. Ltd. is presented in the tabular form in the Table 4.1. It has invested in five major portfolios. These are government securities, fixed deposit in commercial banks, fixed deposit in development banks, fixed deposit in finance companies and miscellaneous. Miscellaneous sector is further divided into corporate bond, debt, and preference share as a first sub group, ordinary shares as second sub group and others are third group.

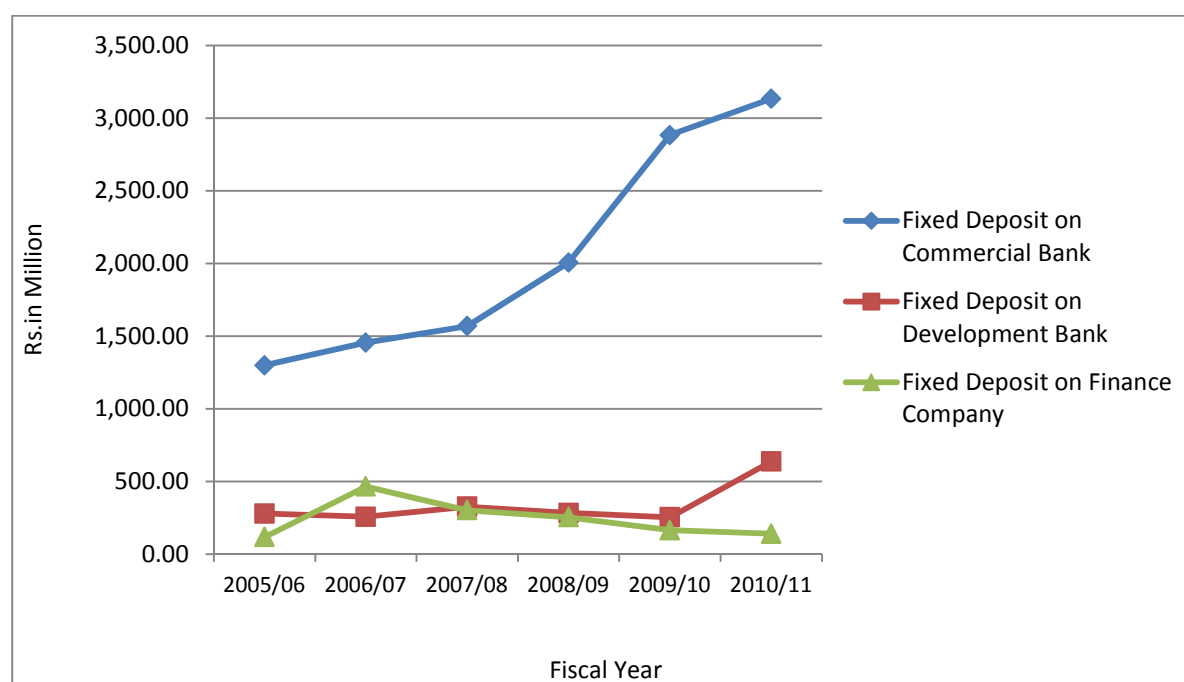
**Table 4.1****National Life Insurance Company Limited Investment Pattern**

(NRs. In million)

Particulars	Fiscal Year						Average	S.D.
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11		
Government Securities	211.30	320.10	320.10	416.90	789.7	1,055.50	518.93	330.25
Fixed Deposit on Commercial Bank	1,299.30	1,455.10	1,569.00	2,006.00	2882.4	3,132.92	2,057.45	776.66
Fixed Deposit on Development Bank	279.60	257.80	327.30	284.10	254.00	637.16	339.99	147.91
Fixed Deposit on Finance Company	118.30	466.00	302.50	254.60	165.10	141.17	241.28	130.67
Miscellaneous	685.00	300.80	457.50	594.90	897.50	616.59	592.05	202.72
(a) Corporate Bond, Deb. and Pref. Share	67.50	67.50	187.50	192.00	192.00	223.98	155.08	69.09
(b) Ordinary Share	90.60	131.00	150.20	184.20	355.10	355.11	211.04	115.62
(c) Others	526.90	102.30	119.80	218.70	350.40	37.50	225.93	183.40
<b>Total</b>	<b>2,593.50</b>	<b>2,799.80</b>	<b>2,976.40</b>	<b>3,556.50</b>	<b>4,988.70</b>	<b>5,583.34</b>	<b>3,749.71</b>	<b>1,588.22</b>

*Source : Annex I*

The investment Pattern is also shown in the graphical presentation as follows:

**Figure 4.1****National Life Insurance Company Limited  
Investment Pattern***Source: Table 4.1*

The company has invested in the government securities by NRs. 211.30 million in 2005/06, which goes up in 2006/07 to reach to NRs. 320.10 million. This value is same in the F/Y 2007/08 too. Similarly in 2008/09 the investment in the same sector is Rs. 416.90 million. It increases to NRs. 789.70 in 2009/10 and 1055.50 in 2010/11. The average investment in this portfolio within the period of study is NRs. 518.93 million. The standard deviation is 330.25.

The company has invested in the fixed deposit in commercial banks by NRs. 1299.30 million in 2005/06, which goes down in 2006/07 to reach to NRs. 1455.10 million. Similarly in 2007/08 the investment in the same sector is rises rapidly to NRs. 1569.00 million. This value goes to NRs. 2006.00 in the F/Y 2008/09. It increases to NRs. 2882.4 million in 2009/10, NRs. 3132.92 in 2010/11. The average investment in this portfolio within the period of study is NRs. 2057.45 million. The standard deviation is 776.66.

Company's investment in fixed deposit in development banks is NRs. 279.60 million in 2005/06, which goes down in 2006/07 to reach to NRs. 257.80 million. Similarly in 2007/08 the investment in the same sector is rises NRs. 327.30 million. This value goes to NRs. 284.10 million in the FY 2008/09. It decreases to NRs. 254.00 million in 2009/10, NRs. 637.16 million in 2010/11. The average investment in this portfolio within the period of study is NRs. 339.99 million. The standard deviation is 147.45.

The investment of the insurer in the fixed deposit in finance companies are NRs. 118.30 million in 2005/06, NRs. 466.00 million in 2006/07, NRs. 302.50 million in 2007/08, NRs. 254.00 million in 2008/09, NRs. 165.10 million in 2009/10, NRs. 141.17 million in 2010/11. The average investment in this portfolio within the period of study is NRs. 241.28 million. The standard deviation is 130.67.

The investment of the insurer in the miscellaneous are NRs. 685.00 million in 2005/06, NRs. 300.80 million in 2006/07, NRs. 457.50 million in 2007/08, NRs. 594.90 million in 2008/09, NRs. 897.50 million in 2009/10, NRs. 616.59 million in 2010/11. The average investment in this portfolio within the period of study is NRs. 592.05 million. The standard deviation is 202.72. Miscellaneous class is further divided and the investment pattern is shown in the above table.

#### 4.1.2 Nepal Life Insurance Company Ltd.

The investment pattern of Nepal Life Insurance Co. Ltd. is presented in the tabular form in the Table 4.2. It has invested in five major portfolios. These are government securities, fixed deposit in commercial bank, fixed deposit in commercial banks, fixed deposit in development banks, fixed deposit in finance companies and miscellaneous. Miscellaneous sector is further divided into corporate bond, debt, and preference share as a first sub group, ordinary shares as second sub group and others are third group.

**Table 4.2**  
**Nepal Life Insurance Company Limited Investment Pattern**

(Rs.in million)

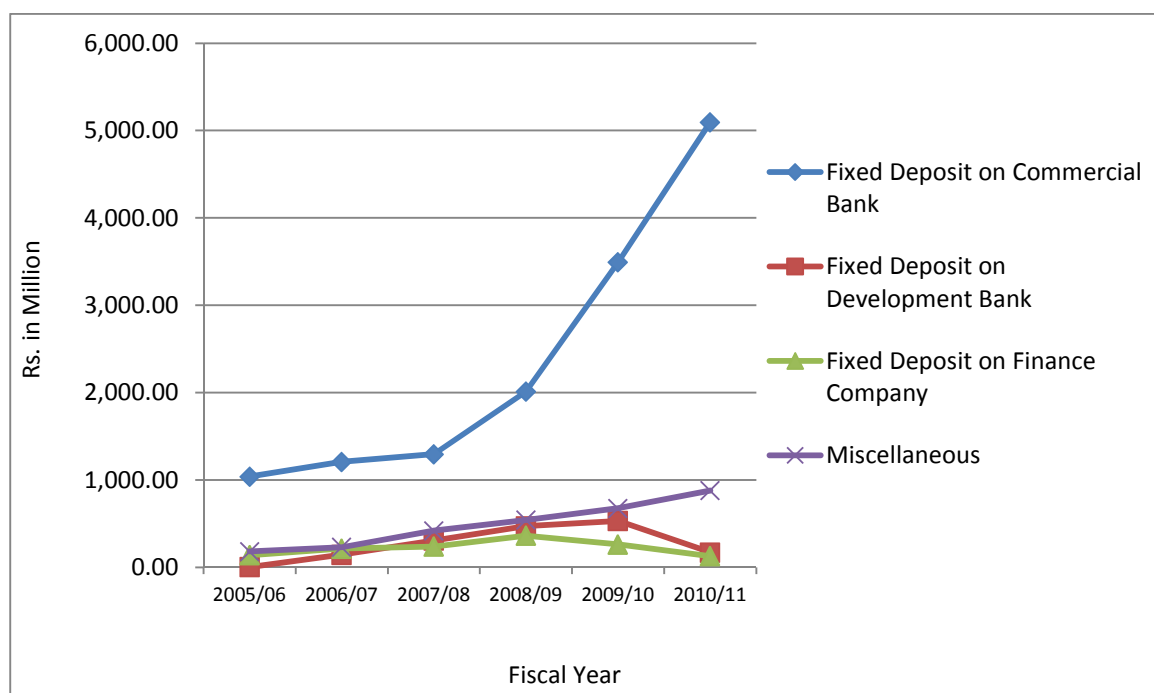
Particulars	Fiscal Year						Average	S.D.
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11		
Government Securities	145.80	476.00	477.80	472.10	469.97	2,429.09	745.13	835.35
Fixed Deposit on Commercial Bank	1,037.49	1,206.67	1,295.33	2,011.55	3492.01	5,093.59	2,356.11	1,617.90
Fixed Deposit on Development Bank	2.54	144.75	306.81	470.08	531.13	170.00	270.89	203.37
Fixed Deposit on Finance Company	139.30	214.45	237.68	362.60	260.54	127.50	223.68	86.38
Miscellaneous	181.50	230.36	418.35	541.73	675.86	878.65	487.74	266.82
(a) Corporate Bond, Deb. and Pref. Share	118.67	134.23	158.40	218.24	191.50	191.50	168.76	38.19
(b) Ordinary Share	24.66	15.68	122.66	112.23	176.56	210.96	110.46	78.70
(c) Others	38.17	80.45	137.29	211.26	307.80	476.19	208.53	162.48
<b>Total</b>	<b>1,506.63</b>	<b>2,272.23</b>	<b>2,735.97</b>	<b>3,858.06</b>	<b>5,429.51</b>	<b>8,698.83</b>	<b>4,083.54</b>	<b>2,641.99</b>

Source : Annex 2

The investment Pattern is also shown in the graphical presentation as follows:

**Figure 4.2**

**Nepal Life Insurance Company Limited Investment Pattern**



Source: Table 4.2

The company has invested in the government securities by NRs. 145.80 million in 2005/06, which goes up in 2006/07 to reach to NRs. 476.00 million. This value is NRs.477.80 in the F/Y 2007/08 . Similarly in 2008/09 the investment in the same sector is Rs. 472.10 million. It decreases to NRs. 469.97 in 2009/10 and 2429.09 in 2010/11. The average investment in this portfolio within the period of study is NRs. 745.13 million. The standard deviation is 835.35.

The company has invested in the fixed deposit in commercial banks by NRs. 1037.49 million in 2005/06, which goes up in 2006/07 to reach to NRs. 1206.67 million. Similarly in 2007/08 the investment in the same sector is rises rapidly to NRs. 1295.33 million. This value goes to NRs. 2011.55 in the F/Y 2008/09. It increases to NRs. 2492.01 million in 2009/10, NRs. 5093.59 in 2010/11. The average investment in this portfolio within the period of study is NRs. 2356.11 million. The standard deviation is 1617.90.

Company's investment in fixed deposit in development banks is NRs. 2.54 million in 2005/06, which goes up in 2006/07 to reach to NRs. 144.75 million. Similarly in 2007/08 the investment in the same sector is rises NRs. 306.81 million. This value goes to NRs. 470.08 million in the FY 2008/09. It increases to NRs. 531.13 million in 2009/10, NRs. 170.00 million in 2010/11. The average investment in this portfolio within the period of study is NRs. 270.89 million. The standard deviation is 203.37.

The investment of the insurer in the fixed deposit in finance companies are NRs. 139.30 million in 2005/06, NRs. 214.45 million in 2006/07, NRs. 237.68 million in 2007/08, NRs. 362.60 million in 2008/09, NRs. 260.54 million in 2009/10, NRs. 127.50 million in 2010/11. The average investment in this portfolio within the period of study is NRs. 223.68 million. The standard deviation is 86.38.

The investment of the insurer in the miscellaneous are NRs. 181.50 million in 2005/06, NRs. 230.36 million in 2006/07, NRs. 418.35 million in 2007/08, NRs. 541.73 million in 2008/09, NRs. 675.86 million in 2009/10, NRs. 878.65 million in 2010/11. The average investment in this portfolio within the period of study is NRs. 487.74 million. The standard deviation is 266.82. Miscellaneous class is further divided and the investment pattern is shown in the above table.

#### **4.1.3 Life Insurance Corporation (Nepal) Ltd.**

The investment pattern of Life Insurance Corporation (Nepal) Ltd. is presented in the tabular form in the Table 4.3. It has invested in five major portfolios. These are government securities, fixed deposit in commercial bank, fixed deposit in commercial banks, fixed deposit in development banks, fixed deposit in finance companies and miscellaneous. Miscellaneous sector is further divided into corporate bond, debt, and preference share as a first sub group, ordinary shares as second sub group and others are third group.

**Table 4.3**  
**Life Insurance Corporation (Nepal) Limited**  
**Investment Pattern**

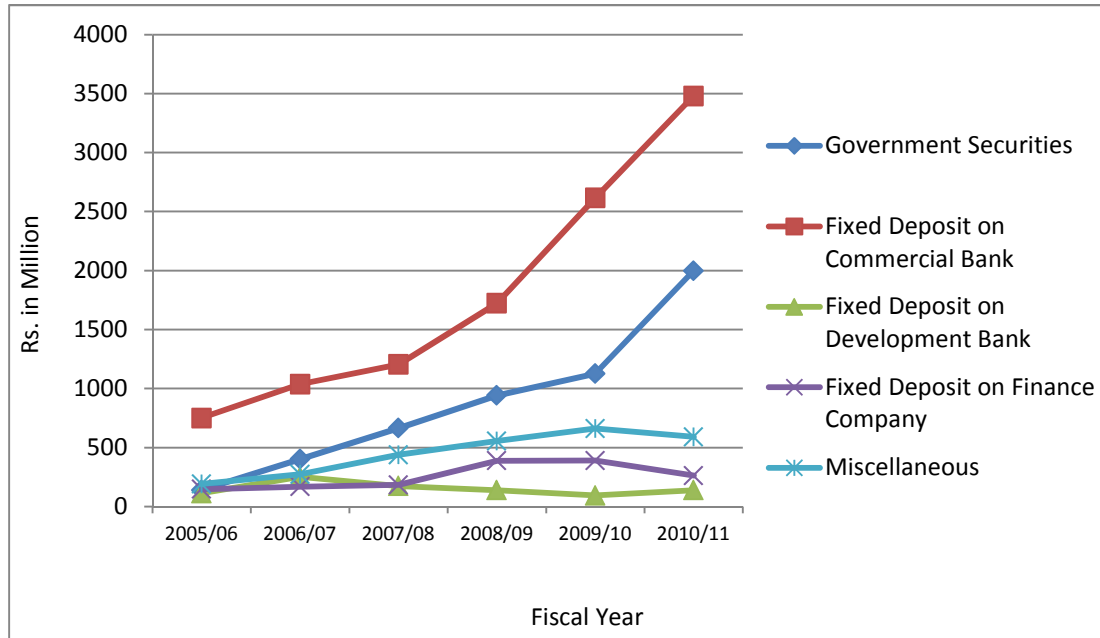
(NRs. In million)

Particulars	Fiscal Year						Average	S.D.
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11		
Government Securities	140.66	403.16	666.04	941.67	1,126.22	1,999.27	879.50	653.75
Fixed Deposit on Commercial Bank	751.45	1,036.91	1,205.89	1,723.72	2,616.31	3,480.00	1,802.38	1,051.60
Fixed Deposit on Development Bank	113.50	251.60	175.11	140.00	95.00	140.00	152.54	55.63
Fixed Deposit on Finance Company	147.90	169.40	184.40	389.40	390.50	262.50	257.35	109.75
Miscellaneous	192.75	273.34	438.72	555.81	661.08	590.52	452.04	186.00
(a) Corporate Bond, Deb. and Pref. Share	176.75	222.15	252.32	254.37	253.37	240.87	233.31	30.29
(b) Ordinary Share		9.86	77.44	118.82	120.97	122.90	90.00	48.61
(c) Others	16.00	41.33	108.96	182.62	286.74	226.75	143.73	106.65
<b>Total</b>	<b>1,346.26</b>	<b>2,134.41</b>	<b>2,670.16</b>	<b>3,750.60</b>	<b>4,889.11</b>	<b>6,472.29</b>	<b>3,543.81</b>	<b>1,897.76</b>

*Source: Annex 3*

The investment Pattern is also shown in the graphical presentation as follows:

**Figure 4.3**  
**Life Insurance Corporation (Nepal) Limited**  
**Investment Pattern**



Source: Table 4.3

The company has invested in the government securities by NRs. 140.66 million in 2005/06, which goes up in 2006/07 to reach to NRs. 403.16 million. This value is NRs.666.04 In the F/Y 2007/08 . Similarly in 2008/09 the investment in the same sector is Rs. 941.67 million. It increases to NRs. 1126.22 in 2009/10 and 1999.27 in 2010/11. The average investment in this portfolio within the period of study is NRs. 879.50 million. The standard deviation is 653.75.

The company has invested in the fixed deposit in commercial banks by NRs. 751.45 million in 2005/06, which goes up in 2006/07 to reach to NRs. 1036.91 million. Similarly in 2007/08 the investment in the same sector is rises rapidly to NRs. 1205.89 million. This value goes to NRs. 1723.72 in the F/Y 2008/09. It increases to NRs. 2616.31 million in 2009/10, NRs. 3480.00 in 2010/11. The average investment in this portfolio within the period of study is NRs. 1802.38 million. The standard deviation is 1051.60.

Company's investment in fixed deposit in development banks is NRs. 113.50 million in 2005/06, which goes up in 2006/07 to reach to NRs. 251.60 million. Similarly in 2007/08 the investment in the same sector is NRs. 175.11 million. This value goes to NRs. 140.00 million in the FY 2008/09. It decreases to NRs. 95.00 million in 2009/10, NRs. 140.00 million in 2010/11. The average investment in this portfolio within the period of study is NRs. 152.54 million. The standard deviation is 55.63.

The investment of the insurer in the fixed deposit in finance companies are NRs. 147.90 million in 2005/06, NRs. 169.40 million in 2006/07, NRs. 184.40 million in 2007/08, NRs. 389.40 million in 2008/09, NRs. 390.50 million in 2009/10, NRs. 262.50 million in 2010/11. The average investment in this portfolio within the period of study is NRs. 287.35 million. The standard deviation is 109.75.

The investment of the insurer in the miscellaneous are NRs. 192.75 million in 2005/06, NRs. 273.34 million in 2006/07, NRs. 438.72 million in 2007/08, NRs. 555.81 million in 2008/09, NRs. 661.08 million in 2009/10, NRs. 590.52 million in 2010/11. The average investment in this portfolio within the period of study is NRs. 452.04 million. The standard deviation is NRs. 186.00. Miscellaneous class is further divided and the investment pattern is shown in the above table.

#### **4.1.4 Met Life (ALICO)**

The investment pattern of Met Life (ALICO) is presented in the tabular form in the Table 4.4. It has invested in three major portfolios. These are government securities, fixed deposit in commercial bank and miscellaneous. Miscellaneous sector is further divided into corporate bond, debt, and preference share as a first sub group, ordinary shares as second sub group and others are third group.

**Table 4.4**  
**Met Life (ALICO) Investment Pattern**

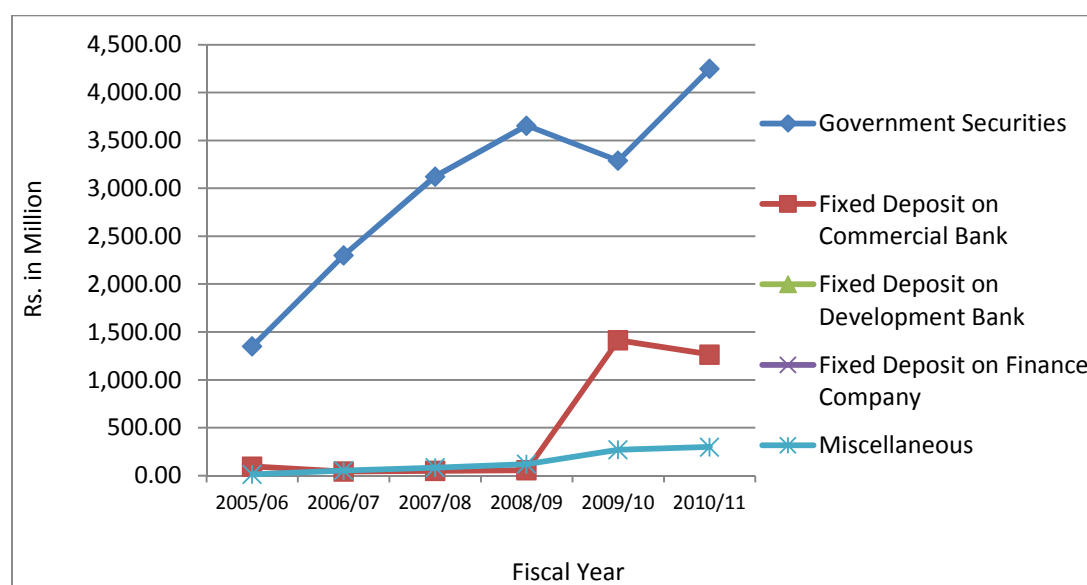
(NRs. In million)

Particulars	Fiscal Year						Average	S.D.
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11		
Government Securities	1,350.46	2,300.48	3,124.17	3,654.48	3,288.47	4,247.81	2,994.31	1,028.99
Fixed Deposit on Commercial Bank	96.01	44.24	49.83	56.44	1,413.57	1,264.54	487.44	661.59
Fixed Deposit on Development Bank								
Fixed Deposit on Finance Company								
Miscellaneous	13.58	53.81	83.01	121.11	270.26	298.75	140.09	117.63
(a) Corporate Bond, Deb. and Pref. Share								
(b) Ordinary Share								
(c) Others	13.58	53.81	83.01	121.11	270.26	298.75	140.09	117.63
<b>Total</b>	<b>1,460.05</b>	<b>2,398.53</b>	<b>3,257.01</b>	<b>3,832.03</b>	<b>4,972.30</b>	<b>5,811.10</b>	<b>3,621.84</b>	<b>1,610.20</b>

Source : Annex 4

The investment Pattern is also shown in the graphical presentation as follows:

**Figure 4.4**  
**Met Life (ALICO) Investment Pattern**



Source: Table 4.4

The company has invested in the government securities by NRs. 1350.46 million in 2005/06, which goes up in 2006/07 to reach to NRs. 2300.48 million. This value is NRs.3124.17 In the F/Y 2007/08 . Similarly in 2008/09 the investment in the same sector is Rs. 3654.48 million. It decreases to NRs. 3288.47 in 2009/10 and the value in 2010/11 is NRs 4247.81. The average investment in this portfolio within the period of study is NRs. 2994.31 million. The standard deviation is 1028.99.

The company has invested in the fixed deposit in commercial banks by NRs. 96.01 million in 2005/06, which goes down in 2006/07 to reach to NRs. 44.24 million. Similarly in 2007/08 the investment in the same sector is rises rapidly to NRs. 49.83 million. This value goes to NRs. 56.44 in the F/Y 2008/09. It increases to NRs. 1413.57 million in 2009/10, NRs. 1264.54 in 2010/11.The average investment in this portfolio within the period of study is NRs. 487.44 million. The standard deviation is 661.59.

The investment of the insurer in the miscellaneous are NRs. 13.58 million in 2005/06, NRs. 53.81 million in 2006/07, NRs. 83.01 million in 2007/08, NRs. 121.11 million in 2008/09, NRs. 270.26 million in 2009/10, NRs. 298.75 million in 2010/11.The average investment in this portfolio within the period of study is NRs. 140.09 million. The standard deviation is 117.63. Miscellaneous class is further divided and the investment pattern is shown in the above table.

#### **4.1.5 Total Investment Pattern of Old Aged Life Insures**

The investment pattern of old aged Life Insurers are presented in the tabular form in the Table 4.5. It has invested in five major portfolios. These are government securities, fixed deposit in commercial banks, fixed deposit in development banks, fixed deposit in finance companies and miscellaneous. Miscellaneous sector is further divided into corporate bond, debt, and preference share as a first sub group, ordinary shares as second sub group and others are third group.

**Table 4.5**

**Total Investment of Old Aged life Insurers Investment Pattern**

(NRs. In million)

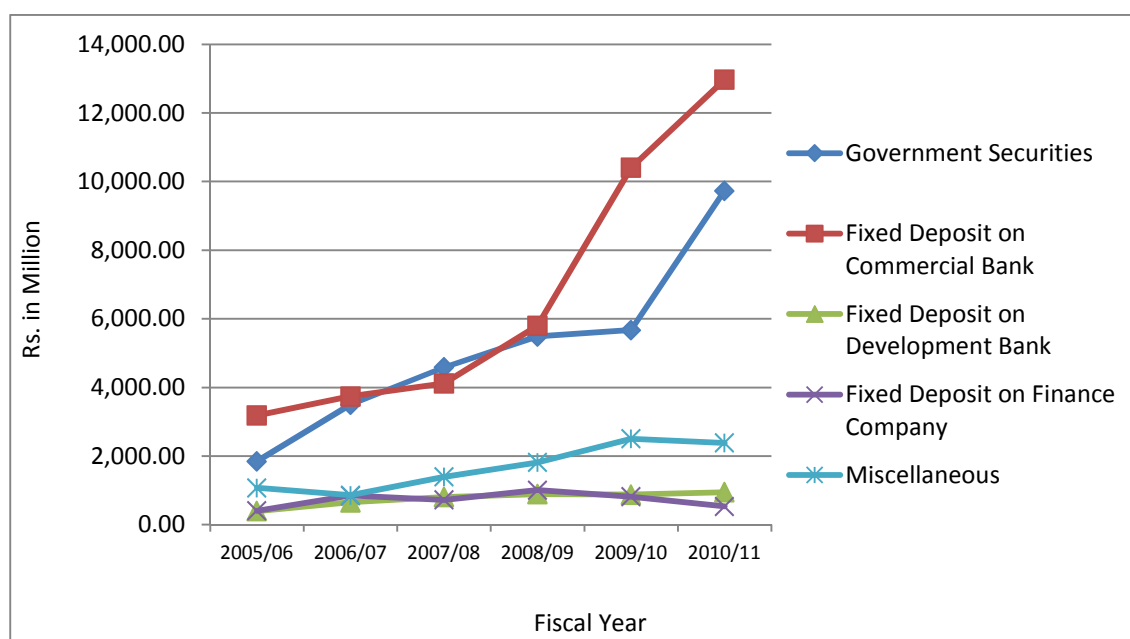
Particulars	Fiscal Year						Average	S.D.
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11		
Government Securities	1,848.22	3,499.74	4,588.11	5,485.15	5,674.36	9,731.67	5,137.88	2,657.78
Fixed Deposit on Commercial Bank	3,184.25	3,742.92	4,120.05	5,797.71	10,404.29	12,971.05	6,703.38	4,040.37
Fixed Deposit on Development Bank	395.64	654.15	809.22	894.18	880.13	947.16	763.41	206.77
Fixed Deposit on Finance Company	405.50	849.85	724.58	1,006.60	816.14	531.17	722.31	220.36
Miscellaneous	1,072.83	858.31	1,397.58	1,813.55	2,504.70	2,384.51	1,671.91	680.81
(a) Corporate Bond, Deb. and Pref. Share	362.92	423.88	598.22	664.61	636.87	656.35	557.14	130.32
(b) Ordinary Share	115.26	156.54	350.30	415.25	652.63	688.97	396.49	240.96
(c) Others	594.65	277.89	449.06	733.69	1,215.20	1,039.19	718.28	355.49
<b>Total</b>	<b>6,906.44</b>	<b>9,604.97</b>	<b>11,639.54</b>	<b>14,997.19</b>	<b>20,279.62</b>	<b>26,565.56</b>	<b>14,998.89</b>	<b>7,314.93</b>

Source : Annex 5

The investment Pattern is also shown in the graphical presentation as follows:

**Figure 4.5**

**Total Investment Pattern of Old Aged Life Insurers**



Source : Table 4.5

The company has invested in the government securities by NRs. 1848.22 million in 2005/06, which goes up in 2006/07 to reach to NRs. 3499.74 million. This value is NRs.4588.11 In the F/Y 2007/08 . Similarly in 2008/09 the investment in the same sector is Rs. 5485.15 million. It increases to NRs. 5674.36 in 2009/10 and NRs.9731.67 in 2010/11. The average investment in this portfolio within the period of study is NRs. 5137.88 million. The standard deviation is 2657.78.

The company has invested in the fixed deposit in commercial banks by NRs. 3184.25 million in 2005/06, which goes up in 2006/07 to reach to NRs. 3742.92 million. Similarly in 2007/08 the investment in the same sector is rises rapidly to NRs. 4120.05 million. This value goes to NRs. 5797.71 in the F/Y 2008/09. It increases to NRs. 10404.29 million in 2009/10, NRs. 12971.05 in 2010/11.The average investment in this portfolio within the period of study is NRs. 6703.38 million. The standard deviation is 4040.37.

Company's investment in fixed deposit in development banks is NRs. 395.64 million in 2005/06, which goes up in 2006/07 to reach to NRs. 654.15 million. Similarly in 2007/08 the investment in the same sector is NRs. 809.22 million. This value goes to NRs. 894.18 million in the FY 2008/09. It decreases to NRs. 880.13 million in 2009/10, NRs. 947.16 million in 2010/11. The average investment in this portfolio within the period of study is NRs. 763.41 million. The standard deviation is 206.77.

The investment of the insurer in the fixed deposit in finance companies are NRs. 405.50 million in 2005/06, NRs. 849.85 million in 2006/07, NRs. 724.58 million in 2007/08, NRs. 1006.60 million in 2008/09, NRs. 816.14 million in 2009/10, NRs. 531.17 million in 20010/11. The average investment in this portfolio within the period of study is NRs. 722.31 million. The standard deviation is 220.36.

The investment of the insurer in the miscellaneous are NRs. 1072.83 million in 2005/06, NRs. 858.31 million in 2006/07, NRs. 1397.58 million in 2007/08, NRs. 1813.55 million in 2008/09, NRs. 2504.70 million in 2009/10, NRs. 2384.51 million in 2010/11.The average investment in this portfolio within the period of study is NRs. 1671.91 million. The standard deviation is 680.81. Miscellaneous class is further divided and the investment pattern is shown in the above table.

## 4.2. Investment Pattern of New Aged Life Insurance Companies

### 4.2.1. Asian Life Insurance Company Ltd.

The investment pattern of Asian Life Insurance Company Ltd. is presented in the tabular form in the Table 4.6. It has invested in five major portfolios. These are government securities, fixed deposit in commercial bank, fixed deposit in development banks, fixed deposit in finance companies and miscellaneous. Miscellaneous sector is further divided into corporate bond, debt, and preference share as a first sub group, ordinary shares as second sub group and others are third group. The company has invested in the government securities by NRs. 4.72 million in 2007/08, which goes up in 2008/09 and 2009/10 to reach NRs. 73.12 million. It increases to NRs. 395.05 in 2010/11. The average investment in this portfolio within the period of study is NRs. 136.50 million. The standard deviation is 175.35.

**Table 4.6**

#### **Asian Life Insurance Company Limited Investment Pattern**

(NRs. In million)

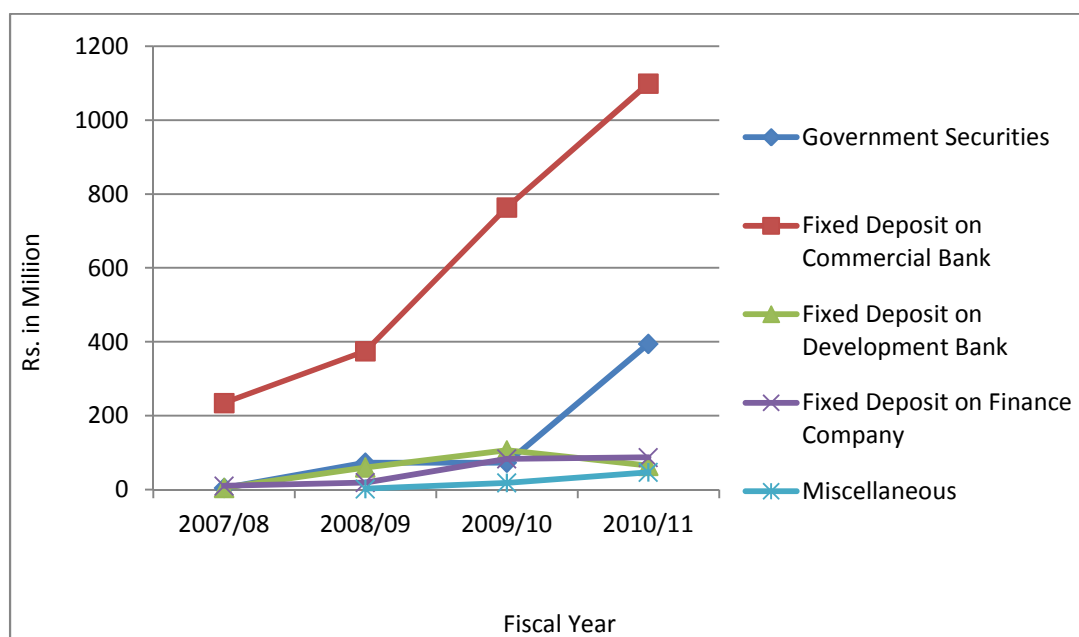
Particulars	Fiscal Year				Average	S.D.
	2007/08	2008/09	2009/10	2010/11		
Government Securities	4.72	73.12	73.12	395.05	136.50	175.35
Fixed Deposit on Commercial Bank	234.50	375.00	763.86	1,099.00	618.09	391.05
Fixed Deposit on Development Bank	5.00	60.00	106.32	65.00	59.08	41.60
Fixed Deposit on Finance Company	10.50	19.50	83.67	87.50	50.29	40.95
Miscellaneous		2.5	18.5	47.37	22.79	22.74054
(a) Corporate Bond, Deb. and Pref. Share		2.50	2.50	2.50	2.50	-
(b) Ordinary Share			15.98	42.34	29.16	18.64
(c) Others			0.02	2.53	1.28	1.77
<b>Total</b>	<b>254.72</b>	<b>530.12</b>	<b>1045.47</b>	<b>1693.92</b>	<b>881.06</b>	<b>633.31</b>

Source: Annex 6

The investment Pattern is also shown in the graphical presentation as follows:

**Figure 4.6**

**Asian Life Insurance Company Limited Investment Pattern**



Source: Table 4.6

The company has invested in the fixed deposit in commercial banks by NRs. 234.50 million in 2007/08, which increased in 2008/09 to reach NRs. 375 million. It increases to NRs. 763.86 million in 2009/10 and NRs. 1099 million in 2010/11. The average investment in this portfolio within the period of study is NRs. 618.09 million. The standard deviation is 391.05.

Company's investment in fixed deposit in development banks is NRs. 5 million in 2007/08, which increased in 2008/09 to reach NRs. 60 million. It increases to NRs. 106.32 million in 2009/10 and goes down NRs. 65 million in 2010/11. The average investment in this portfolio within the period of study is NRs. 59.08 million. The standard deviation is 41.60.

The investment of the insurer in the fixed deposit in finance companies are NRs. 10.50 million in 2007/08, NRs. 19.50 million in 2008/09, NRs. 83.67 million in 2009/10 and NRs. 87.50 million in 2010/11. The average investment in this portfolio within the period of study is NRs. 50.29 million. The standard deviation is 40.95.

The investment of the insurer in the miscellaneous are NRs. 2.50 million in 2008/09, NRs. 18.50 million in 2009/10 and NRs. 47.37 million in 2010/11. The average investment in this portfolio within the period of study is NRs. 22.79 million. The standard deviation is 22.74. Miscellaneous class is further divided and the investment pattern is shown in the above table.

#### **4.2.2 Surya Life Insurance Company Ltd.**

The investment pattern of Surya Life Insurance Company Ltd. is presented in the tabular form in the Table 4.7. It has invested in five major portfolios. These are government securities, fixed deposit in commercial bank, fixed deposit in commercial banks, fixed deposit in development banks, fixed deposit in finance companies and miscellaneous. Miscellaneous sector is further divided into corporate bond, debt, and preference share as a first sub group, ordinary shares as second sub group and others are third group.

The company has invested in the government securities by NRs. 35.72 million in 2010/11. The company has invested in the fixed deposit in commercial banks by NRs. 234.20 million in 2007/08, which increased in 2008/09 to reach NRs. 238.20 million. It increases to NRs. 362.72 million in 2009/10 and NRs. 387.89 million in 2010/11. The average investment in this portfolio within the period of study is NRs. 305.75 million. The standard deviation is 80.98.

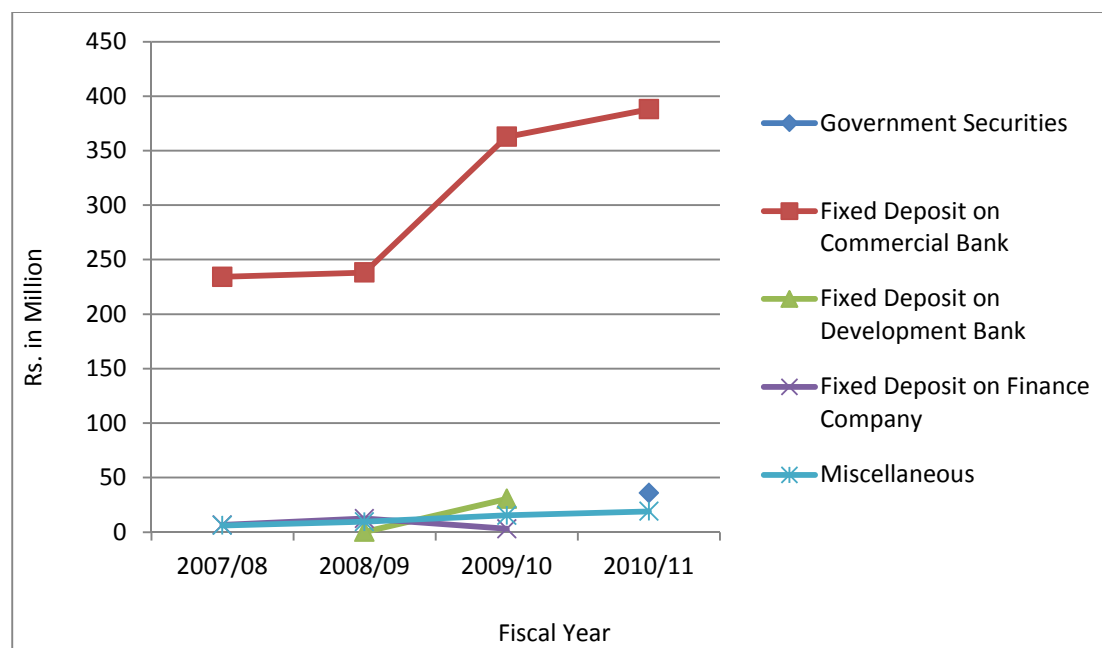
**Table 4.7****Surya Life Insurance Company Limited Investment Pattern**

(NRs. In million)

Particulars	Fiscal Year				Average	S.D.
	2007/08	2008/09	2009/10	2010/11		
Government Securities				35.72	35.72	
Fixed Deposit on Commercial Bank	234.20	238.20	362.72	387.89	305.75	80.98
Fixed Deposit on Development Bank		0.28	30.41		15.35	21.31
Fixed Deposit on Finance Company	6.57	12.39	3.03		7.33	4.73
Miscellaneous	6.05	9.46	15.38	19.07	12.49	5.84
(a) Corporate Bond, Deb. and Pref. Share	4.68	4.68	4.68	4.68	4.68	-
(b) Ordinary Share	1.37	4.78	10.65	14.08	7.72	5.72
(c) Others			0.05	0.31	0.18	0.18
<b>Total</b>	<b>246.82</b>	<b>260.33</b>	<b>411.54</b>	<b>442.68</b>	<b>340.34</b>	<b>101.14</b>

*Source : Annex 7*

The investment Pattern is also shown in the graphical presentation as follows.

**Figure 4.7****Surya Life Insurance Company Limited Investment Pattern***Source: Table 4.7*

Company's investment in fixed deposit in development banks is NRs. 0.28 million in 2008/09 and which increased in 2009/10 to reach NRs. 30.41 million. The average investment in this portfolio within the period of study is NRs. 15.35 million. The standard deviation is 21.31. The investment of the insurer in the fixed deposit in finance companies are NRs. 6.57 million in 2007/08, NRs. 12.39 million in 2008/09 and NRs. 3.03 million in 2009/10. The average investment in this portfolio within the period of study is NRs. 7.33 million. The standard deviation is 4.73.

The investment of the insurer in the miscellaneous are NRs. 6.05 million in 2007/08, NRs. 9.46 million in 2008/09, NRs. 15.38 million in 2009/10 and NRs. 19.07 million in 2010/11. The average investment in this portfolio within the period of study is NRs. 8 million. The standard deviation is 7.28. Miscellaneous class is further divided and the investment pattern is shown in the table below.

#### **4.2.3 Gurans Life Insurance Company Ltd.**

The investment pattern of Gurans Life Insurance Company Ltd. is presented in the tabular form in the Table 4.8. It has invested in five major portfolios. These are government securities, fixed deposit in commercial bank, fixed deposit in commercial banks, fixed deposit in development banks, fixed deposit in finance companies and miscellaneous. Miscellaneous sector is further divided into corporate bond, debt, and preference share as a first sub group, ordinary shares as second sub group and others are third group.

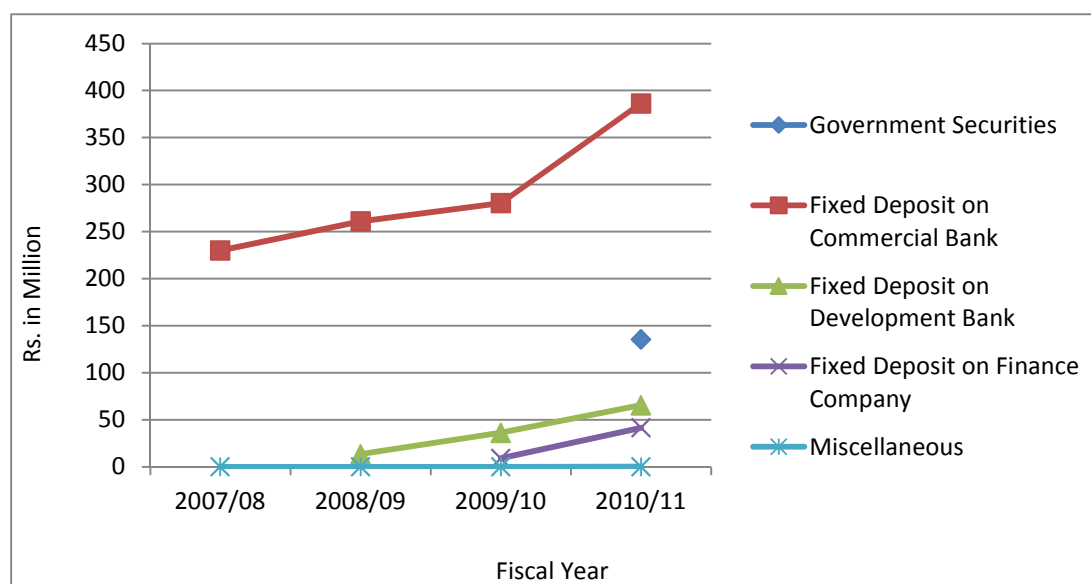
**Table 4.8****Gurans Life Insurance Company Limited Investment Pattern**

(NRs. In million)

Particulars	Fiscal Year				Average	S.D.
	2007/08	2008/09	2009/10	2010/11		
Government Securities				135.50	135.50	
Fixed Deposit on Commercial Bank	230.00	260.92	280.38	386.50	289.45	67.94
Fixed Deposit on Development Bank		13.40	36.16	65.50	38.35	26.12
Fixed Deposit on Finance Company			9.00	41.50	25.25	22.98
Miscellaneous	-	-	-	0.12	0.03	0.06
(a) Corporate Bond, Deb. and Pref. Share						
(b) Ordinary Share						
(c) Others				0.12	0.12	
<b>Total</b>	<b>230.00</b>	<b>274.32</b>	<b>325.54</b>	<b>629.12</b>	<b>364.75</b>	<b>180.52</b>

*Source : Annex 8*

The investment Pattern is shown in the graphical presentation as follows.

**Figure 4.8****Gurans Life Insurance Company Limited Investment Pattern***Source: Table 4.8*

The company has invested in the government securities by NRs. 135.50 million in 2010/11.

The company has invested in the fixed deposit in commercial banks by NRs. 230.00 million in 2007/08, which increased in 2008/09 to reach NRs. 260.92 million. It increases to NRs. 280.38 million in 2009/10 and NRs. 386.50 million in 2010/11. The average investment in this portfolio within the period of study is NRs. 289.45 million. The standard deviation is 67.94.

Company's investment in fixed deposit in development banks is NRs. 13.40 million in 2008/09 and which increased in 2009/10 to reach NRs. 36.16 million and NRs. 65.50 million in 2010/11. The average investment in this portfolio within the period of study is NRs. 38.35 million. The standard deviation is 26.12.

The investment of the insurer in the fixed deposit in finance companies are NRs. 9 million in 2009/10 and NRs. 41.50 million in 2010/11. The average investment in this portfolio within the period of study is NRs. 25.25 million. The standard deviation is 22.98. The investment of the insurer in the miscellaneous are NRs. 0.12 million in 2010/11. Miscellaneous class is further divided and the investment pattern is shown in the above table.

#### **4.2.4 Prime Life Insurance Company Ltd.**

The investment pattern of Prime Life Insurance Company Ltd. is presented in the tabular form in the Table 4.9. It has invested in five major portfolios. These are government securities, fixed deposit in commercial bank, fixed deposit in commercial banks, fixed deposit in development banks, fixed deposit in finance companies and miscellaneous. Miscellaneous sector is further divided into corporate bond, debt, and preference share as a first sub group, ordinary shares as second sub group and others are third group.

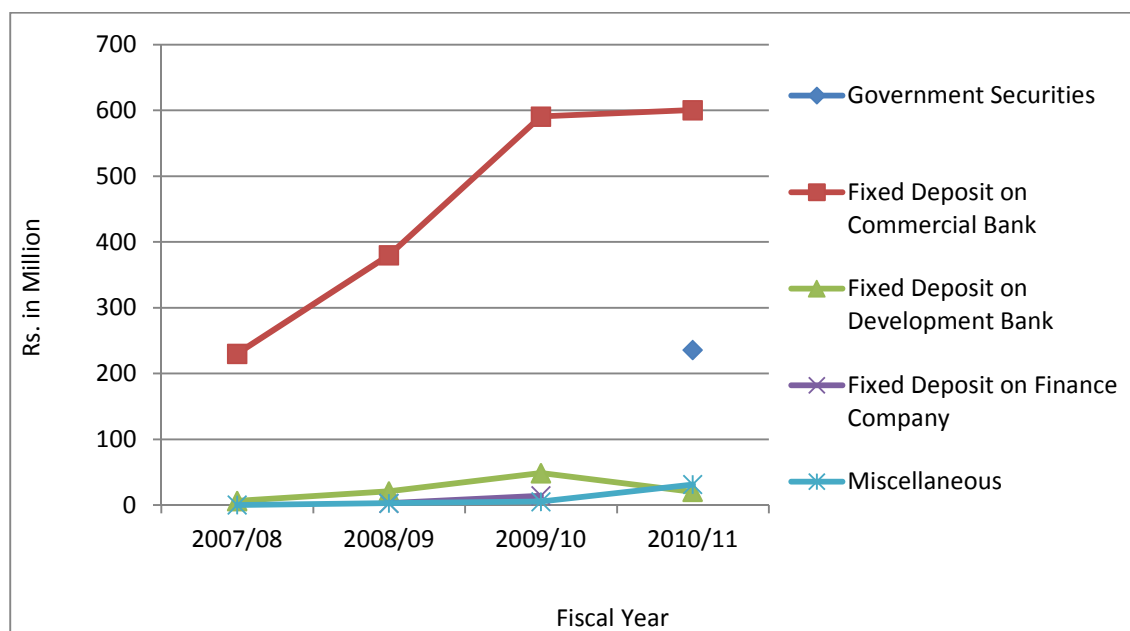
**Table 4.9****Prime Life Insurance Company Limited Investment Pattern**

(Rs.in million)

Particulars	Fiscal Year				Average	S.D.
	2007/08	2008/09	2009/10	2010/11		
Government Securities				235.91	235.91	
Fixed Deposit on Commercial Bank	230.00	380.00	590.81	600.60	450.35	178.71
Fixed Deposit on Development Bank	6.11	20.84	48.50	20.00	23.86	17.76
Fixed Deposit on Finance Company		2.78	14.20		8.49	8.08
Miscellaneous	-	2.67	5.15	31.26	9.77	14.48
(a) Corporate Bond, Deb. and Pref. Share				10.00	10.00	
(b) Ordinary Share		2.67	5.15	10.57	6.13	4.04
(c) Others				10.69	10.69	
<b>Total</b>	<b>236.11</b>	<b>406.29</b>	<b>658.66</b>	<b>887.77</b>	<b>547.21</b>	<b>285.80</b>

*Source : Annex 9*

The investment Pattern is also shown in the graphical presentation as follows.

**Figure 4.9****Prime Life Insurance Company Limited Investment Pattern***Source :Table 4.9*

The company has invested in the government securities by NRs. 235.91 million in 2010/11.

The company has invested in the fixed deposit in commercial banks by NRs. 230 million in 2007/08, which increased in 2008/09 to reach NRs. 380 million. It increases to NRs. 590.81 million in 2009/10 and NRs. 600.60 million in 2010/11. The average investment in this portfolio within the period of study is NRs. 450.35 million. The standard deviation is 178.71.

Company's investment in fixed deposit in development banks is NRs. 6.11 million in 2007/08, which increased in 2008/09 to reach NRs. 20.48 million, NRs. 48.50 million in 2009/10 and goes down NRs. 20 million in 2010/11. The average investment in this portfolio within the period of study is NRs. 23.86 million. The standard deviation is 17.76.

The investment of the insurer in the fixed deposit in finance companies are NRs. 2.78 million in 2008/09 and NRs. 14.20 million in 2009/10. The average investment in this portfolio within the period of study is NRs. 8.49 million. The standard deviation is 8.08.

The investment of the insurer in the miscellaneous are NRs. NRs. 2.67 million in 2008/09, NRs. 5.15 million in 2009/10 and NRs. 31.26 million in 2010/11. The average investment in this portfolio within the period of study is NRs. 3.91 million. The standard deviation is 9.76. Miscellaneous class is further divided and the investment pattern is shown in the table below.

#### **4.2.5 Total Investment of New Aged Life Insurers**

The investment pattern of new aged Life Insurers are presented in the tabular form in the Table 4.10. It has invested in five major portfolios. These are government securities, fixed deposit in commercial banks, fixed deposit in development banks, fixed deposit in finance companies and miscellaneous. Miscellaneous sector is further divided into corporate bond, debt, and preference share as a first sub group, ordinary shares as second sub group and others are third group.

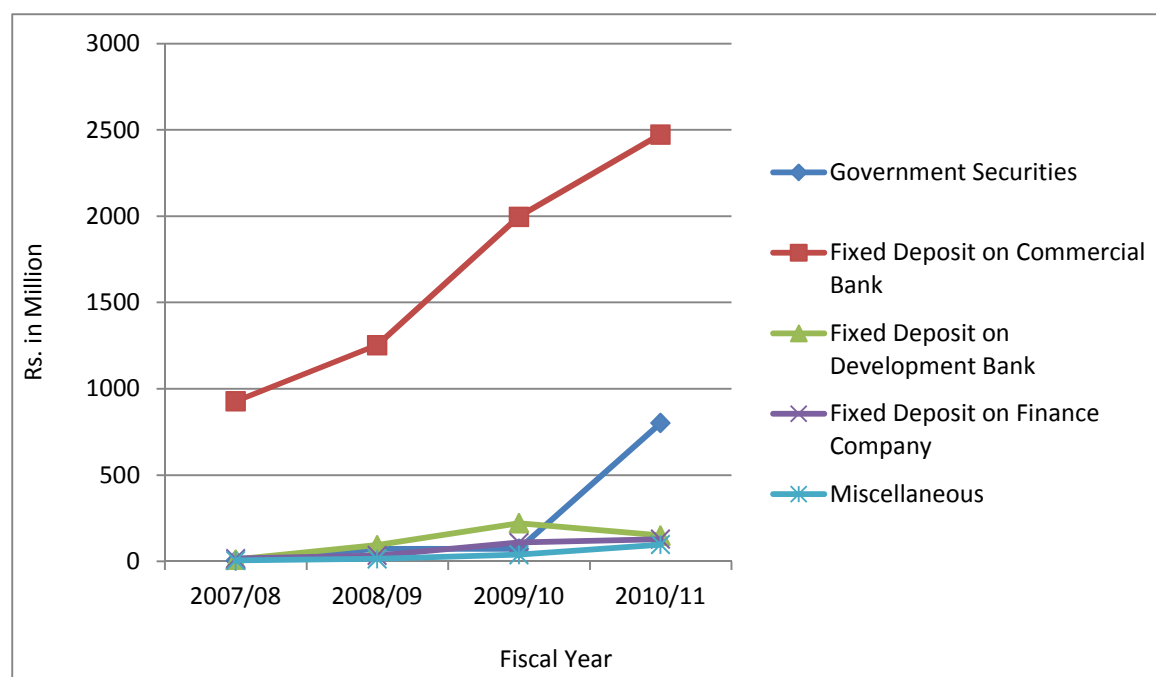
**Table 4.10****Total Investment of New Aged Life Insurers Investment Pattern**

(Rs.in million)

Particulars	Fiscal Year				Average	S.D.
	2007/08	2008/09	2009/10	2010/11		
Government Securities	4.72	73.12	73.12	802.18	238.29	377.31
Fixed Deposit on Commercial Bank	928.70	1,254.12	1,997.77	2,473.99	1,663.65	701.46
Fixed Deposit on Development Bank	11.11	94.52	221.39	150.50	119.38	88.91
Fixed Deposit on Finance Company	17.07	34.67	109.90	129.00	72.66	55.06
Miscellaneous	6.05	14.63	39.03	97.82	39.38	41.39
(a) Corporate Bond, Deb. and Pref. Share	4.68	7.18	7.18	17.18	9.06	5.54
(b) Ordinary Share	1.37	7.45	31.78	66.99	26.90	29.78
(c) Others	-	-	0.07	13.65	3.43	6.81
<b>Total</b>	<b>967.65</b>	<b>1,471.06</b>	<b>2,441.21</b>	<b>3,653.49</b>	<b>2,133.35</b>	<b>1,183.65</b>

*Source : Annex 10*

The investment Pattern is also shown in the graphical presentation as follows.

**Figure 4.10****Total Investment of New Aged Life Insurers Investment Pattern***Source :Table 4.10*

The Life Insurer has invested in the government securities by NRs. 4.72 million in 2007/08, which goes up in 2008/09 to reach to NRs. 73.12 million. Similarly in 2009/10 the investment in the same sector is of NRs. 73.12 million. It increases to NRs. 802.18 million in 2010/11. The average investment in this portfolio within the period of study is NRs. 238.29 million. The standard deviation is 377.31.

The company has invested in the fixed deposit in commercial banks by NRs. 928.70 million in 2007/08, which goes up in 2008/09 to reach NRs. 1254.12 million. Similarly in 2009/10 the investment in the same sector is rises rapidly to NRs. 1997.77 million. In this sector the investment is increased to NRs. 2473.99 million in 2010/11. The average investment in this portfolio within the period of study is NRs. 1663.65 million. The standard deviation is 701.46.

Company's investment in fixed deposit in development banks is NRs. 11.11 million in 2007/08, which goes up in 2008/09 to reach to NRs. 94.52 million. Similarly in 2009/10 the investment in the same sector is rises NRs. 221.39 million. This value goes to NRs. 150.50 million in the FY 2010/11. The average investment in this portfolio within the period of study is NRs. 119.38 million. The standard deviation is 88.91.

The investment of the insurer in the fixed deposit in finance companies are NRs. 17.07 million in 2007/08, NRs. 34.67 million in 2008/09, NRs. 109.90 million in 2009/10 and NRs. 129 million in 2010/11. The average investment in this portfolio within the period of study is NRs. 72.66 million. The standard deviation is 55.06.

The investment of the insurer in the miscellaneous are NRs. 6.05 million in 2007/08, NRs. 14.63 million in 2008/09, NRs. 39.03 million in 2009/10 and NRs. 97.82 million in 2010/11. The average investment in this portfolio within the period of study is NRs. 39.38 million. The standard deviation is 41.39. Miscellaneous class is further divided and the investment pattern is shown in the table above.

### 4.3 Investment Return of Old Aged Life Insurance Companies

#### 4.3.1 Investment Return of National Life Insurance Company Ltd.

Investment return is the interest earned by the government bonds, fixed deposits invested in different banks and finance companies, dividend earned by shares, preference shares and so like earnings.

The investment return of National Life Insurance Co. Ltd. is presented in the tabular form in the Table 4.11. It has investment return is also classified into five major portfolios. These are government securities, fixed deposit in commercial bank, fixed deposit in development banks, fixed deposit in finance companies and miscellaneous. Miscellaneous sector is further divided into corporate bond, debt, and preference share as a first sub group, ordinary shares as second sub group and others are third group.

**Table 4.11**

#### National Life Insurance Company Limited Investment Return

(Rs.in million)

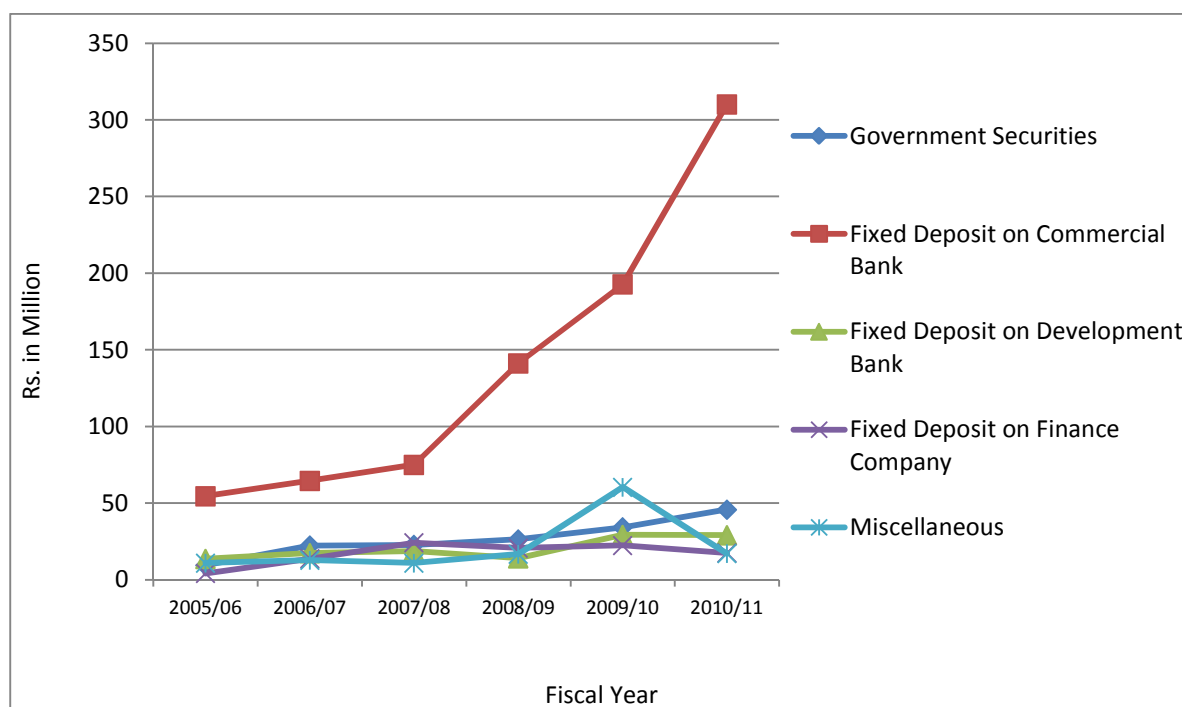
Particulars	Fiscal Year						Average	S.D.
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11		
Government Securities	9.50	22.36	22.70	26.40	34.2	45.77	26.82	12.25
Fixed Deposit on Commercial Bank	54.60	64.60	75.10	141.20	192.7	310.06	139.71	98.88
Fixed Deposit on Development Bank	13.70	17.40	18.70	14.10	29.3	29.08	20.38	7.09
Fixed Deposit on Finance Company	4.20	13.80	24.20	20.80	22.4	17.56	17.16	7.34
Miscellaneous	10.90	12.83	11.00	16.80	60.48	17.11	21.52	19.28
(a) Corporate Bond, Deb. and Pref. Share	3.90	5.60	3.80	7.40	18.70	14.46	8.98	6.18
(b) Ordinary Share	1.30	2.20	0.40	2.00	18.30	0.72	4.15	6.97
(c) Others	5.70	5.03	6.80	7.40	23.48	1.93	8.39	7.64
<b>Total</b>	<b>92.90</b>	<b>130.99</b>	<b>151.70</b>	<b>219.30</b>	<b>339.08</b>	<b>419.58</b>	<b>225.59</b>	<b>128.50</b>

Source : Annex 11

The investment return is shown in the graphical presentation as follows.

**Figure 4.11**

**National Life Insurance Company Limited Investment Return**



Source: Table 4.11

The company has earned from government securities by NRs. 9.50 million in 2005/06, which increases in 2006/07 to reach to NRs. 22.36 million. Similarly in 2007/08 the investment return is of NRs. 22.70 million. The value is NRs.26.40 in the FY 2008/09 and 2009/10 remaining in NRs. 34.2 million. It increases to NRs. 45.77 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 26.82 million. The standard deviation is 12.25.

The return of the company from the sector of fixed deposit on commercial banks is NRs. 54.60 million in 2005/06, which increases in 2006/07 to reach to NRs. 64.60 million. Similarly in 2007/08 the investment return is of NRs. 75.10 million. This value goes to NRs. 141.20 in the FY 2008/09 and in 2009/010 remaining in NRs. 192.70 million. It increases to NRs. 310.06 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 139.71 million. The standard deviation is 98.88.

The company has earned from the sector of fixed deposit on the development banks is NRs. 7.70 million in 2005/06. This increases to NRs. 8.50 million in 2006/07, NRs. 9.70 million in 2007/04, NRs. 11.50 million in 2008/09, NRs. 13.70 million in 2009/10, NRs. 17.40 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 20.38 million. The standard deviation is 7.09.

Similarly the insurer has earned return from the investment of finance companies is NRs. 4.20 million in 2005/06. This increases to NRs. 13.80 million in 2006/07, NRs. 24.20 million in 2007/08, NRs. 20.80 million in 2008/09, NRs. 22.4 million in 2009/10, NRs. 17.56 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 17.16 million. The standard deviation is 7.34.

The investment return of the group of miscellaneous is NRs. 10.90 million in 2005/06, NRs. 12.83 million in 2006/07, NRs. 11.00 million in 2007/08, NRs. 16.80 million in 2008/09, NRs. 60.48 million in 2009/10, NRs. 17.11 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 21.52 million. The standard deviation is 19.28. The miscellaneous return is further divided in the above table.

#### **4.3.2 Investment Return of Nepal Life Insurance Company Ltd.**

Investment return is the interest earned by the government bonds, fixed deposits invested in different banks and finance companies, dividend earned by shares, preference shares and so like earnings.

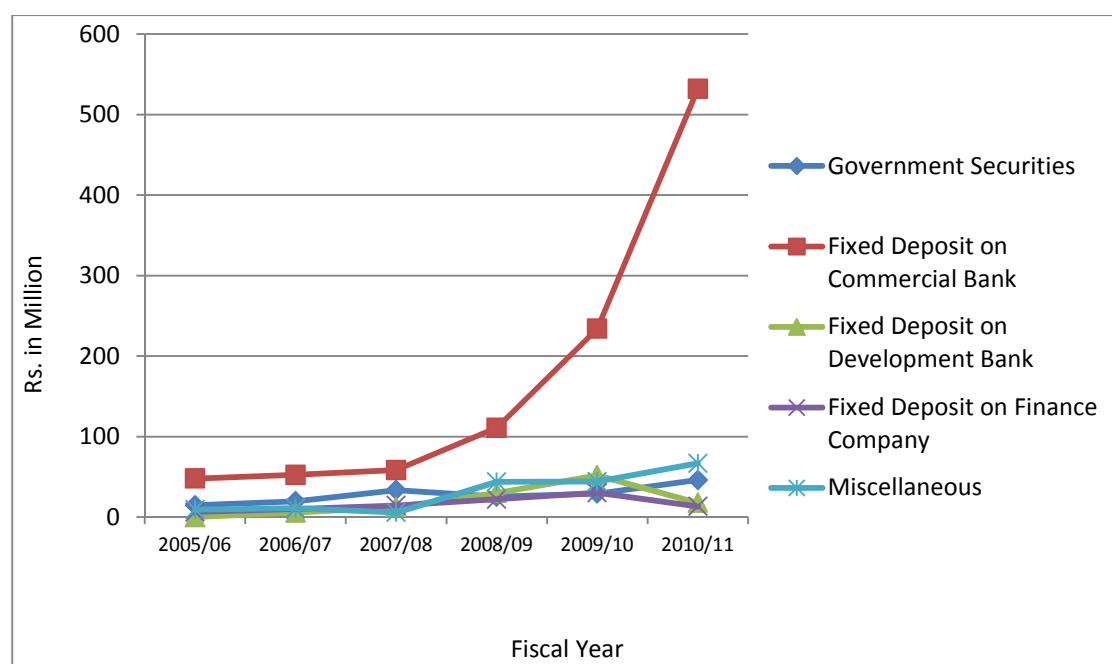
**Table 4.12**  
**Nepal Life Insurance Company Limited Investment Return**  
(NRs. In million)

Particulars	Fiscal Year						Average	S.D.
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11		
Government Securities	14.72	19.77	33.77	25.54	29.31	46.29	28.23	11.13
Fixed Deposit on Commercial Bank	48.05	52.62	58.55	111.05	234.12	531.84	172.71	189.49
Fixed Deposit on Development Bank	0.12	5.66	12.66	30.15	52.06	17.73	19.73	18.92
Fixed Deposit on Finance Company	6.45	10.20	14.60	22.33	30.39	13.34	16.22	8.73
Miscellaneous	<b>9.51</b>	<b>11.23</b>	<b>5.95</b>	<b>43.74</b>	<b>44.24</b>	<b>66.94</b>	<b>30.27</b>	<b>24.92</b>
(a) Corporate Bond, Deb. and Pref. Share	6.93	8.09		15.38	16.04	14.72	12.23	4.36
(b) Ordinary Share	1.42	0.19	0.23	0.31	0.93	9.02	2.02	3.46
(c) Others	1.16	2.95	5.72	28.05	27.27	43.20	18.06	17.22
<b>Total</b>	<b>78.85</b>	<b>99.48</b>	<b>125.53</b>	<b>232.81</b>	<b>390.12</b>	<b>676.14</b>	<b>267.16</b>	<b>231.17</b>

Source : Annex 12

The investment return is also shown in the graphical presentation as follows.

**Figure 4.12**  
**Nepal Life Insurance Company Limited Investment Return**



Source: Table 4.12

The investment return of Nepal Life Insurance Co.Ltd. is presented in the tabular form in the Table 4.12. It has investment return is also classified into five major portfolios. These are government securities, fixed deposit in commercial bank, fixed deposit in development banks, fixed deposit in finance companies and miscellaneous. Miscellaneous sector is further divided into corporate bond, debt, and preference share as a first sub group, ordinary shares as second sub group and others are third group.

The company has earned from government securities by NRs. 14.72 million in 2005/06, which increases in 2006/07 to reach to NRs. 19.77 million. Similarly in 2007/08 the investment return is of NRs. 33.77 million. The value is NRs.25.54 in the FY 2008/09 and 2009/10 remaining in NRs. 29.31 million. It increases to NRs. 46.29 million in 2010/11.The average investment return in this portfolio within the period of study is NRs. 28.23 million. The standard deviation is 11.13.

The return of the company from the sector of fixed deposit on commercial banks is NRs. 48.05 million in 2005/06, which increases in 2006/07 to reach to NRs. 52.62 million. Similarly in 2007/08 the investment return is of NRs. 58.55 million. This value goes to NRs. 111.05 in the FY 2008/09 and in 2009/010 remaining in NRs. 234.12 million. It increases to NRs. 531.84 million in 2010/11.The average investment return in this portfolio within the period of study is NRs. 172.11 million. The standard deviation is 189.49.

The company has earned from the sector of fixed deposit on the development banks is NRs. 0.12 million in 2005/06. This increases to NRs. 5.66 million in 2006/07, NRs. 12.66 million in 2007/04, NRs. 30.15 million in 2008/09, NRs. 52.06 million in 2009/10, NRs. 17.73 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 19.73 million. The standard deviation is 18.92.

Similarly the insurer has earned return from the investment of finance companies is NRs. 6.45 million in 2005/06. This increases to NRs. 10.20 million in 2006/07, NRs. 14.60 million in 2007/08, NRs. 22.33 million in 2008/09, NRs. 30.39 million in 2009/10, NRs. 13.34 million in 2010/11. The average investment return in this

portfolio within the period of study is NRs. 16.22 million. The standard deviation is 8.73.

The investment return of the group of miscellaneous is NRs. 9.51 million in 2005/06, NRs. 11.23 million in 2006/07, NRs. 5.95 million in 2007/08, NRs. 43.74 million in 2008/09, NRs. 44.24 million in 2009/10, NRs. 66.94 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 30.27 million. The standard deviation is 24.92. The miscellaneous return is further divided in the above table.

#### **4.3.3 Investment Return of Life Insurance Corporation (Nepal) Ltd.**

Investment return is the interest earned by the government bonds, fixed deposits invested in different banks and finance companies, dividend earned by shares, preference shares and so like earnings.

The investment return of Life Insurance Corporation (Nepal) Ltd. is presented in the tabular form in the Table 4.13. It has investment return is also classified into five major portfolios. These are government securities, fixed deposit in commercial bank, fixed deposit in development banks, fixed deposit in finance companies and miscellaneous. Miscellaneous sector is further divided into corporate bond, debt, and preference share as a first sub group, ordinary shares as second sub group and others are third group.

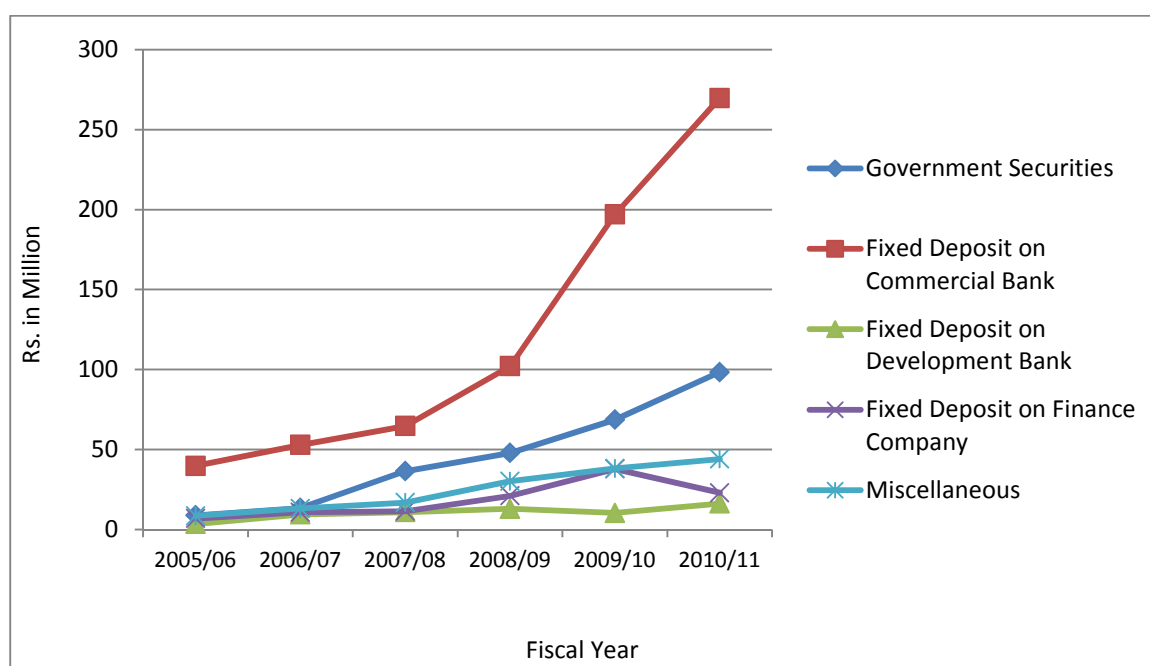
**Table 4.13**  
**Life Insurance Corporation (Nepal) Limited Investment Return**  
(NRs. In million)

Particulars	Fiscal Year						Average	S.D.
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11		
Government Securities	8.85	13.48	36.50	47.88	68.65	98.42	45.63	34.03
Fixed Deposit on Commercial Bank	39.71	52.83	64.69	102.13	196.98	269.70	121.01	92.38
Fixed Deposit on Development Bank	3.44	9.44	10.87	12.92	10.32	16.28	10.55	4.25
Fixed Deposit on Finance Company	6.88	10.70	11.48	21.03	37.84	22.97	18.48	11.36
Miscellaneous	<b>8.54</b>	<b>13.09</b>	<b>16.79</b>	<b>30.19</b>	<b>38.15</b>	<b>44.02</b>	<b>25.13</b>	<b>14.43</b>
(a) Corporate Bond, Deb. and Pref. Share	6.56	11.16	14.05	16.86	16.34	11.77	12.79	3.83
(b) Ordinary Share		0.74	1.16	1.01	0.91	2.21	1.21	0.58
(c) Others	1.98	1.19	1.58	12.32	20.90	30.04	11.34	12.07
<b>Total</b>	<b>67.42</b>	<b>99.54</b>	<b>140.33</b>	<b>214.15</b>	<b>351.94</b>	<b>451.39</b>	<b>220.80</b>	<b>151.74</b>

Source : Annex 13

The investment return is also shown in the graphical presentation as follows.

**Figure 4.13**  
**Life Insurance Corporation (Nepal) Limited Investment Return**



Source: Table 4.13

The company has earned from government securities by NRs. 8.85 million in 2005/06, which increases in 2006/07 to reach to NRs. 13.48 million. Similarly in 2007/08 the investment return is of NRs. 36.50 million. The value is NRs.47.88 in the FY 2008/09 and 2009/10 remaining in NRs. 68.65 million. It increases to NRs. 98.42 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 45.63 million. The standard deviation is 34.03.

The return of the company from the sector of fixed deposit on commercial banks is NRs. 39.71 million in 2005/06, which increases in 2006/07 to reach to NRs. 52.83 million. Similarly in 2007/08 the investment return is of NRs. 64.69 million. This value goes to NRs. 102.13 in the FY 2008/09 and in 2009/010 remaining in NRs. 196.98 million. It increases to NRs. 269.70 million in 2010/11.The average investment return in this portfolio within the period of study is NRs. 121.01 million. The standard deviation is 92.38.

The company has earned from the sector of fixed deposit on the development banks is NRs. 3.44 million in 2005/06. This increases to NRs. 9.44 million in 2006/07, NRs. 10.87 million in 2007/04, NRs. 12.92 million in 2008/09, NRs. 10.32 million in 2009/10, NRs. 16.28 million in 2010/11.The average investment return in this portfolio within the period of study is NRs. 10.55 million. The standard deviation is 4.25.

Similarly the insurer has earned return from the investment of finance companies is NRs. 6.88 million in 2005/06. This increases to NRs. 10.70 million in 2006/07, NRs. 11.48 million in 2007/08, NRs. 21.03 million in 2008/09, NRs. 37.84 million in 2009/10, NRs. 22.97 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 18.48 million. The standard deviation is 11.36.

The investment return of the group of miscellaneous is NRs. 8.54 million in 2005/06, NRs. 13.09 million in 2006/07, NRs. 16.79 million in 2007/08, NRs. 30.19 million in 2008/09, NRs. 38.15 million in 2009/10, NRs. 44.02 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 25.13 million.

The standard deviation is 14.43. The miscellaneous return is further divided in the above table.

#### 4.3.4 Investment Return of Met Life (ALICO)

Investment return is the interest earned by the government bonds, fixed deposits invested in different banks and others earnings.

The investment return of Met Life (ALICO) is presented in the tabular form in the Table 4.14. It has investment return is also classified into three major portfolios. These are government securities, fixed deposit in commercial banks and miscellaneous. Miscellaneous sector is further divided into corporate bond, debt, and preference share as a first sub group, ordinary shares as second sub group and others are third group.

**Table 4.14**  
**Met Life (ALICO) Investment Return**

(Rs.in million)

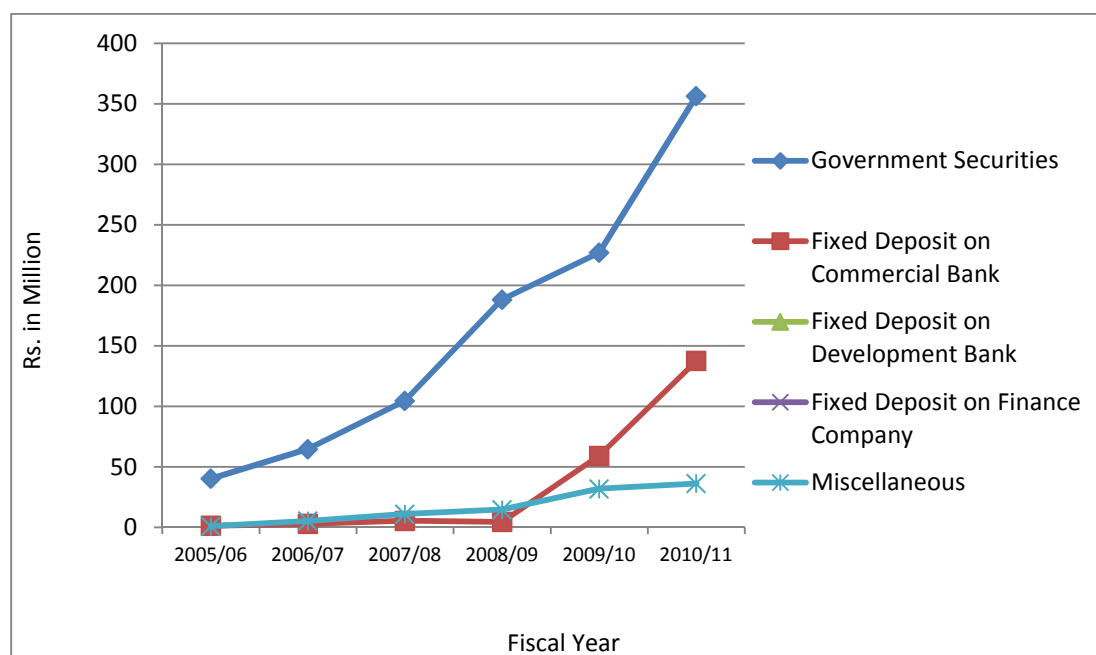
Particulars	Fiscal Year						Average	S.D.
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11		
Government Securities	40.19	64.69	104.64	188.21	226.92	356.39	163.51	118.55
Fixed Deposit on Commercial Bank	1.41	2.97	5.50	4.56	59.17	137.54	35.19	54.86
Fixed Deposit on Development Bank								
Fixed Deposit on Finance Company								
Miscellaneous	<b>1.01</b>	<b>5.37</b>	<b>11.05</b>	<b>14.72</b>	<b>31.93</b>	<b>36.28</b>	<b>16.73</b>	<b>14.32</b>
(a) Corporate Bond, Deb. and Pref. Share								
(b) Ordinary Share								
(c) Others	1.01	5.37	11.05	14.72	31.93	36.28	16.73	14.32
<b>Total</b>	<b>42.61</b>	<b>73.03</b>	<b>121.19</b>	<b>207.49</b>	<b>318.02</b>	<b>530.21</b>	<b>215.43</b>	<b>183.68</b>

Source : Annex 14

The investment return is shown in the graphical presentation as follows.

**Figure 4.14**

**Met Life (ALICO) Investment Return**



Source: Table 4.14

The company has earned from government securities by NRs. 40.19 million in 2005/06, which increases in 2006/07 to reach to NRs. 64.69 million. Similarly in 2007/08 the investment return is of NRs. 104.64 million. The value is NRs.188.21 in the FY 2008/09 and 2009/10 remaining in NRs. 226.32 million. It increases to NRs. 356.39 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 163.51 million. The standard deviation is 118.55.

The return of the company from the sector of fixed deposit on commercial banks is NRs. 1.41 million in 2005/06, which increases in 2006/07 to reach to NRs. 2.97 million. Similarly in 2007/08 the investment return is of NRs. 5.50 million. This value goes to NRs. 4.56 in the FY 2008/09 and in 2009/010 remaining in NRs. 59.17 million. It increases to NRs. 137.54 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 35.19 million. The standard deviation is 54.86.

The investment return of the group of miscellaneous is NRs.1.01 million in 2005/06, NRs. 5.37 million in 2006/07, NRs. 11.05 million in 2007/08, NRs. 14.72 million in 2008/09, NRs. 31.93 million in 2009/10, NRs. 36.28 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 16.73 million. The standard deviation is 14.32. The miscellaneous return is further divided in the above table.

#### 4.3.5 Total Investment Return of Old Aged life insurers

Investment return is the interest earned by the government bonds, fixed deposits invested in different banks and finance companies, dividend earned by shares, preference shares and so like earnings.

The investment returns of Life Insurers are presented in the tabular form in the Table 4.15. It has investment return is also classified into five major portfolios. These are government securities, fixed deposit in commercial bank, fixed deposit in development banks, fixed deposit in finance companies and miscellaneous. Miscellaneous sector is further divided into corporate bond, debt, and preference share as a first sub group, ordinary shares as second sub group and others are third group.

**Table 4.15**  
**Total Investment Return of Old Aged Life Insurers**  
(NRs. In million)

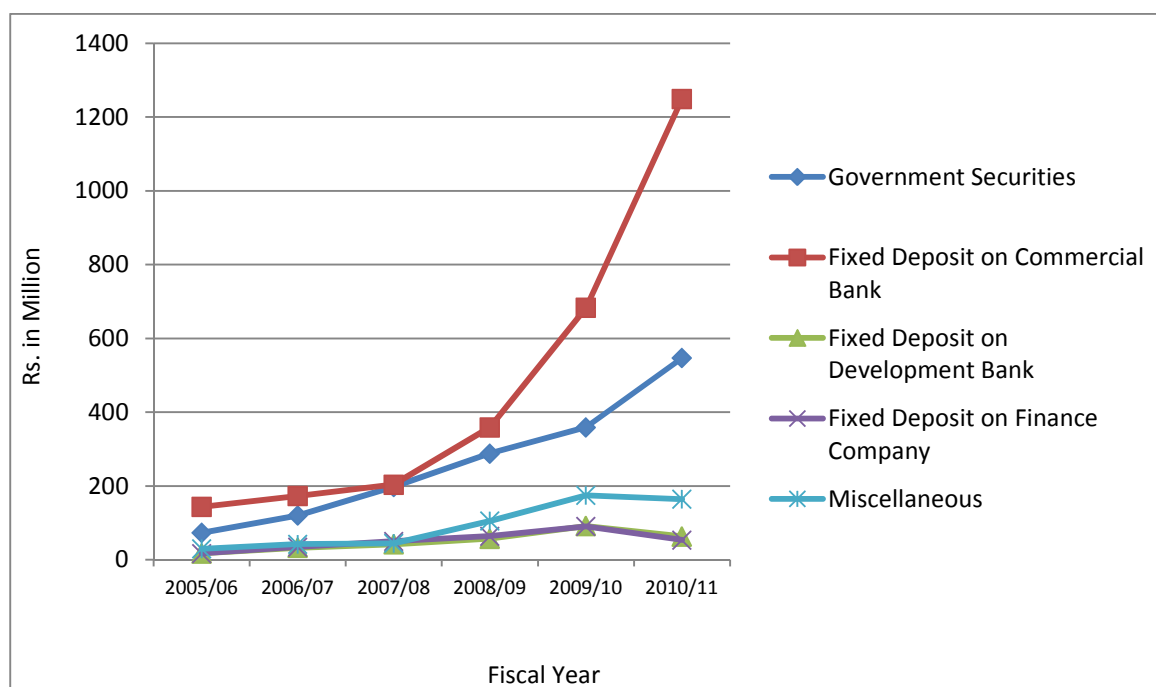
Particulars	Fiscal Year						Average	S.D.
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11		
Government Securities	73.26	120.30	197.61	288.03	359.08	546.87	264.19	173.82
Fixed Deposit on Commercial Bank	143.77	173.02	203.84	358.94	682.97	1,249.14	468.61	431.32
Fixed Deposit on Development Bank	17.26	32.50	42.23	57.17	91.68	63.09	50.66	26.06
Fixed Deposit on Finance Company	17.53	34.70	50.28	64.16	90.63	53.87	51.86	25.04
Miscellaneous	<b>29.96</b>	<b>42.52</b>	<b>44.79</b>	<b>105.45</b>	<b>174.80</b>	<b>164.35</b>	<b>93.65</b>	<b>64.47</b>
(a) Corporate Bond, Deb. and Pref. Share	17.39	24.85	17.85	39.64	51.08	40.95	31.96	13.91
(b) Ordinary Share	2.72	3.13	1.79	3.32	20.14	11.95	7.18	7.36
(c) Others	9.85	14.54	25.15	62.49	103.58	111.45	54.51	45.10
<b>Total</b>	<b>281.78</b>	<b>403.04</b>	<b>538.75</b>	<b>873.75</b>	<b>1,399.16</b>	<b>2,077.32</b>	<b>928.97</b>	<b>691.46</b>

*Source: Annex 15*

The investment return is also shown in the graphical presentation as follows.

**Figure 4.15**

**Total Investment Return of Old Aged life Insurers**



Source: Table 4.15

The company has earned from government securities by NRs. 73.36 million in 2005/06, which increases in 2006/07 to reach to NRs. 120.30 million. Similarly in 2007/08 the investment return is of NRs. 197.61 million. The value is NRs.47288.03 in the FY 2008/09 and 2009/10 remaining in NRs. 359.08 million. It increases to NRs. 546.87 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 264.19 million. The standard deviation is 173.82.

The return of the company from the sector of fixed deposit on commercial banks is NRs. 143.77 million in 2005/06, which increases in 2006/07 to reach to NRs. 173.02 million. Similarly in 2007/08 the investment return is of NRs. 203.84 million. This value goes to NRs. 358.94 in the FY 2008/09 and in 2009/010 remaining in NRs. 682.97 million. It increases to NRs. 1249.14 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 468.61 million. The standard deviation is 431.32.

The company has earned from the sector of fixed deposit on the development banks is NRs. 17.26 million in 2005/06. This increases to NRs. 32.50 million in 2006/07, NRs. 42.23 million in 2007/04, NRs. 57.17 million in 2008/09, NRs. 91.68 million in 2009/10, NRs. 63.09 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 50.66 million. The standard deviation is 26.06.

Similarly the insurer has earned return from the investment of finance companies is NRs. 17.53 million in 2005/06. This increases to NRs. 34.70 million in 2006/07, NRs. 50.28 million in 2007/08, NRs. 64.16 million in 2008/09, NRs. 90.63 million in 2009/10, NRs. 53.87 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 51.86 million. The standard deviation is 25.04.

The investment return of the group of miscellaneous is NRs. 29.96 million in 2005/06, NRs. 42.52 million in 2006/07, NRs. 44.79 million in 2007/08, NRs. 105.45 million in 2008/09, NRs. 174.80 million in 2009/10, NRs. 164.35 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 93.65 million. The standard deviation is 64.47. The miscellaneous return is further divided in the above table.

#### **4.4 Investment Return of New Aged Life Insurance Companies**

##### **4.4.1 Investment Return of Asian Life Insurance Company Ltd.**

Investment return is the interest earned by the government bonds, fixed deposits invested in different banks and finance companies, dividend earned by shares, preference shares and so like earnings.

The investment return of Asian Life Insurance Co. Ltd. is presented in the tabular form in the Table 4.16. It has investment return is also classified into five major portfolios. These are government securities, fixed deposit in commercial bank, fixed deposit in development banks, fixed deposit in finance companies and miscellaneous. Miscellaneous sector is further divided into corporate bond, debt, and preference share as a first sub group, ordinary shares as second sub group and others are third group.

The company has earned from government securities by NRs. 0.07 million in 2008/09, which increases in 2009/10 to reach to NRs. 6.53 million and NRs. 36.42 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 14.34 million. The standard deviation is 19.39.

The return of the company from the sector of fixed deposit on commercial banks is NRs. 5.66 in million in 2007/08, which increases in 2008/09 to reach to NRs. 27.86 million. Similarly in 2009/10 the investment return is of NRs. 52.83 million and 120.66 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 51.75 million. The standard deviation is 49.82.

**Table 4.16**  
**Asian Life Insurance Company Limited Investment Return**

(NRs. In million)

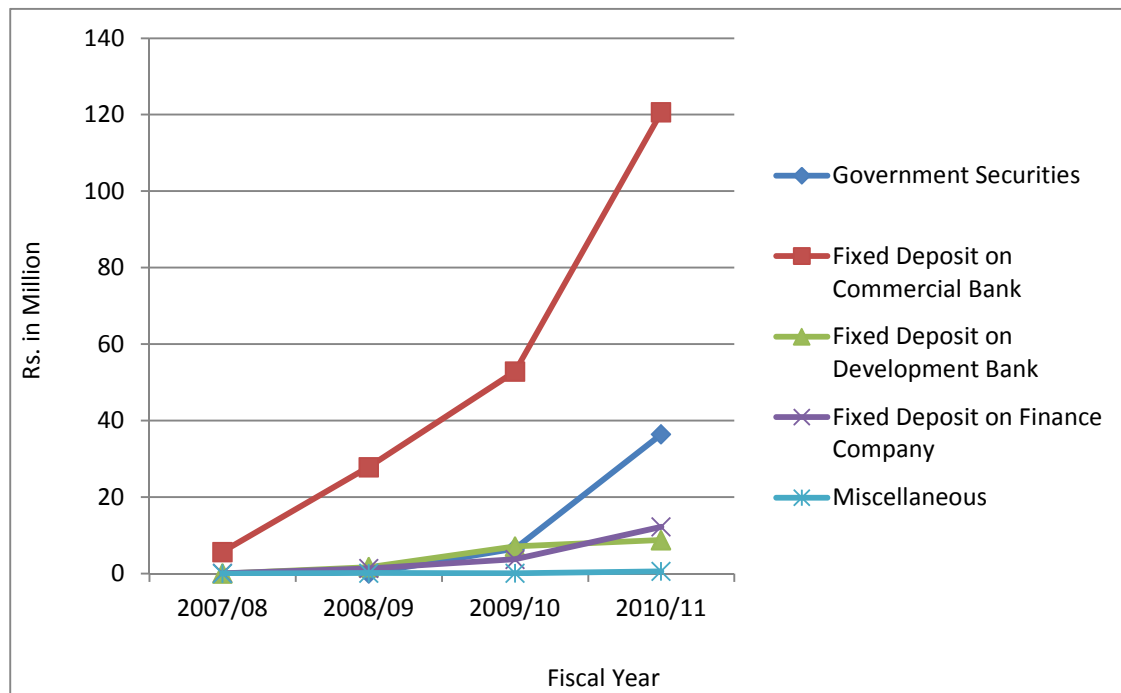
Particulars	Fiscal Year				Average	S.D.
	2007/08	2008/09	2009/10	2010/11		
Government Securities		0.07	6.53	36.42	14.34	19.39
Fixed Deposit on Commercial Bank	5.66	27.86	52.83	120.66	51.75	49.82
Fixed Deposit on Development Bank	0.03	1.71	7.08	8.77	4.40	4.19
Fixed Deposit on Finance Company	0.08	1.36	3.74	12.25	4.36	5.48
Miscellaneous	-	<b>0.13</b>	<b>0.11</b>	<b>0.60</b>	<b>0.21</b>	<b>0.27</b>
(a) Corporate Bond, Deb. and Pref. Share		0.13	0.11	0.21	0.15	0.05
(b) Ordinary Share				0.11	0.11	
(c) Others				0.28	0.28	
<b>Total</b>	<b>5.77</b>	<b>31.13</b>	<b>70.29</b>	<b>178.70</b>	<b>71.47</b>	<b>76.25</b>

*Source : Annex 16*

The investment return is shown in the graphical presentation as follows.

**Figure 4.16**

**Asian Life Insurance Company Limited Investment Return**



The company has earned from the sector of fixed deposit on the development banks is NRs. 0.03 million in 2007/08. This increases to NRs. 1.71 million in 2008/09, NRs. 7.08 million in 2009/10 and NRs. 8.77 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 4.40 million. The standard deviation is 4.19.

Similarly the insurer has earned return from the investment of finance companies is NRs. 0.08 million in 2007/08. This increases to NRs. 1.36 million in 2008/09, NRs. 3.74 million in 2009/10 and NRs. 12.25 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 4.36 million. The standard deviation is 5.48.

The investment return of the group of miscellaneous is NRs. 0.13 million in 2008/09, NRs. 0.11 million in 2009/10 and NRs. 0.60 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 0.08 million. The standard deviation is 0.19.

The miscellaneous return is further divided in the above table.

#### 4.4.2 Investment Return of Surya Life Insurance Company Ltd.

Investment return is the interest earned by the government bonds, fixed deposits invested in different banks and finance companies, dividend earned by shares, preference shares and so like earnings.

The investment return of Surya Life Insurance Co. Ltd. is presented in the tabular form in the Table 4.17. It has investment return is also classified into five major portfolios. These are government securities, fixed deposit in commercial bank, fixed deposit in development banks, fixed deposit in finance companies and miscellaneous. Miscellaneous sector is further divided into corporate bond, debt, and preference share as a first sub group, ordinary shares as second sub group and others are third group.

**Table 4.17**  
**Surya Life Insurance Company Limited Investment Return**  
(NRs. In million)

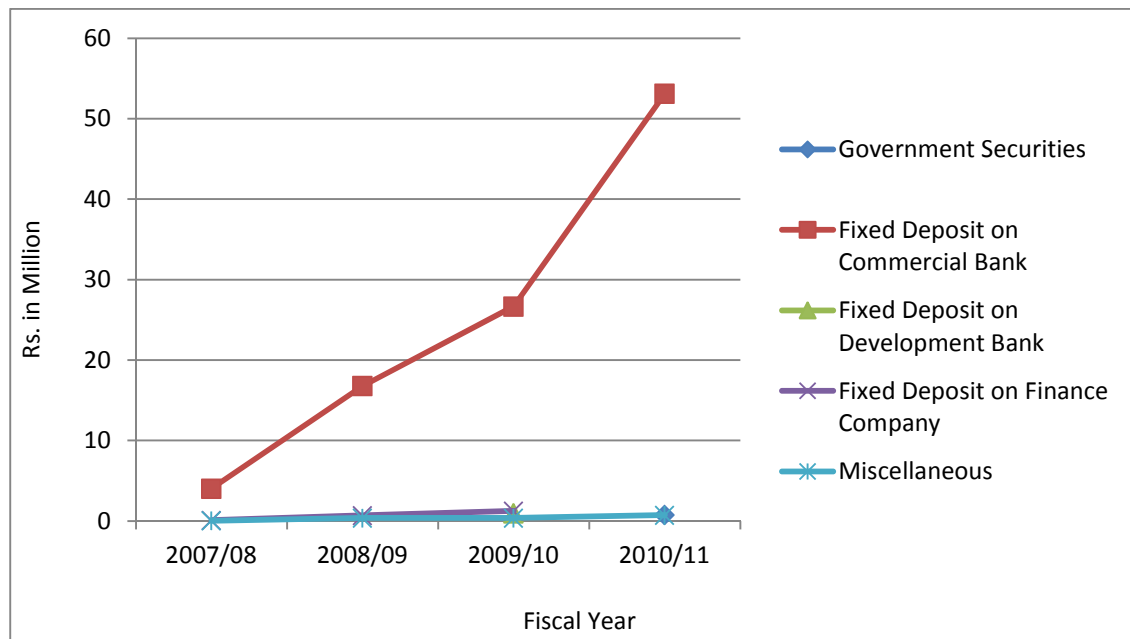
Particulars	Fiscal Year				Average	S.D.
	2007/08	2008/09	2009/10	2010/11		
Government Securities				0.78	0.78	
Fixed Deposit on Commercial Bank	4.03	16.78	26.67	53.11	25.15	20.82
Fixed Deposit on Development Bank			0.98		0.98	
Fixed Deposit on Finance Company	0.10	0.69	1.26		0.68	0.58
Miscellaneous	<b>0.05</b>	<b>0.38</b>	<b>0.38</b>	<b>0.73</b>	<b>0.39</b>	<b>0.28</b>
(a) Corporate Bond, Deb. and Pref. Share	0.05	0.37	0.37	0.37	0.29	0.16
(b) Ordinary Share		0.01	0.01	0.36	0.13	0.20
(c) Others						
<b>Total</b>	<b>4.18</b>	<b>17.85</b>	<b>29.29</b>	<b>54.62</b>	<b>26.49</b>	<b>21.38</b>

*Source : Annex 17*

The investment return is also shown in the graphical presentation as follows.

**Figure 4.17**

**Surya Life Insurance Company Limited Investment Return**



Source :Table 4.17

The company has earned from government securities by NRs. 0.78 million in 2010/11. The return of the company from the sector of fixed deposit on commercial banks is NRs. 4.03 in million in 2007/08, which increases in 2008/09 to reach to NRs. 16.78 million. NRs. 26.67 million in 2009/10 and NRs. 53.11 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 25.15 million. The standard deviation is 20.82.

The company has earned from the sector of fixed deposit on the development banks is NRs. 0.98 million in 2010/11.

Similarly the insurer has earned return from the investment of finance companies is NRs. 0.10 million in 2007/08. The return from this sector increases in 2008/09 to NRs. 0.69 million and again increases to NRs. 1.26 million in 2009/10. The average investment return in this portfolio within the period of study is NRs. 0.68 million. The standard deviation is 0.58.

The investment return of the group of miscellaneous is NRs. 0.05 million in 2007/08, NRs. 0.38 million in 2008/09 and 2009/10, NRs. 60.48 million in NRs. 0.73 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 0.15 million. The standard deviation is 0.26. The miscellaneous return is further divided in the above table.

#### 4.4.3 Investment Return of Gurans Life Insurance Company Ltd.

Investment return is the interest earned by the government bonds, fixed deposits invested in different banks and finance companies, dividend earned by shares, preference shares and so like earnings. The investment return of Gurans Life Insurance Co. Ltd. is presented in the tabular form in the Table 4.18. It has investment return is also classified into five major portfolios. These are government securities, fixed deposit in commercial bank, fixed deposit in development banks, fixed deposit in finance companies and miscellaneous. Miscellaneous sector is further divided into corporate bond, debt, and preference share as a first sub group, ordinary shares as second sub group and others are third group.

**Table 4.18**

#### **Gurans Life Insurance Company Limited Investment Return**

(Rs.in million)

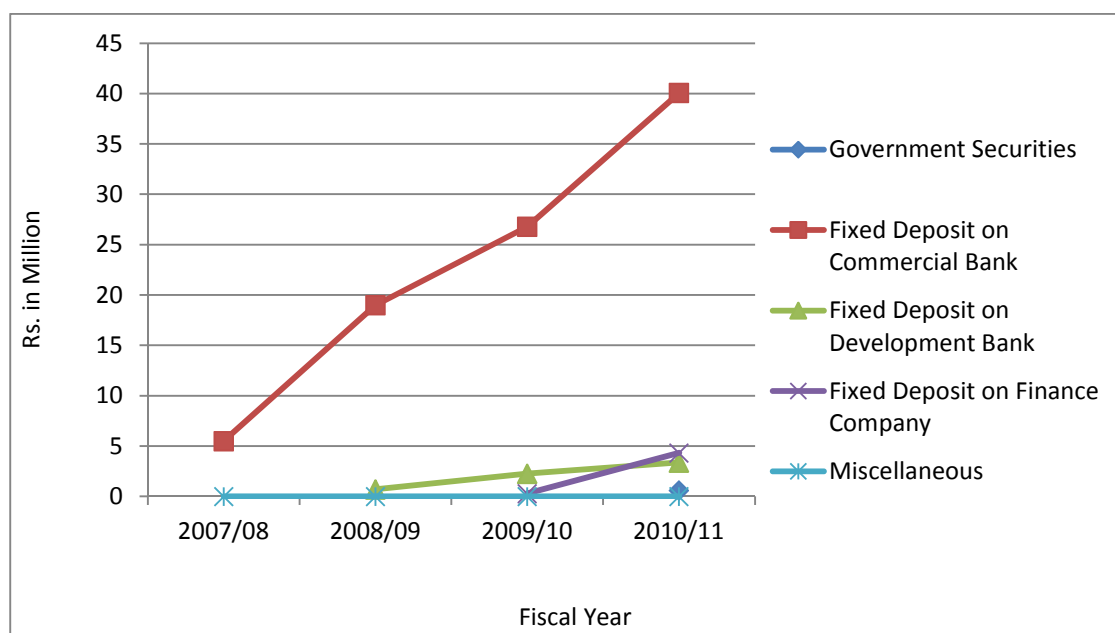
Particulars	Fiscal Year				Average	S.D.
	2007/08	2008/09	2009/10	2010/11		
Government Securities				0.60	0.60	
Fixed Deposit on Commercial Bank	5.51	19.00	26.78	40.06	22.84	14.46
Fixed Deposit on Development Bank		0.71	2.26	3.38	2.12	1.34
Fixed Deposit on Finance Company			0.29	4.33	2.31	2.86
Miscellaneous	-	-	-	<b>0.01</b>	<b>0.00</b>	<b>0.01</b>
(a) Corporate Bond, Deb. and Pref. Share						
(b) Ordinary Share						
(c) Others				0.01	0.01	
<b>Total</b>	<b>5.51</b>	<b>19.71</b>	<b>29.33</b>	<b>48.38</b>	<b>25.73</b>	<b>17.99</b>

Source : Annex 18

The investment return is also shown in the graphical presentation as follows.

**Figure 4.18**

**Gurans Life Insurance Company Limited Investment Return**



Source: Table 4.18

The company has earned from government securities by NRs. 0.60 million in 2010/11.

The return of the company from the sector of fixed deposit on commercial banks is NRs. 5.51 in million in 2007/08, which increases in 2008/09 to reach to NRs. 19 million. NRs. 26.78 million in 2009/10 and NRs. 40.06 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 22.84 million. The standard deviation is 14.46.

The company has earned from the sector of fixed deposit on the development banks is NRs. 0.71 million in 2008/09. This increases to NRs. 2.26 million in 2009/10 and NRs. 3.38 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 2.12 million. The standard deviation 1.34.

Similarly the insurer has earned return from the investment of finance companies is NRs. 0.29 million in 2009/10 and NRs. 4.33 million in 2010/11. The average

investment return in this portfolio within the period of study is NRs. 2.31 million. The standard deviation is 2.86.

The investment return of the group of miscellaneous is NRs. 0.01 million in 2010/11. The miscellaneous return is further divided in the above table.

#### 4.4.4 Investment Return of Prime Life Insurance Company Ltd.

Investment return is the interest earned by the government bonds, fixed deposits invested in different banks and finance companies, dividend earned by shares, preference shares and so like earnings.

The investment return of National Life Insurance Co. Ltd. is presented in the tabular form in the Table 4.19. It has investment return is also classified into five major portfolios. These are government securities, fixed deposit in commercial bank, fixed deposit in development banks, fixed deposit in finance companies and miscellaneous. Miscellaneous sector is further divided into corporate bond, debt, and preference share as a first sub group, ordinary shares as second sub group and others are third group.

**Table 4.19**  
**Prime Life Insurance Company Limited Investment Return**

(Rs.in million)

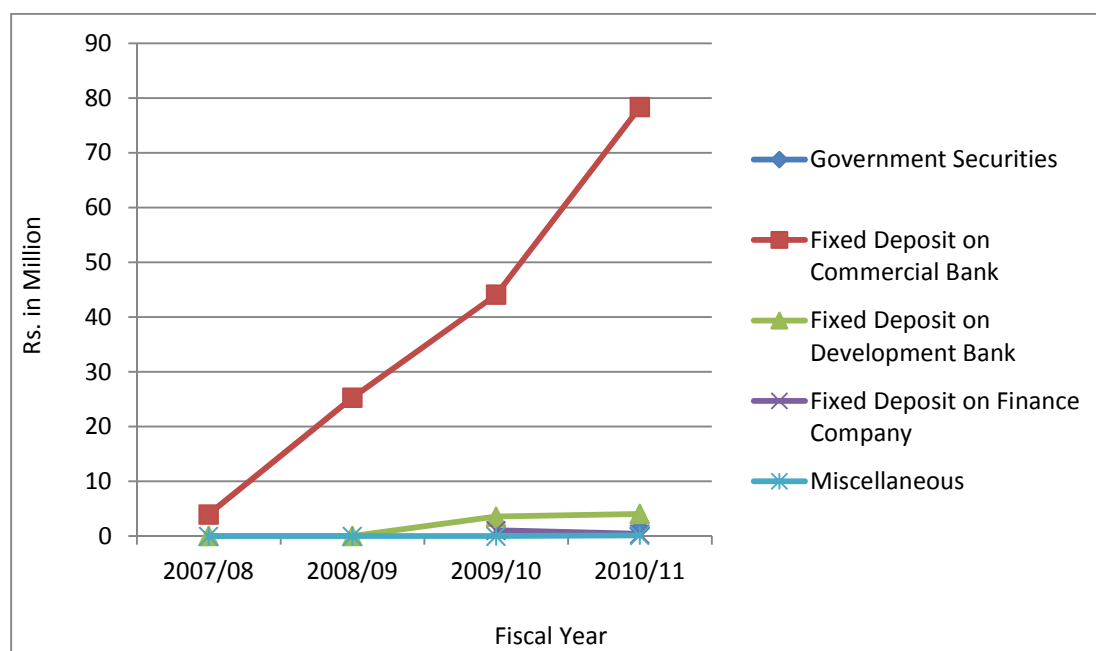
Particulars	Fiscal Year				Average	S.D.
	2007/08	2008/09	2009/10	2010/11		
Government Securities				1.54		
Fixed Deposit on Commercial Bank	4.00	25.30	44.11	78.37	37.95	31.54
Fixed Deposit on Development Bank	0.03	0.04	3.57	4.08	1.93	2.20
Fixed Deposit on Finance Company			1.07	0.41	0.74	0.47
Miscellaneous	-	-	-	<b>0.15</b>		
(a) Corporate Bond, Deb. and Pref. Share				0.01	0.01	
(b) Ordinary Share				0.1	0.10	
(c) Others				0.04	0.04	
<b>Total</b>	<b>4.03</b>	<b>25.34</b>	<b>48.75</b>	<b>84.55</b>	<b>40.67</b>	<b>34.49</b>

Source : Annex 19

The investment return is also shown in the graphical presentation as follows.

**Figure 4.19**

**Prime Life Insurance Company Limited Investment Return**



Source: Table 4.19

The company has earned from government securities by NRs. 1.54 million in 2010/11. The return of the company from the sector of fixed deposit on commercial banks is NRs. 4 in million in 2007/08, which increases in 2008/09 to reach to NRs. 25.30 million, NRs. 44.11 million in 2009/10 and NRs. 78.37 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 37.95 million. The standard deviation is 31.54.

The company has earned from the sector of fixed deposit on the development banks is NRs. 0.03 million in 2007/08 NRs. 0.04 million in 2008/09. The return increases to NRs. 3.57 million in 2009/10 and NRs. 4.08 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 1.93 million. The standard deviation is 2.20. Similarly the insurer has earned return from the investment of finance companies is NRs. 1.07 million in 2009/10 and NRs. 0.41 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 0.74 million. The standard deviation is 0.47. The investment return of the group of miscellaneous is NRs. 0.15 million in 2010/11. The miscellaneous return is further divided in the above table.

#### 4.4.5 Total Investment Return of New Aged Life Insurers

Investment return is the interest earned by the government bonds, fixed deposits invested in different banks and finance companies, dividend earned by shares, preference shares and so like earnings.

The investment return of Life Insurers are presented in the tabular form in the Table 4.20. It has investment return is also classified into five major portfolios. These are government securities, fixed deposit in commercial bank, fixed deposit in development banks, fixed deposit in finance companies and miscellaneous. Miscellaneous sector is further divided into corporate bond, debt, and preference share as a first sub group, ordinary shares as second sub group and others are third group.

**Table 4.20**

#### **Total Investment Return of New Aged Life Insurers**

(Rs.in million)

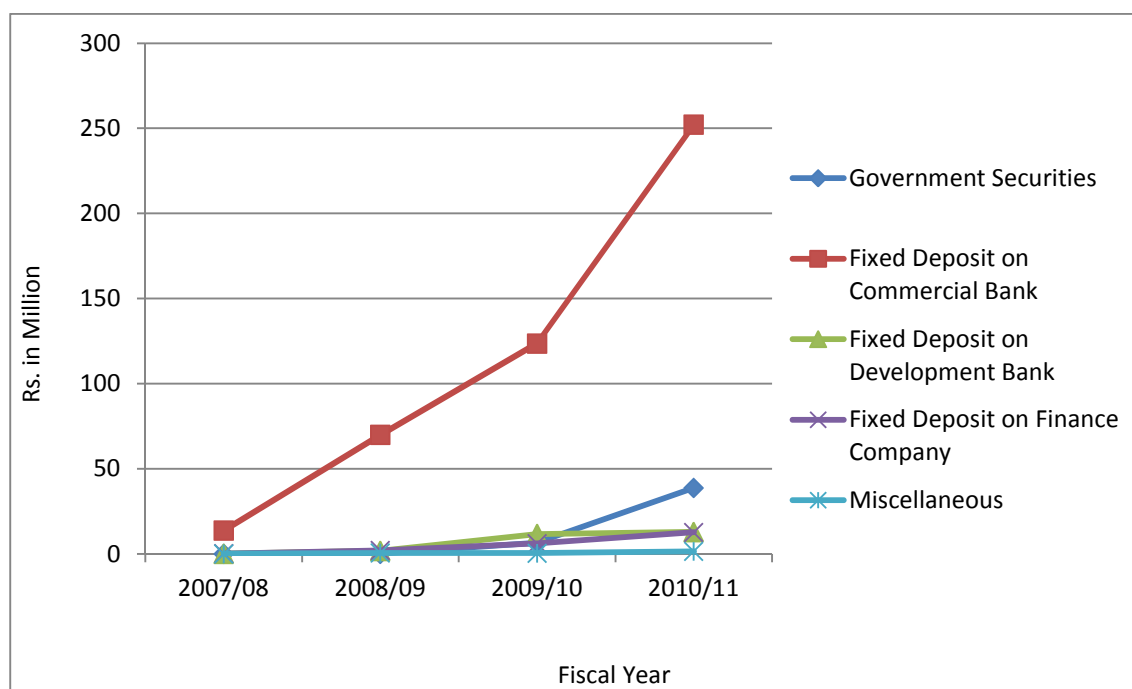
Particulars	Fiscal Year				Average	S.D.
	2007/08	2008/09	2009/10	2010/11		
Government Securities	-	0.07	6.53	38.74	11.34	18.52
Fixed Deposit on Commercial Bank	13.69	69.94	123.61	252.14	114.85	101.94
Fixed Deposit on Development Bank	0.06	1.75	11.63	12.85	6.57	6.60
Fixed Deposit on Finance Company	0.18	2.05	6.07	12.66	5.24	5.52
Miscellaneous	<b>0.05</b>	<b>0.51</b>	<b>0.49</b>	<b>1.48</b>	<b>0.63</b>	<b>0.60</b>
(a) Corporate Bond, Deb. and Pref. Share	0.05	0.50	0.48	0.59	0.41	0.24
(b) Ordinary Share	-	0.01	0.01	0.57	0.15	0.28
(c) Others	-	-	-	0.32	0.08	0.16
<b>Total</b>	<b>13.98</b>	<b>74.32</b>	<b>148.33</b>	<b>317.87</b>	<b>138.63</b>	<b>131.52</b>

Source: Table 4.20

The investment return is shown in the graphical presentation as follows.

**Figure 4.20**

**Total Investment Return of Life Insurers**



Source: Table 4.20

The company has earned from government securities by NRs. 0.07 million in 2008/09, which increases in 2009/10 to reach to NRs. 6.53 million. and It increases to NRs. 38.74 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 11.34 million. The standard deviation is 190.22.

The return of the company from the sector of fixed deposit on commercial banks is NRs. 13.69 in million in 2007/08, which increases in 2008/09 to reach to NRs. 69.94 million. Similarly in 2009/10 the investment return is of NRs. 123.61 million and this value goes to NRs. 252.14 in the FY 2010/11.. The average investment return in this portfolio within the period of study is 114.85 million. The standard deviation is 101.94.

The company has earned from the sector of fixed deposit on the development banks is NRs. 0.06 million in 2007/08. This increases to NRs. 1.75 million in 2008/09, NRs. 11.63 million in 2009/10 and NRs. 12.85 million in 2010/11. The average investment

return in this portfolio within the period of study is NRs. 6.75 million. The standard deviation is 6.60.

Similarly the insurer has earned return from the investment of finance companies is NRs. 0.18 million in 2007/08. This increases to NRs. 2.05 million in 2008/09, NRs. 6.07 million in 2009/10 and NRs. 12.66 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 5.24 million. The standard deviation is 5.52.

The investment return of the group of miscellaneous is NRs. 0.05 million in 2007/08, NRs. 0.51 million in 2008/09, NRs. 0.49 million in 2009/10 and NRs. 1.48 million in 2010/11. The average investment return in this portfolio within the period of study is NRs. 0.63 million. The standard deviation is 0.60. The miscellaneous return is further divided in the above table.

#### **4.5 Investment Guidelines of All Life Insurance Companies**

<b>Sector</b>	<b>Criteria</b>
Government Securities	25% or more than 25% of Total Investment
Fixed Deposit in Commercial Bank	35% or more than 35% of Total Investment
Fixed Deposit in Development Bank	15% or less than 15% of Total Investment
Fixed Deposit in Finance Company	10%
Miscellaneous	15% or less than 15% of Total Investment

Companies are directed to invest in government bond and securities by equal or more than 25% of total investment. Similarly, companies need to invest in fixed deposit of commercial banks by equal or more than 35% of total investment. Fixed deposit of development bank is to be ceded by equal or less than 15% of total investment and so is 10% in fixed deposit of finance companies. Similarly, in miscellaneous group equal or less than 15% can be invested. Investment criteria other than miscellaneous are mandatory. But if insurer will to invest in miscellaneous group, that cannot exceed 15%.

#### 4.5.1 Compliance of Investment Guidelines of Old Aged Insurance Companies.

##### 4.5.1.1 National Life Insurance Company Ltd.

**Table 4.21**

#### **National Life Insurance Company Ltd.**

#### **Compliance of Investment guidelines issued by Beema Samiti**

(In Percentage)

Particulars	Under Investment guidelines	Fiscal Year					
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Government Securities	More than 25 percent	8.15	11.43	10.75	11.72	15.83	18.90
Fixed Deposit on Commercial Bank	More than 35 percent	50.10	51.97	52.71	56.40	57.78	56.11
Fixed Deposit on Development Bank	Less than 15 percent	10.78	9.21	11.00	7.99	5.09	11.41
Fixed Deposit on Finance Company	Less than 10 percent	4.56	16.64	10.16	7.16	3.31	2.53
Miscellaneous	Less than 15 percent	<b>26.41</b>	<b>10.74</b>	<b>15.37</b>	<b>16.73</b>	<b>17.99</b>	<b>11.04</b>
(a) Corporate Bond, Deb. and Pref. Share		2.60	2.41	6.30	5.40	3.85	4.01
(b) Ordinary Share		3.49	4.68	5.05	5.18	7.12	6.36
(c) Others		20.32	3.65	4.02	6.15	7.02	0.67
<b>Total</b>		<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

*Source : Annex 21*

National Life Insurance Company Ltd. has invested in government securities by 8.15% in 2005/06, 11.43% in 2006/07, 10.75% in 2007/08, 11.72% in 2008/09, 15.83% in 2009/10, 18.90% in 2010/11. The insurer has not met compliance in this regard for all period of our study.

This insurer has invested in fixed deposit of commercial banks by 50.10% in 2005/06, 51.97% in 2006/07, 52.71% in 2007/08, 56.40% in 2008/09, 57.78% in 2009/10 and 56.11% in 2010/11. The insurer has met compliance in this regard for all period of our study.

This insurer has invested in fixed deposit of development banks by 10.78% in 2005/06, 9.21% in 2006/07, 11% in 2007/08, 7.99% in 2008/09, 5.09% in 2009/10

and 11.41% in 2010/11. The insurer has met compliance in this regard for all period of our study.

This company has invested in fixed deposit of finance companies by 4.56% in 2005/06, 16.64% in 2006/07, 10.16% in 2007/08, 7.16% in 2008/09, 3.31% in 2009/10 and 2.53% in 2010/11. The insurer has not met compliance in this regard for the period 2006/07 and 2007/08.

National Life Insurance Company Ltd. has invested in miscellaneous by 26.41% in 2005/06, 10.74% in 2006/07, 15.37 % in 2007/08, 16.73% in 2008/09, 17.99% in 2009/10 and 11.04% in 2010/11. The insurer has not met compliance in this regard for the period 2005/06, 2007/08, 2008/09 and 2009/10.

#### **4.5.1.2 Nepal Life Insurance Company Ltd.**

Nepal Life Insurance Company Ltd. has invested in government securities by 9.68% in 2005/06, 20.95% in 2006/07, 17.46% in 2007/08, 12.24% in 2008/09, 8.66% in 2009/10 and 27.92% in 2010/11. Except in 2010/11 the insurer has not met compliance in this regard for all period of our study.

**Table 4.22**  
**Nepal Life Insurance Company Ltd.**  
**Compliance of Investment Guidelines issued by Beema Samiti**  
(In Percentage)

Particulars	Under Investment guidelines	Fiscal Year					
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Government Securities	More than 25 percent	9.68	20.95	17.46	12.24	8.66	27.92
Fixed Deposit on Commercial Bank	More than 35 percent	68.86	53.11	47.34	52.14	64.32	58.55
Fixed Deposit on Development Bank	Less than 15 percent	0.17	6.37	11.21	12.18	9.78	1.95
Fixed Deposit on Finance Company	Less than 10 percent	9.25	9.44	8.69	9.40	4.80	1.47
Miscellaneous	Less than 15 percent	<b>12.05</b>	<b>10.14</b>	<b>15.29</b>	<b>14.04</b>	<b>12.45</b>	<b>10.10</b>
(a) Corporate Bond, Deb. and Pref. Share		7.88	5.91	5.79	5.66	3.53	2.20
(b) Ordinary Share		1.64	0.69	4.48	2.91	3.25	2.43
(c) Others		2.53	3.54	5.02	5.48	5.67	5.47
<b>Total</b>		<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

*Source : Annex 22*

This insurer has invested in fixed deposit of commercial banks by 68.86% in 2005/06, 53.11% in 2006/07, 47.34% in 2007/08, 52.14% in 2008/09, 64.32% in 2009/10 and 58.55% in 2010/11. The insurer has met compliance in this regard for all period of our study.

This insurer has invested in fixed deposit of development banks by 0.17% in 2005/06, 6.37% in 2006/07, 11.21% in 2007/08, 12.18% in 2008/09, 9.78% in 2009/10 and 1.95% in 2010/11. The insurer has met compliance in this regard for all period of our study.

This company has invested in fixed deposit of finance companies by 9.25% in 2005/06, 9.44% in 2006/07, 8.69% in 2007/08, 9.40% in 2008/09, 4.80% in 2009/10 and 1.47% in 2010/11. The insurer has met compliance in this regard.

Nepal Life Insurance Company Ltd. has invested in miscellaneous by 12.05% in 2005/06, 10.14% in 2006/07, 15.29 % in 2007/08, 14.04% in 2008/09, 12.45% in 2009/10 and 10.10% in 2010/11. Except 2007/08 the insurer has met compliance in this regard.

#### 4.5.1.3 Life Insurance Corporation (Nepal) Ltd.

Life Insurance Corporation (Nepal) Ltd. has invested in government securities by 15.86% in 2005/06, 10.45% in 2006/07, 18.89% in 2007/08, 24.94% in 2008/09, 25.11% in 2009/10 and 23.04% in 2010/11. Except in 2009/10 the insurer has not meet compliance in this regard.

This insurer has invested in fixed deposit of commercial banks by 55.82% in 2005/06, 48.58% in 2006/07, 45.16% in 2007/08, 45.96% in 2008/09, 53.51% in 2009/10 and 53.77% in 2010/11. The insurer has met compliance in this regard for all period of our study.

**Table 4.23**

#### **Life Insurance Corporation (Nepal) Ltd.**

#### **Compliance of Investment Guidelines Issued by Beema Samiti**

(In Percentage)

Particulars	Under Investment guidelines	Fiscal Year					
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Government Securities	More than 25 percent	10.45	18.89	24.94	25.11	23.04	30.89
Fixed Deposit on Commercial Bank	More than 35 percent	55.82	48.58	45.16	45.96	53.51	53.77
Fixed Deposit on Development Bank	Less than 15 percent	8.43	11.79	6.56	3.73	1.94	2.16
Fixed Deposit on Finance Company	Less than 10 percent	10.99	7.94	6.91	10.38	7.99	4.06
Miscellaneous	Less than 15 percent	<b>14.32</b>	<b>12.81</b>	<b>16.43</b>	<b>14.82</b>	<b>13.52</b>	<b>9.12</b>
(a) Corporate Bond, Deb. and Pref. Share		13.13	10.41	9.45	6.78	5.18	3.72
(b) Ordinary Share		-	0.46	2.90	3.17	2.47	1.90
(c) Others		1.19	1.94	4.08	4.87	5.86	3.50
<b>Total</b>		<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: Annex 23

This insurer has invested in fixed deposit of development banks by 8.43% in 2005/06, 11.79% in 2006/07, 6.56% in 2007/08, 3.73% in 2008/09, 1.94% in 2009/10 and 2.16% in 2010/11. The insurer has met compliance in this regard for all period of our study.

This company has invested in fixed deposit of finance companies by 10.99% in 2005/06, 7.94% in 2006/07, 6.91% in 2007/08, 10.38% in 2008/09, 7.99% in 2009/10 and 4.06% in 2010/11. Except 2005/06 and 2008/09 The insurer has met compliance in this regard.

Life Insurance Corporation (Nepal) Ltd. has invested in miscellaneous by 14.32% in 2005/06, 12.81% in 2006/07, 16.43 % in 2007/08, 14.82% in 2008/09, 13.62% in 2009/10 and 9.12% in 2010/11. Except 2007/08 the insurer has met compliance in this regard.

#### **4.5.1.4 MetLife (ALICO)**

MetLife (ALICO) has invested in government securities by 92.49% in 2005/06, 95.91% in 2006/07, 95.92% in 2007/08, 95.37% in 2008/09, 66.14% in 2009/10 and 73.10% in 2010/11. The insurer has met compliance in this regard.

**Table 4.24**  
**Met Life (ALICO)**  
**Compliance of Investment Guidelines Issued by Beema Samiti**

(In Percentage)

Particulars	Under Investment guidelines	Fiscal Year					
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Government Securities	More than 25 percent	92.49	95.91	95.92	95.37	66.14	73.10
Fixed Deposit on Commercial Bank	More than 35 percent	6.58	1.84	1.53	1.47	28.43	21.76
Fixed Deposit on Development Bank	Less than 15 percent	-	-	-	-	-	-
Fixed Deposit on Finance Company	Less than 10 percent	-	-	-	-	-	-
Miscellaneous	Less than 15 percent	0.93	2.24	2.55	3.16	5.44	5.14
(a) Corporate Bond, Deb. and Pref. Share		-	-	-	-	-	-
(b) Ordinary Share		-	-	-	-	-	-
(c) Others		0.93	2.24	2.55	3.16	5.44	5.14
Total		100.00	100.00	100.00	100.00	100.00	100.00

*Source : Annex 24*

The company has not invested in fixed deposit of development banks and finance companies throughout the study periods.

It has invested in miscellaneous by 0.93% in 2005/06, 2.24% in 2006/07, 2.55% in 2007/08, 3.16% in 2008/09, 5.44% in 2009/10 and 5.14% in 2010/11. The insurer has met compliance in this regard.

#### **4.5.1.5 Compliance of Total Investment Guidelines of Old Aged Insurance Companies**

The insurance companies has invested in government securities by 26.76% in 2005/06, 36.44% in 2006/07, 39.42% in 2007/08, 36.57% in 2008/09, 27.98% in 2009/10 and 36.63% in 2010/11. For our study period the insurer has met compliance.

**Table 4.25**  
**Compliance of total Investment Guidelines Issued by Beema Samiti**  
**of Old Aged Life Insurers**

(In Percentage)

Particulars	Under Investment Guidelines	Fiscal Year					
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Government Securities	More than 25 percent	26.76	36.44	39.42	36.57	27.98	36.63
Fixed Deposit on Commercial Bank	More than 35 percent	46.11	38.97	35.40	38.66	51.30	48.83
Fixed Deposit on Development Bank	Less than 15 percent	5.73	6.81	6.95	5.96	4.34	3.57
Fixed Deposit on Finance Company	Less than 10 percent	5.87	8.85	6.23	6.71	4.02	2.00
Miscellaneous	Less than 15 percent	<b>15.53</b>	<b>8.94</b>	<b>12.01</b>	<b>12.09</b>	<b>12.35</b>	<b>8.98</b>
(a) Corporate Bond, Deb. and Pref. Share		5.25	4.41	5.14	4.43	3.14	2.47
(b) Ordinary Share		1.67	1.63	3.01	2.77	3.22	2.59
(c) Others		8.61	2.89	3.86	4.89	5.99	3.91
<b>Total</b>		<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

*Source : Annex 25*

The insurer has invested in fixed deposit of commercial banks by 46.11% in 2005/06, 39.97% in 2006/07, 35.40% in 2007/08, 38.66% in 2008/09, 51.30% in 2009/10 and 48.83% in 2010/11. The insurer has met compliance in this regard for all period of our study.

The insurer has invested in fixed deposit of development banks by 5.73% in 2005/06, 6.81% in 2006/07, 6.95% in 2007/08, 5.96% in 2008/09, 4.34% in 2009/10 and 3.57% in 2010/11. The insurer has met compliance in this regard for all period of our study.

The company has invested in fixed deposit of finance companies by 5.87% in 2005/06, 8.85% in 2006/07, 6.23% in 2007/08, 6.71% in 2008/09, 4.02% in 2009/10 and 2% in 2010/11. The insurer has met compliance in this regard for all period of our study.

The insurer has invested in miscellaneous by 15.53% in 2005/06, 8.94% in 2006/07, 12.01 % in 2007/08, 12.09% in 2008/09, 12.35% in 2009/10 and 8.98% in 2010/11.

The insurer has not met compliance in this regard for the period 2005/06.

#### **4.6.2. Compliance of Investment Guidelines of New Aged Insurance Companies**

##### **4.6.2.1 Asian Life Insurance Companies Ltd.**

Asian Life Insurance Company Ltd. has invested in government securities by 1.85% in 2007/08, 13.79% in 2008/09, 6.99% in 2009/10 and 23.32% in 2010/11.

This insurer has invested in fixed deposit of commercial banks by 92.06% in 2007/08, 70.40% in 2008/09, 73.06% in 2009/10 and 64.88% in 2010/11. The insurer has met compliance in this regard for all period of our study.

This insurer has invested in fixed deposit of development banks by 1.96% in 2007/08, 11.32% in 2008/09, 10.17% in 2009/10 and 3.84% in 2010/11. The insurer has met compliance in this regard for all period of our study.

**Table 4.26**

#### **Asian Life Insurance Company Ltd.**

#### **Compliance of Investment guidelines issued by Beema Samiti**

(In Percentage)

Particulars	Under Investment Guidelines	Fiscal Year			
		2007/08	2008/09	2009/10	2010/11
Government Securities	More than 25 percent	1.85	13.79	6.99	23.32
Fixed Deposit on Commercial Bank	More than 35 percent	92.06	70.74	73.06	64.88
Fixed Deposit on Development Bank	Less than 15 percent	1.96	11.32	10.17	3.84
Fixed Deposit on Finance Company	Less than 10 percent	4.12	3.68	8.00	5.17
Miscellaneous	Less than 15 percent	-	<b>0.47</b>	<b>1.77</b>	<b>2.80</b>
(a) Corporate Bond, Deb. and Pref. Share		-	0.47	0.24	0.15
(b) Ordinary Share		-	-	1.53	2.50
(c) Others		-	-	0.00	0.15
<b>Total</b>		<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: Annex 26

This company has invested in fixed deposit of finance companies by 4.12% in 2007/08, 3.68% in 2008/09, 8% in 2009/10 and 5.17% in 2010/11. The insurer has met compliance in this regard.

Asian Life Insurance Company has invested in miscellaneous 0.48% in 2008/09, 1.77% in 2009/10 and 2.80% in 2010/11. Except 2007/08 the insurer has met compliance in this regard.

#### **4.6.2.2 Surya Life Insurance Company Ltd.**

Surya Life Insurance Company Ltd. has invested in government securities by 8.07% in 2010/11. This insurer has invested in fixed deposit of commercial banks by 94.89% in 2007/08, 91.50% in 2008/09, 88.14% in 2009/10 and 87.62% in 2010/11. This insurer has invested in fixed deposit of development banks 0.11% in 2008/09, 7.39% in 2009/10 and 0% in 2010/11. The insurer has met compliance in this regard for all period of our study.

**Table 4.27**

#### **Surya Life Insurance Company Ltd.**

#### **Compliance of Investment guidelines issued by Beema Samiti**

(In Percentage)

Particulars	Under Investment guidelines	Fiscal Year			
		2007/08	2008/09	2009/10	2010/11
Government Securities	More than 25 percent	-	-	-	8.07
Fixed Deposit on Commercial Bank	More than 35 percent	94.89	91.50	88.14	87.62
Fixed Deposit on Development Bank	Less than 15 percent	-	0.11	7.39	-
Fixed Deposit on Finance Company	Less than 10 percent	2.66	4.76	0.74	-
Miscellaneous	Less than 15 percent	<b>2.45</b>	<b>3.63</b>	<b>3.74</b>	<b>4.31</b>
(a) Corporate Bond, Deb. and Pref. Share		1.90	1.80	1.14	1.06
(b) Ordinary Share		0.56	1.84	2.59	3.18
(c) Others		-	-	0.01	0.07
<b>Total</b>		<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: Annex 27

This company has invested in fixed deposit of finance companies by 2.66% in 2007/08, 4.76% in 2008/09, 0.74% in 2009/10 and 0% in 2010/11. The insurer has met compliance in this regard.

Surya Life Insurance Company has invested in miscellaneous 2.45% in 2007/08, 3.63% in 2008/09, 3.74% in 2009/10 and 4.31% in 2010/11. Except 2007/08 the insurer has met compliance in this regard.

#### 4.6.2.3 Gurans Life Insurance Company Ltd.

Gurans Life Insurance Company Ltd. has invested in government securities by 21.54% in 2010/11. This insurer has invested in fixed deposit of commercial banks by 100% in 2007/08, 95.12% in 2008/09, 86.13% in 2009/10 and 61.44% in 2010/11. This insurer has invested in fixed deposit of development banks 4.88% in 2008/09, 11.11% in 2009/10 and 10.41% in 2010/11. The insurer has met compliance in this regard for all period of our study.

**Table 4.28**

#### **Gurans Life Insurance Company Ltd.**

#### **Compliance of Investment guidelines issued by Beema Samiti**

(In Percentage)

Particulars	Under Investment Guidelines	Fiscal Year			
		2007/08	2008/09	2009/10	2010/11
Government Securities	More than 25 percent	-	-	-	21.54
Fixed Deposit on Commercial Bank	More than 35 percent	100.00	95.12	86.13	61.44
Fixed Deposit on Development Bank	Less than 15 percent	-	4.88	11.11	10.41
Fixed Deposit on Finance Company	Less than 10 percent	-	-	2.76	6.60
Miscellaneous	Less than 15 percent	-	-	-	<b>0.02</b>
(a) Corporate Bond, Deb. and Pref. Share		-	-	-	-
(b) Ordinary Share		-	-	-	-
(c) Others		-	-	-	0.02
<b>Total</b>		<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source : Annex 28

This company has invested in fixed deposit of finance companies by 2.76% in in 2009/10 and 6.60% in 2010/11. The insurer has met compliance in this regard. Gurans Life Insurance Company has invested in miscellaneous 0.02% in 2010/11. The insurer has met compliance in this regard.

#### 4.6.2.4 Prime Life Insurance Company Ltd.

Prime Life Insurance Company Ltd. has invested in government securities by 26.57% in 2010/11. This insurer has invested in fixed deposit of commercial banks by 97.41% in 2007/08, 93.53% in 2008/09, 89.70% in 2009/10 and 67.65% in 2010/11. This insurer has invested in fixed deposit of development banks 2.59% in 2007/08, 5.13% in 2008/09, 7.36% in 2009/10 and 2.25% in 2010/11. The insurer has met compliance in this regard for all period of our study. This company has invested in fixed deposit of finance companies by 0.68% in 2008/09, 0.78% in 2009/10 and 3.52% in 2010/11. The insurer has met compliance in this regard. Prime Life Insurance Company has invested in miscellaneous 1.13% in 2010/11. The insurer has met compliance in this regard.

**Table 4.29**

#### **Prime Life Insurance Company Ltd.**

#### **Compliance of Investment guidelines issued by Beema Samiti**

(In Percentage)

Particulars	Under Investment Guidelines	Fiscal Year			
		2007/08	2008/09	2009/10	2010/11
Government Securities	More than 25 percent	-	-	-	26.57
Fixed Deposit on Commercial Bank	More than 35 percent	97.41	93.53	89.70	67.65
Fixed Deposit on Development Bank	Less than 15 percent	2.59	5.13	7.36	2.25
Fixed Deposit on Finance Company	Less than 10 percent	-	0.68	2.16	-
Miscellaneous	Less than 15 percent	-	<b>0.66</b>	<b>0.78</b>	<b>3.52</b>
(a) Corporate Bond, Deb. and Pref. Share		-	-	-	1.13
(b) Ordinary Share		-	0.66	0.78	1.19
(c) Others		-	-	-	1.20
<b>Total</b>		<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source : Annex 29

#### 4.6.2.5 Compliance of Total Investment Guidelines of New Aged Life Insurance Companies

The insurance companies have invested in government securities by 0.49% in 2007/08, 4.97% in 2008/09, 3% in 2010/11 and 21.96% in 2010/11. The insurer has not met compliance in this regard for all period of our study. The insurer has invested in fixed deposit of commercial banks by 95.97% in 2007/08, 85.25% in 2008/09, 81.84% in 2010/11 and 67.72% in 2010/11. The insurer has met compliance in this regard for all period of our study.

The insurer has invested in fixed deposit of development banks by 1.15% in 2007/08, 6.43% in 2008/09, 9.07% in 2010/11 and 4.12% in 2010/11. The insurer has met compliance in this regard for all period of our study. The companies have invested in fixed deposit of finance companies by 1.76% in 2007/08, 2.36% in 2008/09, 4.50% in 2009/10 and 3.53% in 2010/11. The insurer has met compliance in this regard for all period of our study.

**Table 4.30**  
**Compliance of total Investment Guidelines Issued by Beema Samiti**  
**of New Aged Life Insurers**

(In Percentage)

Particulars	Under Investment Guidelines	Fiscal Year			
		2007/08	2008/09	2009/10	2010/11
Government Securities	More than 25 percent	0.49	4.97	3.00	21.96
Fixed Deposit on Commercial Bank	More than 35 percent	95.97	85.25	81.84	67.72
Fixed Deposit on Development Bank	Less than 15 percent	1.15	6.43	9.07	4.12
Fixed Deposit on Finance Company	Less than 10 percent	1.76	2.36	4.50	3.53
Miscellaneous	Less than 15 percent	<b>0.63</b>	<b>0.99</b>	<b>1.60</b>	<b>2.68</b>
(a) Corporate Bond, Deb. and Pref. Share		0.48	0.49	0.29	0.47
(b) Ordinary Share		0.14	0.51	1.30	1.83
(c) Others		-	-	0.00	0.37
<b>Total</b>		<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source : Annex 30

The insurers have invested in miscellaneous by 0.63% in 2007/08, 0.99% in 2008/09, 1.60% in 2009/10 and 2.68% in 2010/11. The insurer has met compliance in this regard for all period of our study.

#### 4.7 Correlation Analysis

In this study Karl Pearson's coefficient of correlation between investment pattern and total average return of old aged life insurance companies are observed.

The correlation between investment pattern and total average return of National Life Insurance Company Ltd., Nepal Life Insurance Company Ltd., Life Insurance Corporation (Nepal)Ltd and MetLife (ALICO) Insurance company Ltd. is 0.75, 0.72,0.76 and 0.53 respectively. The correlation between different insurance companies are not inconsistent manner, means they are not well related.

The correlation between different Insurance companies are given in the Table 4.31

**Table 4.31**

**Correlation Analysis of Investment Pattern and Total Average Return of Old Aged life Insurance Companies**

Name Of Insurance companies	Coefficient of correlation between Investment Pattern & Total Investment Return
National Life Insurance Co.Ltd.	0.75
Nepal Life Insurance Co.Ltd.	0.72
Life Insurance Corporation(Nepal).Ltd.	0.76
MetLife(ALICO)Insurance Co.Ltd.	0.53

*Source: Annex 31*

In this study, correlation between investment pattern and total average return of new aged life insurance companies are also been observed.

The correlation between investment pattern and total average return of Asian Life Insurance Company Ltd., Surya Life Insurance Company Ltd., Gurans Life Insurance Company Ltd and MetLife (ALICO) Insurance company Ltd. is 0.62, 0.55,0.68 and 0.64 respectively.

This analysis gives the insight of bilateral relationship of how they are going ahead. The correlation between different insurance companies are not inconsistent manner, means they are not well related.

The correlation between different investments sectors are given in the Table 4.32

**Table 4.32**

**Correlation Analysis of Investment Pattern and Total Average Return of New Aged life Insurance Companies**

<b>Name Of Insurance companies</b>	<b>Coefficient of correlation between Investment Pattern &amp; Total Investment Return</b>
Asian Life Insurance Co.Ltd.	0.62
Surya Life Insurance Co.Ltd..	0.55
Gurans Life Insurance Co.Ltd.	0.68
Prime Life Insurance Co.Ltd.	0. 64

*Source: Annex 32*

**4.8 Major Findings**

On the basis of the different analysis, the following major findings have been drawn: It is found that public sectors enterprises play backbone role for the economic development of the nation. Life Insurance is service oriented corporation of the Nepal which facilities providing security of life by minimizing the risk and economic well-being of the society as a whole.

The study result implies that the main sources of cash of insurance are collection of premium from their policyholders.

The sales of insurance products are increasing trend but the rate of increase is not stable. The correlation between investment pattern and return are positive. That means investment relationship with return is positive.

It is reasonable that the policy issued by Insurance Board should be loosen, means that more autonomy is needed to them regarding investment. Only one is in favor of tightening the policy.

It is found that the Insurance companies are not well manage and schedule the investment portfolio. They should choose only highly profitable companies for

investment. The return of different companies are not well correlated. Some of them are negatively correlated. So, they should go in coordinating way.

Insurance companies have seemed to violate the investment policy issued by insurance Board, However they have not earned good return.

It is found that insurance companies need to change the structure of investment. They should invest in housing and real state like long term investment and insurance board should permit them to such schemes, so that the money of general public as premium could be save and return could be high.

Investment and return are not in well correlation. That means they are not matching. In such case, Investment only increases the cost. So, companies need to find the cause apply the remedy.

Companies are advised to curtail the investment expenses and regularly monitor the invested company, prior to this they need to select most profitable company with best proportion within the limit of Insurance Board directives.

Many have invested big amount in government securities, with low risk. They are recommended to invest in finance company to gain high return in short period of time however there is high risk. The search of more profitable areas is required to be enhanced.

Many of company related are thinks their organization is good. Companies are recommended that rest of them also should make think better about organization by adopting best investment policy.

The investment pattern of all life insurance companies is increasing slowly.

Due to being heavy amount collected as a liability from insured, life insured have bigger amount investable to the different sector.

Return on fixed deposit of finance company is greater among all the investment sectors.

Corporate bond, preference shares, debenture and ordinary shares are generating the least profit among all the investment sectors.

The new aged life insurance companies (i.e., Asian Life Insurance Company, Surya Life Insurance Company, Gurans Life Insurance Company and Prime Life Insurance Company) have not invested in the government securities as directed by Insurance Board.

The average return on current assets of Nepal Life Insurance Company during the study period is 3.34% with 52.89% of variation. It has decreased to 1.62% from 5.1%.

Return on net working capital is also decreased to 5% from 128.70%. Return on capital employed is also decreasing trend. So, return on working capital has not provided satisfactory result. The profitability position is also being unsatisfactory.

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

Regarding the life insurance industry, major proportion of investment was incepted within the head 'Government securities' and 'Bank fixed deposits', falling into the classification 'compulsory' only a very smaller portion of investment was invested in the sector falling into the classification 'optional'.

The return from the 'Government securities' was highest and the return from the 'policy loan' was lowest and 'Bank fixed deposits' was more stable than others.

The Life insurance Corporations (Nepal) has invested in the fixed deposit in commercial banks by NRs. 751.45 million in 2005/06, which goes up in 2006/07 to reach to NRs. 1036.91 million. Similarly in 2007/08 the investment in the same sector is rises rapidly to NRs. 1205.89 million. This value goes to NRs. 1723.72 in the F/Y 2008/09. It increases to NRs. 2616.31 million in 2009/10, NRs. 3480.00 in 2010/11. The average investment in this portfolio within the period of study is NRs. 1802.38 million. The standard deviation is 1051.60.

The total investment of National Life Insurance Company Limited is in increasing trend from 2005/06 and that upto 2010/11. Fixed Deposit on commercial Bank has highest portion among all investment portfolio.

## **CHAPTER -V**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1. Summary**

Insurance industry comprises two sectors like life insurance and non-life insurance sector. Insurance companies take insurance premium and they invest them in safe and well earning sectors. Beema Samiti, the regulatory authority of insurance industry in Nepal has been regulating insurance companies.

In Nepal, twenty five insurance companies were established. In initiation and investment of Nepal Bank Limited, in 2004 BS, Nepal insurance company was established. After that Oriental Insurance Company established as a branch office of Oriental Insurance Company of India. Very little research is performed in insurance sector in Nepal and this study talks about investment policy of life insurance industries in Nepal.

The another part is review of literature, This section includes the reviews of the theoretical background of the concept about insurance, investment and investment policies. Risk will be the element that makes insurance policy desirable and possible. Risk is the composite of peril, loss, and hazard that are the intimate part of the term risk used under the concept of insurance.

After talking about risk, the risk management concept will also be the essence to understand the concept of insurance.

Risk controlling aspect enforce on reducing the probability of loss by implementing the risk reduction techniques and risk Financing aspect enforce on being in financially secured position before the loss occur.

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

It is quite hard to define insurance which satisfy every aspect of insurance. In some generic term insurance is regarded as “cooperative risk carrying”, “transfer of specializing risk carriers”. Insurance, as a device for handling risk will include the transfer aspect of risk as well as control aspect of risk to some extent and can be regarded as risk handling device, which deals with risk control. Insurance as a tool of risk management is often misleading concept. the word insurance sometimes is

applied to a fund accumulated to meet certain losses, as well as to a simple transfer of risk". In practice, Insurance involves spreading loss over more than one entity within a preset period. It will be a risk transfer agreement under which an insurer agrees to accept financial burden arising from loss.

Insurance for the insured will be the risk financing as well as controlling tool. It will take the forms like social insurance and private insurance. Whereas, private insurance plans sought by an individual or an organization to meet the recognized need for risk financing as well as risk controlling. It will only be relevant with the commercial insurance as a sub classification of private insurance. When viewed from professional use insurance will take two broad forms as life insurance and Non- life insurance.

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

The next part is research methodology, It consists of research design, data collection procedure, data processing procedure and techniques of analysis of data.

The study is mainly based on data gathered from Beema Samiti and different life insurance companies. Tabulated data and information are presented in the diagram or graphs. On this study secondary data were used to fulfill the objectives stated. At least six fiscal year data was tabulated in four old aged life insurers and four fiscal year data was tabulated in four new aged life insurers. Data collected was analyzed using statistical tools and definitely the result was interpreted. At the end part of summary we include data presentation and analysis

## 5.2. Conclusion

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

Correspondents related to those insurance companies want to change in the investment portfolio. Investments are not in well proportioned to earn better return. Investment policy directed by Insurance Bord is not easily taken by the stakeholders of insurance industry. The lack of long-term vision and proper investment with proper percentage is marked. Many of companies have gone to government securities to reduce risk and not chosen finance companies to get more return with risk.

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

In investment pattern of insurance companies divided in five parts.

Government securities

Fixed Deposits on Commercial

Fixed Deposits on Development Bank,

Fixed Deposits on Finance Companies and

Miscellaneous

Companies have invested in the government securities, fixed deposit of commercial banks, development banks and finance companies and miscellaneous sector. Return on fixed deposit of finance company is highest among all the investment sectors.

Insurance Companies are investing in different areas like fixed deposit in commercial banks, fixed deposit in finance companies, government bonds, and fixed deposit in development banks and miscellaneous. Miscellaneous consists of investment made to the exception of Insurance Pool Nepal, Investment made to preference share, bond, debenture, common stock and others.

The investment pattern is simply fluctuating position. All insurance companies' investments are simply in increasing trend. Fixed deposit in commercial banks is given more priority than others.

### **5.3. Recommendations**

On the above study, the following recommendations have been made:

Insurance Board should revise the investment guideline to the investment option and limitation for insurance companies.

Insurance companies should invest in different sectors not violating the investment guideline.

Insurers should seek the alternative options for investment than the existing sectors.

What violations insurers have made should not be repeated again in future.

Rate of return of investment is needed to be reanalyzed by the companies.

Most yielding sectors should be focused by the companies but the allocated limit should be taken in account.

The ratio of yield and the amount of investment should be made in the consistent manner.

The fixed deposit in commercial bank, development bank and finance companies are seen having highest yield. They should be taken care with appropriate investment decision.

Common stock should be made very carefully due to having volatile nature of market.

Bond and debenture should be investment with deep analysis of status of issuing party.

Insurer should be take attention regarding the other investment norms and laws before taking any decision of investment.

Insurer should not violate the investment guidelines issued by the insurance Board at any cost.

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# APPENDICES

## Annex 1

### National Life Insurance Company Limited

#### Investment Pattern

(NRs. Million)

Particulars	Fiscal Year						Average	S.D.
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11		
Government Securities	211.30	320.10	320.10	416.90	789.7	1,055.50	518.93	330.25
Fixed Deposit on Commercial Bank	1,299.30	1,455.10	1,569.00	2,006.00	2882.4	3,132.92	2,057.45	776.66
Fixed Deposit on Development Bank	279.60	257.80	327.30	284.10	254.00	637.16	339.99	147.91
Fixed Deposit on Finance Company	118.30	466.00	302.50	254.60	165.10	141.17	241.28	130.67
Miscellaneous	685.00	300.80	457.50	594.90	897.50	616.59	592.05	202.72
(a) Corporate Bond, Deb. and Pref. Share	67.50	67.50	187.50	192.00	192.00	223.98	155.08	69.09
(b) Ordinary Share	90.60	131.00	150.20	184.20	355.10	355.11	211.04	115.62
(c) Others	526.90	102.30	119.80	218.70	350.40	37.50	225.93	183.40
<b>Total</b>	<b>2,593.50</b>	<b>2,799.80</b>	<b>2,976.40</b>	<b>3,556.50</b>	<b>4,988.70</b>	<b>5,583.34</b>	<b>3,749.71</b>	<b>1,588.22</b>

Source : Beema Samiti

## Annex 2

### Nepal Life Insurance Company Limited

#### Investment Pattern

(NRs. Million)

Particulars	Fiscal Year						Average	S.D.
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11		
Government Securities	145.80	476.00	477.80	472.10	469.97	2,429.09	745.13	835.35
Fixed Deposit on Commercial Bank	1,037.49	1,206.67	1,295.33	2,011.55	3492.01	5,093.59	2,356.11	1,617.90
Fixed Deposit on Development Bank	2.54	144.75	306.81	470.08	531.13	170.00	270.89	203.37
Fixed Deposit on Finance Company	139.30	214.45	237.68	362.60	260.54	127.50	223.68	86.38
Miscellaneous	181.50	230.36	418.35	541.73	675.86	878.65	487.74	266.82
(a) Corporate Bond, Deb. and Pref. Share	118.67	134.23	158.40	218.24	191.50	191.50	168.76	38.19
(b) Ordinary Share	24.66	15.68	122.66	112.23	176.56	210.96	110.46	78.70
(c) Others	38.17	80.45	137.29	211.26	307.80	476.19	208.53	162.48
<b>Total</b>	<b>1,506.63</b>	<b>2,272.23</b>	<b>2,735.97</b>	<b>3,858.06</b>	<b>5,429.51</b>	<b>8,698.83</b>	<b>4,083.54</b>	<b>2,641.99</b>

*Source : Beema Samiti*

**Annex 3**

**Life Insurance Corporation (Nepal) Limited**

**Investment Pattern**

(NRs.

Million)

Particulars	Fiscal Year						Average	S.D.
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11		
Government Securities	140.66	403.16	666.04	941.67	1,126.22	1,999.27	879.50	653.75
Fixed Deposit on Commercial Bank	751.45	1,036.91	1,205.89	1,723.72	2,616.31	3,480.00	1,802.38	1,051.60
Fixed Deposit on Development Bank	113.50	251.60	175.11	140.00	95.00	140.00	152.54	55.63
Fixed Deposit on Finance Company	147.90	169.40	184.40	389.40	390.50	262.50	257.35	109.75
Miscellaneous	192.75	273.34	438.72	555.81	661.08	590.52	452.04	186.00
(a) Corporate Bond, Deb. and Pref. Share	176.75	222.15	252.32	254.37	253.37	240.87	233.31	30.29
(b) Ordinary Share		9.86	77.44	118.82	120.97	122.90	90.00	48.61
(c) Others	16.00	41.33	108.96	182.62	286.74	226.75	143.73	106.65
<b>Total</b>	<b>1,346.26</b>	<b>2,134.41</b>	<b>2,670.16</b>	<b>3,750.60</b>	<b>4,889.11</b>	<b>6,472.29</b>	<b>3,543.81</b>	<b>1,897.76</b>

*Source : Beema Samiti*

**Annex- 4**

**Met Life (ALICO)**

**Investment Pattern**

(NRs. Million)

Particulars	Fiscal Year						Average	S.D.
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11		
Government Securities	1,350.46	2,300.48	3,124.17	3,654.48	3,288.47	4,247.81	2,994.31	1,028.99
Fixed Deposit on Commercial Bank	96.01	44.24	49.83	56.44	1,413.57	1,264.54	487.44	661.59
Fixed Deposit on Development Bank								
Fixed Deposit on Finance Company								
Miscellaneous	13.58	53.81	83.01	121.11	270.26	298.75	140.09	117.63
(a) Corporate Bond, Deb. and Pref. Share								
(b) Ordinary Share								
(c) Others	13.58	53.81	83.01	121.11	270.26	298.75	140.09	117.63
<b>Total</b>	<b>1,460.05</b>	<b>2,398.53</b>	<b>3,257.01</b>	<b>3,832.03</b>	<b>4,972.30</b>	<b>5,811.10</b>	<b>3,621.84</b>	<b>1,610.20</b>

*Source : Beema Samiti*

**Annex 5**

**Total Investment of Old Aged Life Insurers**

**Investment Pattern**

(NRs. Million)

Particulars	Fiscal Year						Average	S.D.
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11		
Government Securities	1,848.22	3,499.74	4,588.11	5,485.15	5,674.36	9,731.67	5,137.88	2,657.78
Fixed Deposit on Commercial Bank	3,184.25	3,742.92	4,120.05	5,797.71	10,404.29	12,971.05	6,703.38	4,040.37
Fixed Deposit on Development Bank	395.64	654.15	809.22	894.18	880.13	947.16	763.41	206.77
Fixed Deposit on Finance Company	405.50	849.85	724.58	1,006.60	816.14	531.17	722.31	220.36
Miscellaneous	1,072.83	858.31	1,397.58	1,813.55	2,504.70	2,384.51	1,671.91	680.81
(a) Corporate Bond, Deb. and Pref. Share	362.92	423.88	598.22	664.61	636.87	656.35	557.14	130.32
(b) Ordinary Share	115.26	156.54	350.30	415.25	652.63	688.97	396.49	240.96
(c) Others	594.65	277.89	449.06	733.69	1,215.20	1,039.19	718.28	355.49
<b>Total</b>	<b>6,906.44</b>	<b>9,604.97</b>	<b>11,639.54</b>	<b>14,997.19</b>	<b>20,279.62</b>	<b>26,565.56</b>	<b>14,998.89</b>	<b>7,314.93</b>

*Source : Beema Samiti*

**Annex 6**

**Asian Life Insurance Company Limited**

**Investment Pattern**

Particulars	Fiscal Year				Average	S.D.
	2007/08	2008/09	2009/10	2010/11		
Government Securities	4.72	73.12	73.12	395.05	136.50	175.35
Fixed Deposit on Commercial Bank	234.50	375.00	763.86	1,099.00	618.09	391.05
Fixed Deposit on Development Bank	5.00	60.00	106.32	65.00	59.08	41.60
Fixed Deposit on Finance Company	10.50	19.50	83.67	87.50	50.29	40.95
Miscellaneous		2.5	18.5	47.37	22.79	22.74054
(a) Corporate Bond, Deb. and Pref. Share		2.50	2.50	2.50	2.50	-
(b) Ordinary Share			15.98	42.34	29.16	18.64
(c) Others			0.02	2.53	1.28	1.77
<b>Total</b>	<b>254.72</b>	<b>530.12</b>	<b>1045.47</b>	<b>1693.92</b>	<b>881.06</b>	<b>633.31</b>

*Source : Beema Samiti*

**Annex 7**

**Surya Life Insurance Company Limited**

**Investment Pattern**

*(NRs. Million)*

Particulars	Fiscal Year				Average	S.D.
	2007/08	2008/09	2009/10	2010/11		
Government Securities				35.72	35.72	
Fixed Deposit on Commercial Bank	234.20	238.20	362.72	387.89	305.75	80.98
Fixed Deposit on Development Bank		0.28	30.41		15.35	21.31
Fixed Deposit on Finance Company	6.57	12.39	3.03		7.33	4.73
Miscellaneous	6.05	9.46	15.38	19.07	12.49	5.84
(a) Corporate Bond, Deb. and Pref. Share	4.68	4.68	4.68	4.68	4.68	-
(b) Ordinary Share	1.37	4.78	10.65	14.08	7.72	5.72
(c) Others			0.05	0.31	0.18	0.18
<b>Total</b>	<b>246.82</b>	<b>260.33</b>	<b>411.54</b>	<b>442.68</b>	<b>340.34</b>	<b>101.14</b>

*Source : Beema Samiti*

**Annex 8**

**Gurans Life Insurance Company Limited**

**Investment Pattern**

(NRs. Million)

Particulars	Fiscal Year				Average	S.D.
	2007/08	2008/09	2009/10	2010/11		
Government Securities				135.50	135.50	
Fixed Deposit on Commercial Bank	230.00	260.92	280.38	386.50	289.45	67.94
Fixed Deposit on Development Bank		13.40	36.16	65.50	38.35	26.12
Fixed Deposit on Finance Company			9.00	41.50	25.25	22.98
Miscellaneous	-	-	-	0.12	0.03	0.06
(a) Corporate Bond, Deb. and Pref. Share						
(b) Ordinary Share						
(c) Others				0.12	0.12	
<b>Total</b>	<b>30.00</b>	<b>274.32</b>	<b>325.54</b>	<b>629.12</b>	<b>364.75</b>	<b>180.52</b>

*Source : Beema Samiti*

**Annex 9**

**Prime Life Insurance Company Limited**

**Investment Pattern**

(NRs. Million)

Particulars	Fiscal Year				Average	S.D.
	2007/08	2008/09	2009/10	2010/11		
Government Securities				235.91	235.91	
Fixed Deposit on Commercial Bank	230.00	380.00	590.81	600.60	450.35	178.71
Fixed Deposit on Development Bank	6.11	20.84	48.50	20.00	23.86	17.76
Fixed Deposit on Finance Company		2.78	14.20		8.49	8.08
Miscellaneous	-	2.67	5.15	31.26	9.77	14.48
(a) Corporate Bond, Deb. and Pref. Share				10.00	10.00	
(b) Ordinary Share		2.67	5.15	10.57	6.13	4.04
(c) Others				10.69	10.69	
<b>Total</b>	<b>236.11</b>	<b>406.29</b>	<b>658.66</b>	<b>887.77</b>	<b>547.21</b>	<b>285.80</b>

*Source : Beema Samiti*

**Annex 10**

**Total Investment of Life Insurers**

### Investment Pattern

(NRs. Million)

Particulars	Fiscal Year				Average	S.D.
	2007/08	2008/09	2009/10	2010/11		
Government Securities	4.72	73.12	73.12	802.18	238.29	377.31
Fixed Deposit on Commercial Bank	928.70	1,254.12	1,997.77	2,473.99	1,663.65	701.46
Fixed Deposit on Development Bank	11.11	94.52	221.39	150.50	119.38	88.91
Fixed Deposit on Finance Company	17.07	34.67	109.90	129.00	72.66	55.06
Miscellaneous	6.05	14.63	39.03	97.82	39.38	41.39
(a) Corporate Bond, Deb. and Pref. Share	4.68	7.18	7.18	17.18	9.06	5.54
(b) Ordinary Share	1.37	7.45	31.78	66.99	26.90	29.78
(c) Others	-	-	0.07	13.65	3.43	6.81
<b>Total</b>	<b>67.65</b>	<b>1,471.06</b>	<b>,441.21</b>	<b>3,653.49</b>	<b>2,133.35</b>	<b>1,183.65</b>

Source : Beema Samiti

**Annex 11**

**National Life Insurance Company Limited**

**Investment Return**

(NRs. Million)

Particulars	Fiscal Year						Average	S.D.
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11		
Government Securities	9.50	22.36	22.70	26.40	34.2	45.77	26.82	12.25
Fixed Deposit on Commercial Bank	54.60	64.60	75.10	141.20	192.7	310.06	139.71	98.88
Fixed Deposit on Development Bank	13.70	17.40	18.70	14.10	29.3	29.08	20.38	7.09
Fixed Deposit on Finance Company	4.20	13.80	24.20	20.80	22.4	17.56	17.16	7.34
Miscellaneous	10.90	12.83	11.00	16.80	60.48	17.11	21.52	19.28
(a) Corporate Bond, Deb. and Pref. Share	3.90	5.60	3.80	7.40	8.70	14.46	8.98	6.18
(b) Ordinary Share	1.30	2.20	0.40	2.00	18.30	0.72	4.15	6.97
(c) Others	5.70	5.03	6.80	7.40	23.48	1.93	8.39	7.64
<b>Total</b>	<b>92.90</b>	<b>130.99</b>	<b>151.70</b>	<b>219.30</b>	<b>339.08</b>	<b>419.58</b>	<b>225.59</b>	<b>128.50</b>

Source : Beema Samiti

**Annex 12**

**Nepal Life Insurance Company Limited**

**Investment Return**

(NRs. Million)

Particulars	Fiscal Year						Average	S.D.
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11		
Government Securities	14.72	19.77	33.77	25.54	29.31	46.29	28.23	11.13
Fixed Deposit on Commercial Bank	48.05	52.62	58.55	111.05	234.12	531.84	172.71	189.49
Fixed Deposit on Development Bank	0.12	5.66	12.66	30.15	52.06	17.73	19.73	18.92
Fixed Deposit on Finance Company	6.45	10.20	14.60	22.33	30.39	13.34	16.22	8.73
Miscellaneous	<b>9.51</b>	<b>11.23</b>	<b>5.95</b>	<b>43.74</b>	<b>44.24</b>	<b>66.94</b>	<b>30.27</b>	<b>24.92</b>
(a) Corporate Bond, Deb. and Pref. Share	6.93	8.09		15.38	16.04	14.72	12.23	4.36
(b) Ordinary Share	1.42	0.19	0.23	0.31	0.93	9.02	2.02	3.46
(c) Others	1.16	2.95	5.72	28.05	27.27	43.20	18.06	17.22
<b>Total</b>	<b>78.85</b>	<b>99.48</b>	<b>125.53</b>	<b>232.81</b>	<b>390.12</b>	<b>676.14</b>	<b>267.16</b>	<b>231.17</b>

*Source : Beema Samiti*

**Annex 13**

**Life Insurance Corporation (Nepal) Limited**

**Investment Return**

(NRs. Million)

Particulars	Fiscal Year						Average	S.D.
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11		
Government Securities	8.85	13.48	36.50	47.88	68.65	98.42	45.63	34.03
Fixed Deposit on Commercial Bank	39.71	52.83	64.69	102.13	196.98	269.70	121.01	92.38
Fixed Deposit on Development Bank	3.44	9.44	10.87	12.92	10.32	16.28	10.55	4.25
Fixed Deposit on Finance Company	6.88	10.70	11.48	21.03	37.84	22.97	18.48	11.36
Miscellaneous	<b>8.54</b>	<b>13.09</b>	<b>16.79</b>	<b>30.19</b>	<b>38.15</b>	<b>44.02</b>	<b>25.13</b>	<b>14.43</b>
(a) Corporate Bond, Deb. and Pref. Share	6.56	11.16	14.05	16.86	16.34	11.77	12.79	3.83
(b) Ordinary Share		0.74	1.16	1.01	0.91	2.21	1.21	0.58
(c) Others	1.98	1.19	1.58	12.32	20.90	30.04	11.34	12.07
<b>Total</b>	<b>67.42</b>	<b>99.54</b>	<b>140.33</b>	<b>214.15</b>	<b>351.94</b>	<b>451.39</b>	<b>220.80</b>	<b>151.74</b>

*Source : Beema Samiti*

**Annex 14**

**Met Life (ALICO)**

**Investment Return**

(NRs. Million)

Particulars	Fiscal Year						Average	S.D.
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11		
Government Securities	40.19	64.69	104.64	188.21	26.92	356.39	163.51	118.55
Fixed Deposit on Commercial Bank	1.41	2.97	5.50	4.56	9.17	137.54	35.19	54.86
Fixed Deposit on Development Bank								
Fixed Deposit on Finance Company								
Miscellaneous	<b>1.01</b>	<b>5.37</b>	<b>11.05</b>	<b>14.72</b>	<b>31.93</b>	<b>36.28</b>	<b>16.73</b>	<b>14.32</b>
(a) Corporate Bond, Deb. and Pref. Share								
(b) Ordinary Share								
(c) Others	1.01	5.37	11.05	14.72	1.93	36.28	16.73	14.32
<b>Total</b>	<b>42.61</b>	<b>73.03</b>	<b>121.19</b>	<b>207.49</b>	<b>318.02</b>	<b>530.21</b>	<b>215.43</b>	<b>183.68</b>

*Source : Beema Samiti*

**Annex 15**

**Total Investment Return of Life Insurers**

**Investment Return**

(NRs. Million)

Particulars	Fiscal Year						Average	S.D.
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11		
Government Securities	73.26	120.30	197.61	288.03	359.08	546.87	264.19	173.82
Fixed Deposit on Commercial Bank	143.77	173.02	203.84	358.94	682.97	249.14	468.61	431.32
Fixed Deposit on Development Bank	17.26	32.50	42.23	57.17	91.68	63.09	50.66	26.06
Fixed Deposit on Finance Company	17.53	34.70	50.28	64.16	90.63	53.87	51.86	25.04
Miscellaneous	<b>29.96</b>	<b>42.52</b>	<b>44.79</b>	<b>105.45</b>	<b>174.80</b>	<b>164.35</b>	<b>93.65</b>	<b>64.47</b>
(a) Corporate Bond, Deb. and Pref. Share	17.39	24.85	17.85	39.64	51.08	40.95	31.96	13.91
(b) Ordinary Share	2.72	3.13	1.79	3.32	20.14	11.95	7.18	7.36
(c) Others	9.85	14.54	25.15	62.49	103.58	111.45	54.51	45.10
<b>Total</b>	<b>281.78</b>	<b>403.04</b>	<b>538.75</b>	<b>873.75</b>	<b>1,399.16</b>	<b>2,077.32</b>	<b>928.97</b>	<b>691.46</b>

*Source : Beema Samiti*

**Annex 16**

**Asian Life Insurance Company Limited**

**Investment Return**

(NRs.

Million)

Particulars	Fiscal Year				Average	S.D.
	2007/08	2008/09	2009/10	2010/11		
Government Securities		0.07	6.53	36.42	14.34	19.39
Fixed Deposit on Commercial Bank	5.66	27.86	52.83	120.66	51.75	49.82
Fixed Deposit on Development Bank	0.03	1.71	7.08	8.77	4.40	4.19
Fixed Deposit on Finance Company	0.08	1.36	3.74	12.25	4.36	5.48
Miscellaneous	-	<b>0.13</b>	<b>0.11</b>	<b>0.60</b>	<b>0.21</b>	<b>0.27</b>
(a) Corporate Bond, Deb. and Pref. Share		0.13	0.11	0.21	0.15	0.05
(b) Ordinary Share				0.11	0.11	
(c) Others				0.28	0.28	
<b>Total</b>	<b>5.77</b>	<b>31.13</b>	<b>70.29</b>	<b>178.70</b>	<b>71.47</b>	<b>76.25</b>

Source : *Beema Samiti*

**Annex 17**

**Surya Life Insurance Company Limited**

**Investment Return**

(NRs. Million)

Particulars	Fiscal Year				Average	S.D.
	2007/08	2008/09	2009/10	2010/11		
Government Securities				0.78	0.78	
Fixed Deposit on Commercial Bank	4.03	16.78	26.67	53.11	25.15	20.82
Fixed Deposit on Development Bank			0.98		0.98	
Fixed Deposit on Finance Company	0.10	0.69	1.26		0.68	0.58
Miscellaneous	<b>0.05</b>	<b>0.38</b>	<b>0.38</b>	<b>0.73</b>	<b>0.39</b>	<b>0.28</b>
(a) Corporate Bond, Deb. and Pref. Share	0.05	0.37	0.37	0.37	0.29	0.16
(b) Ordinary Share		0.01	0.01	0.36	0.13	0.20
(c) Others						
<b>Total</b>	<b>4.18</b>	<b>17.85</b>	<b>29.29</b>	<b>54.62</b>	<b>26.49</b>	<b>21.38</b>

*Source : Beema Samiti*

**Annex 18**

**Gurans Life Insurance Company Limited**

**Investment Return**

(NRs. Million)

Particulars	Fiscal Year				Average	S.D.
	2007/08	2008/09	2009/10	2010/11		
Government Securities				0.60	0.60	
Fixed Deposit on Commercial Bank	5.51	19.00	26.78	40.06	22.84	14.46
Fixed Deposit on Development Bank		0.71	2.26	3.38	2.12	1.34
Fixed Deposit on Finance Company			0.29	4.33	2.31	2.86
Miscellaneous	-	-	-	<b>0.01</b>	<b>0.00</b>	<b>0.01</b>
(a) Corporate Bond, Deb. and Pref. Share						
(b) Ordinary Share						
(c) Others				0.01	0.01	
<b>Total</b>	<b>5.51</b>	<b>19.71</b>	<b>29.33</b>	<b>48.38</b>	<b>25.73</b>	<b>7.99</b>

*Source : Beema Samiti*

**Annex 19**

**Prime Life Insurance Company Limited**

**Investment Return**

(NRs. Million)

Particulars	Fiscal Year				Average	S.D.
	2007/08	2008/09	2009/10	2010/11		
Government Securities				1.54		
Fixed Deposit on Commercial Bank	4.00	25.30	44.11	78.37	37.95	31.54
Fixed Deposit on Development Bank	0.03	0.04	3.57	4.08	1.93	2.20
Fixed Deposit on Finance Company			1.07	0.41	0.74	0.47
Miscellaneous	-	-	-	<b>0.15</b>		
(a) Corporate Bond, Deb. and Pref. Share				0.01	0.01	
(b) Ordinary Share				0.1	0.10	
(c) Others				0.04	0.04	
<b>Total</b>	<b>4.03</b>	<b>25.34</b>	<b>48.75</b>	<b>84.55</b>	<b>40.67</b>	<b>34.49</b>

*Source : Beema Samiti*

**Annex 20**

**Total Investment Return of Life Insurers**

**Investment Return**

(NRs. Million)

Particulars	Fiscal Year				Average	S.D.
	2007/08	2008/09	2009/10	2010/11		
Government Securities	-	0.07	6.53	38.74	11.34	18.52
Fixed Deposit on Commercial Bank	13.69	69.94	123.61	252.14	114.85	101.94
Fixed Deposit on Development Bank	0.06	1.75	11.63	12.85	6.57	6.60
Fixed Deposit on Finance Company	0.18	2.05	6.07	12.66	5.24	5.52
Miscellaneous	<b>0.05</b>	<b>0.51</b>	<b>0.49</b>	<b>1.48</b>	<b>0.63</b>	<b>0.60</b>
(a) Corporate Bond, Deb. and Pref. Share	0.05	0.50	0.48	0.59	0.41	0.24
(b) Ordinary Share	-	0.01	0.01	0.57	0.15	0.28
(c) Others	-	-	-	0.32	0.08	0.16
<b>Total</b>	<b>13.98</b>	<b>74.32</b>	<b>148.33</b>	<b>317.87</b>	<b>138.63</b>	<b>131.52</b>

Source : Beema Samiti

**Annex 21**

**National Life Insurance Company Limited**

**Compliance of Investment guideline issued by Beema Samiti**

Particulars	Under Investment guidelines	Fiscal Year					
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Government Securities	More than 25 percent	8.15	11.43	10.75	11.72	15.83	18.90
Fixed Deposit on Commercial Bank	More than 35 percent	50.10	51.97	52.71	56.40	57.78	56.11
Fixed Deposit on Development Bank	Less than 15 percent	10.78	9.21	11.00	7.99	5.09	11.41
Fixed Deposit on Finance Company	Less than 10 percent	4.56	16.64	10.16	7.16	3.31	2.53
Miscellaneous	Less than 15 percent	<b>26.41</b>	<b>10.74</b>	<b>15.37</b>	<b>16.73</b>	<b>17.99</b>	<b>11.04</b>
(a) Corporate Bond, Deb. and Pref. Share		2.60	2.41	6.30	5.40	3.85	4.01
(b) Ordinary Share		3.49	4.68	5.05	5.18	7.12	6.36
(c) Others		20.32	3.65	4.02	6.15	7.02	0.67
<b>Total</b>		<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source : Beema Samiti

**Annex 22**

**Nepal Life Insurance Company Limited**

**Compliance of Investment guideline issued by Beema Samiti**

Particulars	Under Investment guidelines	Fiscal Year					
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Government Securities	More than 25 percent	9.68	20.95	17.46	12.24	8.66	27.92
Fixed Deposit on Commercial Bank	More than 35 percent	68.86	53.11	47.34	52.14	64.32	58.55
Fixed Deposit on Development Bank	Less than 15 percent	0.17	6.37	11.21	12.18	9.78	1.95
Fixed Deposit on Finance Company	Less than 10 percent	9.25	9.44	8.69	9.40	4.80	1.47
Miscellaneous	Less than 15 percent	<b>12.05</b>	<b>10.14</b>	<b>15.29</b>	<b>14.04</b>	<b>12.45</b>	<b>10.10</b>
(a) Corporate Bond, Deb. and Pref. Share		7.88	5.91	5.79	5.66	3.53	2.20
(b) Ordinary Share		1.64	0.69	4.48	2.91	3.25	2.43
(c) Others		2.53	3.54	5.02	5.48	5.67	5.47
<b>Total</b>		<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

*Source : Beema Samiti*

**Annex 23**

**Life Insurance Corporation (Nepal) Limited**

**Compliance of Investment guideline issued by Beema Samiti**

Particulars	Under Investment guidelines	Fiscal Year					
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Government Securities	More than 25 percent	10.45	18.89	24.94	25.11	23.04	30.89
Fixed Deposit on Commercial Bank	More than 35 percent	55.82	48.58	45.16	45.96	53.51	53.77
Fixed Deposit on Development Bank	Less than 15 percent	8.43	11.79	6.56	3.73	1.94	2.16
Fixed Deposit on Finance Company	Less than 10 percent	10.99	7.94	6.91	10.38	7.99	4.06
Miscellaneous	Less than 15 percent	<b>14.32</b>	<b>12.81</b>	<b>16.43</b>	<b>14.82</b>	<b>13.52</b>	<b>9.12</b>
(a) Corporate Bond, Deb. and Pref. Share		13.13	10.41	9.45	6.78	5.18	3.72
(b) Ordinary Share		-	0.46	2.90	3.17	2.47	1.90
(c) Others		1.19	1.94	4.08	4.87	5.86	3.50
<b>Total</b>		<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

*Source : Beema Samiti*

**Annex 24**

**Met Life (ALICO)**

**Compliance of Investment guideline issued by Beema Samiti**

Particulars	Under Investment Guidelines	Fiscal Year					
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Government Securities	More than 25 percent	92.49	95.91	95.92	95.37	66.14	73.10
Fixed Deposit on Commercial Bank	More than 35 percent	6.58	1.84	1.53	1.47	28.43	21.76
Fixed Deposit on Development Bank	Less than 15 percent	-	-	-	-	-	-
Fixed Deposit on Finance Company	Less than 10 percent	-	-	-	-	-	-
Miscellaneous	Less than 15 percent	0.93	2.24	2.55	3.16	5.44	5.14
(a) Corporate Bond, Deb. and Pref. Share		-	-	-	-	-	-
(b) Ordinary Share		-	-	-	-	-	-
(c) Others		0.93	2.24	2.55	3.16	5.44	5.14
<b>Total</b>		<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

*Source : Beema Samiti*

**Annex 25**

**Total Investment of Life Insurers**

**Compliance of Investment guideline issued by Beema Samiti**

Particulars	Under Investment guidelines	Fiscal Year					
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Government Securities	More than 25 percent	26.76	36.44	39.42	36.57	27.98	36.63
Fixed Deposit on Commercial Bank	More than 35 percent	46.11	38.97	35.40	38.66	51.30	48.83
Fixed Deposit on Development Bank	Less than 15 percent	5.73	6.81	6.95	5.96	4.34	3.57
Fixed Deposit on Finance Company	Less than 10 percent	5.87	8.85	6.23	6.71	4.02	2.00
Miscellaneous	Less than 15 percent	<b>15.53</b>	<b>8.94</b>	<b>12.01</b>	<b>12.09</b>	<b>12.35</b>	<b>8.98</b>
(a) Corporate Bond, Deb. and Pref. Share		5.25	4.41	5.14	4.43	3.14	2.47
(b) Ordinary Share		1.67	1.63	3.01	2.77	3.22	2.59
(c) Others		8.61	2.89	3.86	4.89	5.99	3.91
<b>Total</b>		<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

*Source : Beema Samiti*

**Annex 26**

**Asian Life Insurance Company Limited**

**Compliance of Investment guideline issued by Beema Samiti**

Particulars	Under Investment guidelines	Fiscal Year			
		2007/08	2008/09	2009/10	2010/11
Government Securities	More than 25 percent	1.85	13.79	6.99	23.32
Fixed Deposit on Commercial Bank	More than 35 percent	92.06	70.74	73.06	64.88
Fixed Deposit on Development Bank	Less than 15 percent	1.96	11.32	10.17	3.84
Fixed Deposit on Finance Company	Less than 10 percent	4.12	3.68	8.00	5.17
Miscellaneous	Less than 15 percent	-	<b>0.47</b>	<b>1.77</b>	<b>2.80</b>
(a) Corporate Bond, Deb. and Pref. Share		-	0.47	0.24	0.15
(b) Ordinary Share		-	-	1.53	2.50
(c) Others		-	-	0.00	0.15
<b>Total</b>		<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

*Source : Beema Samiti*

**Annex 27**

**Surya Life Insurance Company Limited**

**Compliance of Investment guideline issued by Beema Samiti**

Particulars	Under Investment guidelines	Fiscal Year			
		2007/08	2008/09	2009/10	2010/11
Government Securities	More than 25 percent	-	-	-	8.07
Fixed Deposit on Commercial Bank	More than 35 percent	94.89	91.50	88.14	87.62
Fixed Deposit on Development Bank	Less than 15 percent	-	0.11	7.39	-
Fixed Deposit on Finance Company	Less than 10 percent	2.66	4.76	0.74	-
Miscellaneous	Less than 15 percent	<b>2.45</b>	<b>3.63</b>	<b>3.74</b>	<b>4.31</b>
(a) Corporate Bond, Deb. and Pref. Share		1.90	1.80	1.14	1.06
(b) Ordinary Share		0.56	1.84	2.59	3.18
(c) Others		-	-	0.01	0.07
<b>Total</b>		<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

*Source : Beema Samiti*

**Annex 28**

**Gurans Life Insurance Company Limited**

**Compliance of Investment Guideline issued by Beema Samiti**

Particulars	Under Investment guidelines	Fiscal Year			
		2007/08	2008/09	2009/10	2010/11
Government Securities	More than 25 percent	-	-	-	21.54
Fixed Deposit on Commercial Bank	More than 35 percent	100.00	95.12	86.13	61.44
Fixed Deposit on Development Bank	Less than 15 percent	-	4.88	11.11	10.41
Fixed Deposit on Finance Company	Less than 10 percent	-	-	2.76	6.60
Miscellaneous	Less than 15 percent	-	-	-	<b>0.02</b>
(a) Corporate Bond, Deb. and Pref. Share		-	-	-	-
(b) Ordinary Share		-	-	-	-
(c) Others		-	-	-	0.02
<b>Total</b>		<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

*Source : Beema Samiti*

**Annex 29**

**Prime Life Insurance Company Limited**

**Compliance of Investment guideline issued by Beema Samiti**

Particulars	Under Investment guidelines	Fiscal Year			
		2007/08	2008/09	2009/10	2010/11
Government Securities	More than 25 percent	-	-	-	26.57
Fixed Deposit on Commercial Bank	More than 35 percent	97.41	93.53	89.70	67.65
Fixed Deposit on Development Bank	Less than 15 percent	2.59	5.13	7.36	2.25
Fixed Deposit on Finance Company	Less than 10 percent	-	0.68	2.16	-
Miscellaneous	Less than 15 percent	-	<b>0.66</b>	<b>0.78</b>	<b>3.52</b>
(a) Corporate Bond, Deb. and Pref. Share		-	-	-	1.13
(b) Ordinary Share		-	0.66	0.78	1.19
(c) Others		-	-	-	1.20
<b>Total</b>		<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

*Source : Beema Samiti*

### Annex 30

#### Total Investment of Life Insurers

##### Compliance of Investment guideline issued by Beema Samiti

Particulars	Under Investment guidelines	Fiscal Year			
		2007/08	2008/09	2009/10	2010/11
Government Securities	More than 25 percent	0.49	4.97	3.00	21.96
Fixed Deposit on Commercial Bank	More than 35 percent	95.97	85.25	81.84	67.72
Fixed Deposit on Development Bank	Less than 15 percent	1.15	6.43	9.07	4.12
Fixed Deposit on Finance Company	Less than 10 percent	1.76	2.36	4.50	3.53
Miscellaneous	Less than 15 percent	<b>0.63</b>	<b>0.99</b>	<b>1.60</b>	<b>2.68</b>
(a) Corporate Bond, Deb. and Pref. Share		0.48	0.49	0.29	0.47
(b) Ordinary Share		0.14	0.51	1.30	1.83
(c) Others		-	-	0.00	0.37
<b>Total</b>		<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source : Beema Samiti

### Annex 31

#### Correlation Analysis of Investment Pattern and Total

##### Average Return of Old Aged life Insurance Companies

Name of Companies	Gov. Securities	FD on Commercial Banks	FD on Dev. Banks	FD on Finance com.	Misc.	Total Average Return
National Life Ins.Co.Ltd.	518.93	2057.45	339.99	241.28	592.05	225.59
Nepal Life Ins. Co,Ltd.	745.13	2356.11	270.89	223.68	487.74	267.16
Life Ins.Corpo.(N) Ltd.	879.50	1802.38	152.54	257.35	452.04	220.80
Met Life (ALICO)	2994.31	487.44	-	-	140.09	215.43

Source: Annex 1,2,3,4&11,12,13,14

## Annex 32

### Correlation Analysis of Investment Pattern and Total Average Return of New Aged life Insurance Companies

Name of Companies	Gov. Securities	FD on Commercial Banks	FD on Dev. Banks	FD on Finance com.	Misc.	total Average Return
AsianLife Ins.Co.Ltd.	136.50	618.09	59.08	50.29	22.79	71.47
Surya Life Ins.Co.Ltd.	35.72	305.75	15.35	7.33	12.49	26.49
Gurans Life Ins.Co.Ltd.	135.50	289.45	38.35	25.25	0.03	25.73
Prime Life Ins.Co.Ltd.	235.91	450.35	23.86	8.49	9.77	40.67

*Source: Annex 6,7,8,9&16,17,18,19*