

**PREMIUM COLLECTION AND INVESTMENT POSITION OF
NEPAL LIFE INSURANCE COMPANY LTD**

A THESIS

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T.U. Registration No.:7-2-302-122-2006

2nd Year Symbol No.:391153

Submitted to:

Office of the Dean

Faculty of Management

Tribhuvan University

*In partial fulfillment of the requirements for the Degree of Masters in Business
Studies (MBS)*

Putalisadak, Kathmandu, Nepal

May, 2014

RECOMMANDATION

This is to certify that the thesis

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**PREMIUM COLLECTION AND INVESTMENT POSITION OF NEPAL LIFE
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ACKNOWLEDGEMENT

I have prepared this report as the partial fulfillment of the MBS degree. During the course, I worked with sincerity as far as possible. Besides my effort, I also immense support from different people. I am extremely grateful and overwhelmed by their support while completing my work.

Firstly, I would like to express my cordial gratitude to my all teachers, who taught me up to now. For this dissertation, I would like to pay my sincere thanks to my thesis supervisor Prof. Shneha Lata Kafle and Sita Ram Dhakal. His valuable support for the preparation of proposal to thesis is rally praise worthy. I am extremely obliged by his support despite of his busy schedule.

I would also like to thanks all the staff of NLIC and Shankerk Dev Campus and Central Library T.U., National Library Hariharvawan Lalitpur for their cooperation and help in providing the valuable data useful in preparing this thesis.

Finally, I would like to express deep gratitude to my family members, and friends for continuous help and providing me enough time and conductive environment.

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ABBREVIATIONS

AICL	=	Alliance Insurance Company Ltd
C.V.	=	Co-efficient of Variation
Co	=	Company
Dev.	=	Development
EICL	=	Everest Insurance Company Limited
EPS	=	Earning per Share
F/Y	=	Fiscal Year
Fin	=	Finance
GDP	=	Gross Domestic product
Insig	=	Insignificant
LIC	=	Life Insurance Company
Ltd	=	Limited
MPS	=	Market Price of Share
NICL	=	Neco Insurance company ltd
NLIC	=	Nepal Life Insurance Company
PE	=	Probable Error
PICL	=	Premier Insurance Company Limited
R	=	Correlation
Rs	=	Rupees
S.A.	=	Sum Assured
S.D	=	Standard Deviation
SICL	=	Sagarmatha Insurance Company Limited
Sig.	=	Significant

CHAPTER – I

INTRODUCTION

1.1 General Background of the Study

The world is full of risk. Future is always uncertainty and uncertain gives a birth of risk. No any activities are free from risk in human life. The word “Risk” is a buzzword pronounced by the people from every nook and corner of the world. Generally risk refers to the exposure of peril, possibility of suffering loss or injury, chances of meeting dangerous situation. Human life and material possessions are continually exposed to loss or damage by numerous destructive forces, which create great uncertainty in life, in commerce, in industry etc. It is an undisputed fact that the risk is undeniable in the modern complex life and society. More specifically risk denotes the uncertainty of loss. Uncertainty refers to the unknown future outcome or result of an event. Risk is a blessing because it gives rise to discussion, hope, planning accomplishment and progress. It is a curse in so far as it gives rise to dispute, fear, defensive tactics, failure and retrogression. The uncertainty about future is basic universal fact of human life or earth.

In the 21st century the world suffers from competition. So the existence of organized financial market and capital market within the boundary of a nation is regarded as an essence for the development of a country. The government firm and individual agencies play vital role in the financial and capital market through investing collected resources within the recognized and national sector like productive industry and financial area expecting reasonable benefit for themselves.

No human activity is free from risk. Moreover, sophisticated scientific innovations, violence and terrorism have made risk a glaring critical issue. In this context the idea of risk management and the idea of the insurance have emerged. Insurance plays a significant role in risk management. Insurance is devised as a financial security against risk. The wheel of development is accelerated by industrialization and industrialization is possible only with the support of two big institutions - banking and insurance. The one pillar, banking provides capital and helps in the financial transaction of business in many ways. Another, pillar insurance offers a high

economic relief to different types of industrialist, businessmen and individuals. Insurance has become the pillar of alertness, courage and eagerness to develop the life and living standard of common people, industrialist and traders of today's world. Insurance has been introduced to safeguard the interest of people from uncertainty by providing certainty of payment at a given contingency. Insurance companies are integrated part of the same business. The two are the two wheels of a cart. In the absence of one, the other cannot function. Insurance is equally important for common people and businessmen. It is part and parcel of the business houses.

The insurance market in global perspective has been an important ingredient for economic development. In advance countries, Insurance companies have played a very significant intermediaries role in mobilizing funds through the prudential combination of investment portfolio. However, in developing countries like Nepal, the role of insurance companies is still to be realized as an important vehicle of mobilizing the internal saving through various insurance schemes of life and non-life sectors in the economy. This can be done with proper and optimal combination of risks as an organized method of dealing with pure risks to which an individual, family, firm or other organizations are exposed. Insurance is a social device, which combines the risk of individuals into a group, using funds contributed by members of the group to pay for losses.

History of Insurance

The term of insurance developed through the faith and co-operation. The origin of insurance is lost in antiquity. Evidence is on record that arrangements embodying the idea of insurance were made in Babilonia and India at quite an early period. In Rigveda, the most sacred book of Hindus, reference were made in the concept "yogkshema" more or less akin to the well being and security of the people. The codes of Hammurabi and of Manu had recognized the advisability of provision for sharing the future losses. However, there is no evidence that insurance in its present form was practiced prior to the twelfth century.

The earliest traces of insurance in the ancient world are found in the form of marine trade loans or carriers contract, which included an element of insurance. Evidence shows that the marine insurance is the oldest form of insurance. Travelers by sea and

land were very much exposed to the risk of losing their vessels and merchandise because the piracies on the open seas and highway robbery of caravans were very common. After marine insurance, fire insurance developed in its present form. It originated in Germany in beginning of the sixteen century. It got momentum in England after the great fire in 1666 when the fire losses were tremendous. Gradually all the types of insurance were developed at this form.

In the Context of Nepal

In our country, the concept of insurance can be traced down to the “Guthi Systems” and joint family culture that has been prevalent since the ancient times. These systems have provided security and assistance to individuals and families in time of need. With the change in the economic and social perspectives and the increasing complexities of the upcoming small-scale industries, an immense need for a domestic insurance company was felt to insure against any loss that could arise due to mishaps in industries.

Before the emergence of insurance company in Nepal, there were several broker offices of Indian company operating in Nepal. The first insurance company in Nepal was Nepal Malchalani Tatha Beema Company Ltd, which was established in 1947 A.D. as a subsidiary Company of Nepal Bank Limited, the first commercial Bank of Nepal. The main objective of that company was to transport the goods imported by the bank and to keep the goods in its custody. The company took responsibility of cash transaction of the bank. After sometimes, the company changed its name from Nepal Malchalani Tatha Bema Company Ltd to Nepal Insurance and Transport Company Ltd.

Transporting goods and issuing insurance policies were the core objectives of Nepal Insurance and Transport Company Ltd. but it mainly concentrated only on insurance sector. So again, it changed its name and became Nepal Insurance Company Limited. Even though Nepal Insurance Company Limited was established to sell insurance, it was reluctant to accept other business except Nepal Bank Ltd. Since foreign (Indian) insurance Companies were still transacting insurance business through their broker offices in Kathmandu and other branches in major cities in Nepal before and after establishment of Nepal Insurance Company Limited.

After the restoration of Democracy in 1990 A.D., Insurance environment began to change simultaneously along with other factors. Thus to meet the requirement of the changing situation Insurance Act 1968 was repealed by new Insurance Act 1992 (Beema Ain 2049 B S). The preamble of the act clearly states the purpose of the act. An insurance Board was established to Systematize, regularize and develop the insurance business. To achieve the goal as stated in the preamble, Beema Samiti (Insurance Board) was formed as an autonomous body under the Insurance Act of 1992 A.D under the direct supervision of the government. After the introduction of Insurance Act, 1992, the number of private insurance companies came into existence. There are altogether 25 Insurance companies functioning in Nepal both in life and non-life insurance business in Nepal.

Table No 1.1

Structure of Insurance Company

Ownership	Nature of the Company			Total
	General	Life	Composite	
Government owned	-	-	1	1
Private Sector	12	5	-	17
Foreign	2	1	-	3
Joint Venture	2	2	-	4
Total	16	4	1	25

Source: Annual Report 2012, Insurance Board

Nepal Life Insurance Company Ltd

Nepal Life Insurance company ltd was established as a public limited company in 2058-1-21BS under company act, 2053 and insurance act 2049 BS. Nepal life is foremost life insurance company established by private investor company. The promoter of the companies are a group of a well known business man and business house of Nepal within the 13 years of operation the company has set up an excellent business record and has strong financial position.

It was established in the pure Nepalese investment of the private sector. It has operating life insurance business by opening 23 branch office in main urban area located in Kathmandu, Biratnagar, Birgunj, Butwal, Pokhera, Banepa, Naranghat,

Nepaljung, Birtamod, Lahan, Janakpur, Mahandranagar, Dang, Hetauda, Surkhet, Fidem, Urlabari, Dhangadi, Lalitpur, Naksal, Nuwakot, Dharan, and Palpa. Life insurance policies are issued by every branch of company.

Total paid up capital of the company is 63.75 million, out of which 80% was paid by the founder member and rest 20% by the general public. Every Insurance company is re insured by other insurance company so as Nepal Life Insurance Company has been insured by the “Hannover life re”, Germany and “score Global life se”, France. It collect premium by the issue of different types of life insurance policy by calculating different ways.

Till 2070 Aswin, it has following business activities:

- Policy no :- 541,973
- Total insured amount :-1,98,88,27,00,000
- Total premium received:-67,18,31,45,068
- Total Investment :-14,80,00,00,000
- Life insurance fund:- more than 14,23,00,00,000 and
- It has also 3-12-2 areas 6 floor business building at Kamal Pokhari as a name of *CITY CENTRE* was established and operationalize.

The main branch of the company located at **heritage plaza** Kathmandu

Nepal Life Insurance Company is one of the leading company in life insurance business in Nepal. It is awarded in 2012 in life insurance business. From the last scenario it has good financial performance and its share price also higher than others insurance and banks share price. *Aarobar Daily, (2070, Poush, 5)*, “from the last 3 months, nearly the 10 Arba, 87 crore, 39 lakhs insurance policy are sold. Out of them 7Arba 92 crore, 57 lakhs are life insurance policies amount and rest 2 Arba, 94 crore, 82 lakhs are non life insurance policy amount. Out of life insurance policy 1 Arba, 7 crore, 85 lakhs are the part of Nepal life insurance companies which is top then other.

1.2 Focus of the Study

We know insurance company is also one kind of the financial institution. Since it is also involved in financial activities, insurance company collects fund as premium and

make investment. Premium means a certain charged amount, which is paid by the insured to the insurer for bearing risk and uncertainty. Premium is of two types- Net premium and gross premium. The two premiums are further sub-divided into two parts. They are single premium and level premium. This study is concentrated on the premium collection and investment position and aimed at evaluating and analyzing the premium collection trend and investment.

1. Premium collection and investment position.
2. Importance of insurance.
3. Collection of premium by different product.
4. Proper mobilizing fund in desirable sector.

1.3 Statement of the Problem

Nepalese insurance companies are successful enterprise of Nepal, which are still running in the insurance business without suffering any losses from the date of establishment till now. Subsequently today there are 25 insurance companies operating their service and activities. Nowadays, international insurance companies are also opening in our country to participate in insurance business. An overlook on the balance sheet and profit and loss account of insurance company reflects that the company is earning profit each year; however it is not significant and satisfactory against the volume of transaction. There are number of constraints that hinders the development of insurance. Limited market opportunities, low per capita income and lack of knowledge of insurance poses a serious threat to the insurance business in Nepal. The competition in the insurance business has become more intense. Moreover, increasing violence and terrorism has been threatening the insurance business. Therefore the insurance companies should be very much cautious about their business operation.

The big problem of such institution is to collect premium and mobilize in suitable sector. The main problems of this insurance company is finance and collection of premium fund. Finance means the source of funds and its proper utilization. (*Yadav, Suren Kumar (2010)*). This study aims to analyze and find out answers through various methods of analysis and techniques. Specifically, the main issues of the study are as follows:

1. What is the position of the premium collection at present situation?
2. Is the firm able to collect the target premium amount?
3. Which sectors are suitable for the purpose of investing to the insurer?
4. What are the future predictions regarding premium collection and investment?
5. Is the present investment able to gain desired return?

1.4 Objective of the Study

Every study has their own objectives, there are so many objectives of the study. The major objective of this study is to define current situation of the premium collection and investment position of Nepal Life Insurance Company Ltd.

The specific objectives of the study are as follows:

1. To see the premium collection and investment position of Nepal life insurance company Ltd by the method of ratio analysis
2. To see the trend of premium collection and investment pattern.
3. To analyze the relationship of various factor like premium, claim & refund, investment and interest by the method of correlation.
4. To recommend probable corrective measures relating to the improvement of the premium collection and investment on the basis of finding of the study.

1.5 Significance of the Study

Insurance is a legal contract that protects people from financial cost resulting from loss of health, loss of life, law suit or property damage. It provides means for individuals or societies to cope with some of the risks faced in everyday life. People purchase contract of insurance called policies from a variety of insurance organization. Almost everyone living in modern industrialized countries buys insurance.

The process of insurance has been involved to safeguard the interest of people from uncertainty by providing certainty of payment at a given contingency. It doesn't serve the end of individuals but tend to pervade and to transform our modern social order. From an institutional viewpoint, the insurance companies are primarily aimed at providing the security against definite risk for an individual or organization. However, as supplementary to their basic aim the insurance perform as the financial

intermediaries too. This study will highlight the investment sector of insurance fund, policy of insurance scenario of premium collection and investment too. It is the study on collected premium under various policies and suggests what are the weakness and how to improve them. The study is important itself because it is the study of the heart of insurance system.

This study will have importance and beneficial to all the parties who involve in this company which are:

1. This study may be relevant for the future research on premium collection and investment position.
2. It may be guidelines to the investor to know the future premium collection and investment.
3. It may be guidelines to the Government and general interested public.
4. It may be guidelines to individual who will carry out further research.
5. It may be guidelines to the Management, policymaker, and insurance board and related with insurance.

1.6 Limitation of the Study

The study aims at findings the facts and the trend or pattern of the investment and premium collection of Nepal Life Insurance Company Ltd. During the report preparation there were some boundaries which cannot be ignored. These boundaries are called as the limitations of the study. Following are the limitations of the study.

1. It includes the premium collection and investment position of Nepal life Insurance Company Ltd only for the period of 5 years.
2. The whole study is mainly the based on the secondary data which are collected from the annual report, reports of Insurance Board, books, journal, articles and other available records.
3. This study covers only the area of premium collection and investment
4. Only one company is taken as a sample for the study, so its conclusion may have some error.

1.7 Organization of the Study

The research study has been organized into five chapters namely.

Chapter-I: Introduction

The introduction chapter provides general information and concepts of insurance, premium collection and investment. This chapter gives a brief picture of what is going to be studied, why the study is important and what are the limitations of the study

Chapter – II: Review of Literature

Review of literature deals with the general information related to the study. It deals with the theoretical concept of insurance premium collection and Investment. This chapter gives definition, meaning and need of premium collection and investment in the Insurance Industry.

Chapter – III: Research Methodology

This chapter explains the research methodology used in the study. It deals with the kinds of data being collected and types of sources are being used for the data collection. Finally this shows how the data are processed to meet the need and objective of the study.

Chapter – IV: Data Presentation and Analysis

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

Chapter–V: Summary, Conclusion & Recommendations

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

Bibliography

Appendices (I to XI)

CHAPTER – II

REVIEW OF LITERATURE

This chapter includes the illustration of insurance, premium collection and investment positions. This chapter is divided into two parts: Conceptual framework and review of the previous research. Conceptual framework includes the generally accepted theories and review of the previous research includes the brief review of previously conducted studies related to the study.

2.1 Conceptual Framework

The world today is full of risk. Moreover, the development of sophisticated technology and different scientific innovation has changed the human life. It has made the whole world a global village. But it has also increased a great deal of risk. Some sort of risk is beyond the human control. To reduce such type of risk, the idea of insurance is developed. Insurance is a way of reducing uncertainty of future outcome. It provides financial security against risk. Before getting into the concept of insurance and its major areas one must be clear to understand the risk and risk management.

Risk

Risk means uncertainty about future losses, or in other word, the inability to predict the occurrence or size of loss. In general risk can be defined as the probability of the occurrence of unfavorable outcomes. There are different meanings of risk. It can be defined as statistical terms and in insurance terms too. In the context of insurance, it takes uncertainty of occurrence of economic loss. Thus, people who want to safeguard lay insuring them to the insurance companies. Risk, as a term, will be the composite of perils, loss and hazard which are the intimate parts of the term risk.

Peril

A peril is the cause of loss. Peril will be the matter that is capable of causing loss to the physical or human condition. Peril may be in the form of wind storm, explosion, collision, pre-mature death, accidents etc.

Loss

Loss is an untimely decline in value or disappearance of value, it is the undesirable result of risk, usually in an unexpected or least relatively unpredictable manner.

Hazard

The acts or condition that increases the likelihood of a loss is termed as hazard. It may be the condition that may create or increase the chance of loss from a given peril.

Risk Management

After having the concept of risk it is important to know about risk management. Risk management is the systematic and efficient handling of pure risks. In simple words, risk management is the planning, organizing, directing, controlling process of risk. In practice risk management is the device and process of decision making for either personnel or organizational risky situation. Risk management is a “general management function that seeks to identify, assess and address the cause and effect of uncertainty and risk of an organization. The purpose of risk management is to enable an organization to progress toward its goals and in the most desirable, efficient and effective path” (*Smith Williams and Young; 1995: 27*).

2.1.1 Meaning of Insurance

It is quite hard to define insurance to satisfy every viewpoint of insurance. Insurance is a contract between two parties where by one party (the insurer) agree in consideration of money (the premium) paid to them by another party (in insured) to identify against of loss and damage as a result of an accident. “insurance is a plan by which large no of people associated themselves and transfer to the shoulder of all risk that attach to individual (*prof. jh.magee:1959*). Insurance can be explained as a social device to accumulate funds to meet the uncertain losses arising through a certain risk to a person insured against the risk. In some generic terms, insurance is regarded as “co-operative risk carrying”, transfer of specializing risk carriers,” redistribution of actual loss etc. Insurance is a cooperative device to spread the loss caused by a particular risk over a number of person who are exposed to it and who agree to insurance themselves against the risk. (*M.N.Mishra:1997*)

For the economic growth of a country insurance provides strong hands and minds, protection against loss of property and adequate capital to produce more wealth. Through prevention of economic loss insurance protects the security against degradation. Thus, the potential human and property resource are well protected in present and future by insurance.

According to nature, characteristics and objectives of the insurance company, they are also referred to as financial intermediaries. Hence, insurance industry, a composite structure of insurance companies, is regarded as financial institution bearing very difficult characters among very financial institutions and intermediaries. It may be an economic system of reducing risk through transfer and pending of losses. “A legal method of transforming 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 as actuarial system of applied mathematics” (*Bickihaup David L.;1983:43*).

Insurance companies are capable of providing industrial finance, government finance or even personal finance. They provide different finance through their own investment policy and pattern based upon their own corporate objective and nature of the line of insurance business. In the context of Nepalese insurance companies they provide various insurance policies and charge premium under insured risk and nature. Insurance companies collect fund through various client (people and organization) as premium. So all the insurance companies are responsible for their clients interest. This study looks and analyses insurance companies premium collection and investment situation

2.1.2 Development of Insurance

First Phase: Emergence of Marine Insurance

After the emergence of the concept of insurance, it was most commonly used for marine insurance. So, marine insurance is the first modern form of insurance in the history of insurance. In 1300 A.D. the first insurance contract called: polizza was made in Italy. Later on the word “policy” was developed from “polizza”. The concept of marine insurance was commonly used in Lombard of Italy and in Venice in 14 century. In fact the Lombard of Northern Italy had main role in bringing the

international extension of marine insurance in England. Later the Jewish of Lombard were banished, then settled in different countries of Europe. The name of street, "Lombard street" of London was named after the name Lombard. At that time this street was called the central point of the marine insurance.

The significant role of Lloyds institution for the development of insurance cannot be ignored. The underwriters who took the marine risk used to carry out the work of marine insurance, meeting personally in the coffee house of Edward Lloyds in the tower of street of England. Slowly the coffee house was successful to introduce itself as a centre of marine insurance. The Lloyds institutions established in 1771, is the first institution to make formal marine insurance. Till now, this institution is the one of the most popular insurance company in the world.

Second Phase: Development of Life Insurance

After the development of marine insurance people used the concept of the insurance to provide security to their lives. To talk about the modern life insurance, by an associate 16 persons, the first life insurance policy of the world was issued in the name of a person named "William Gybbons" in 1583 A.D. It is recorded that insurance policy was issued for one year. One Astronomer named: Admand Heley, submitted a "Mortal Table" in 1693 A.D. to the royal security. This mortal table was useful tool for calculating insured amount and the first time life insurance institutions insured amount technology on the basis of data.

In 1744 A.D. passing the life insurance Act created the foundation of the modern insurance. Thereafter different laws later removed the defects that came to the business. Many companies were closed and some of them went and mixing or merging with another insurance company. There is no controversy that the Life Insurance Act 1870 was passed to control the operation of the life insurance business for protection of the customers. Before the beginning of the 19 century many life insurance were that already established in the world. We find that the life insurance business in our neighboring country India had started with the establishment of the Mutual Association. In 1971, both life and the non life insurance were nationalized in India; as a result, the Life Insurance Corporation for life and general insurance company ltd for non life insurance were established. During the reign of Elizabeth

the life insurance used to effect for only one year. After one year, it was not renewed, the insurance automatically used to be cancelled. But the job of effecting long term insurance, started from 18 century has been increased continuously.

Third Phase: Emergence of Fire Insurance

In the history of insurance, the fire insurance comes after the life insurance. However there is some controversy about it. In the opinion of some people, the concept of fire insurance had come after many marines insurance. The function of the fire insurance was done in 14th century. The beginning of the fire insurance for the first time can be found in the municipality of the Hamburg in Germany in about 16 century, it is said that after the birth of life insurance the fire insurance was developed.

In 1666 A.D. after the fierce incident, many buildings were turned into ash in England. It is known from the history of insurance that many people were in difficulties. So, the fire insurance was introduced with the main objective of the providing the financial protection to the people to save from the risk and the ruin.

Fourth Phase: Practice of Miscellaneous Insurance

After the fire insurance, many other types of insurance came in use. Thus, by such insurance policies man is trying to be protected from many types of risks. Under the miscellaneous insurance, fidelity guarantee insurance started from 1848, personal accident insurance from 1880 liability insurance from 1875, public liability insurance from 1877, burglar and house breaking insurance from 1903, motor insurance from 1911, and aviation insurance came in practice, earthquake insurance, the vocal of the male singer and female singer, model beauty as miscellaneous insurance.

2.1.3 Types of Insurance

Insurance has been the most effective and strongest to save people's property as well as theirs life financial save and secure. It makes the security for the payment of the insured amount those who have made life and non-life insurance. Nowadays, insurance has become the pillar of alertness, courage and eagerness to develop the life and living standard of the common people, industrialists and traders of the world. When insurance defined in the generic concept, it will take the form like social

insurance and private insurance. But we have divided the insurance into two parts as life insurance and non-life (general).

2.1.3.1 Life Insurance

Nepal insurance Act 1992 (sec, 2-1) has defined life insurance as “the contract of insurance, affected of human life on the basis of age to pay a fixed sum to the assured or him nominee, on the death or on the happening of any contingency, dependent on human life in consideration of payment of a fixed installment premium by the insured person”.

Insurance provides protection against a wide variety of risks. However, life insurance provides sum of amount against the various risks relating to the human being body through issuing different policies. Life insurance is a type of insurance plan conducted by the insurers which is directly related with providing assurance against the economic part of total human life. It is financial instrument for providing post death resources to support survivors or pay obligations of the state of the deceased. “Life insurance contract may be defined as the contract, whereby the insurer in consideration of a premium undertakes to pay a certain sum of money either on the death of the insured or on the expiry of a fixed period” (*Mishra, M.N. 1997: 49*). Since the earning power of an individual is the greatest assets a person does have, it really will be the most important part of human life. Life insurance is particularly concerned with that aspect of human life. Since the insurance or assurance of a persons’ life is impossible because of the certainty of the death of a person once born. Life insurance only provides assurance against unseen future accident and it helps to live comfortably in retirement life. Life insurance is written to economically protect the insured against financial loss in the circumstances like living up to the age of retirement when he will not have potential earning 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 provides a protection for two major contingencies. A man insures his life either to make provision for leaving a certain sum for his dependents when he dies, which may happen he is able to say and accumulated sufficient amount. Life insurance has several business and financial advantage. In life insurance it is provided that the insured interest amount is to become payable in the

happening of death or in some cases on the attainment of certain age, whichever is earlier. The concept of Life Insurance is based on pooling the risks of many to a group, accumulating a fund by contribution from the members of the group and paying from this fund the losses of those who suffers loss.

Now In the context of Nepal life insurance company Ltd, it provides various kinds of life insurance police's or schemes are as follows:-

SURAKSHIT JEEVAN BEEMA (Endowment Plan)

It is an endowment plan. It can be taken by anyone in the age group between the age of 11 years to 60 years. The maximum age of maturity is 65. Under this plan the insured amount (sum assured) with bonus is payable at the end of the specified period or on death of the life assured before expiry of the term. This is the most popular insurance plan. By selecting the term judiciously, one can provide for old age at get risk cover for the selected term.

Features of surakshit jeevan beema

- It can be taken anyone in the age group between the age of 11 to 60 years.
- Maximum age of maturity is 65 years
- Under this plan loan up to 90% of the surrender value after the policy has completed 2 years term.
- Minimum sum assured is Rs 25000 and maximum sum assured depends up on the income sources of life to be assured.

Sources: www.nepallife.com.np

KETA KETI JEEVAN BEEMA (Endowment Plan)

Every parents spurns dream for better education marriage and successful life for their offspring. In this context Nepal life insurance company for the first time in the insurance industry of the country, launch the product with the sole aim of providing tools of having risk coverage of life of child and making future provision for the education, marriage and financial support for the words of aspiring parents. The salient feature of the plan is:-

- Policy can be issued just born child till age of 11 years

- The risk on the life of child to start after completion of 7 years of age of child.
- Minimum sum assured is Rs 100000 and maximum is Rs 1000000.
- The term of the policy is 19 minus age of child.
- No accident benefit available on the life of child policy participates in profit.

Sources: www.nepallife.com.np

JEEVAN LAXMI BEEMA (Endowment Plan)

The plan is triple benefit endowment plan with bonus payable in the following terms:-

- Basic S.A. with bonus payable on maturity.
- Two times of basic S.A. with proportionate bonus payable on normal death in force policy within policy term.
- Minimum sum assured Rs50000 and maximum sum assured Rs 100000.
- Minimum entry age 16 and maximum 50 years.
- Minimum term 7 and maximum 25 years)

Where,

S.A. = Sum assured

Rs. = Rupees

www.nepallife.com.np

JEEVAN SAHARA JEEVAN BEEMA (Endowment +Whole Life)

- The plan is specially designed endowment product to cover the wide range of risk for our social communities of Nepal.
- The insured amount (S.A.) together with bonus is payable on maturity date and full insured amount (S.A) again payable on death of life assured after maturity.
- In case of death before maturity date under in force policy the insured amount and whatever bonus declared is payable.
- Insured amount is payable in case of death of the policy holder after maturity of policy term.
- Minimum insured amount Rs 100000 and maximum depends upon their income sources.

- Minimum entry age 16 and maximum 65 years
- Minimum term 5 and maximum 54 year

Sources:www.nepallife.com.np

JEEVAN SARATHI BEEMA YOJANA (Endowment Plan)

Nepal life insurance has introduced a new kind of policy in Nepali market. It is a joint life policy. Under this plan risk of both husband and wife is covered by a single policy. Upon the death of spouse ,insured amount is paid to alive husband or wife and remaining premium(installment) which has to be paid by the alive partner to the company will be waived. Again the insured amount along with bonus is paid on the maturity.

- It can be taken any one in the age group between the age of 16 to 50 years.
- Loan up to 90% of the surrender value after the policy has completed 2 years.
- Minimum sum assured is Rs 50000 and maximum depends upon income sources of lives to be assured.
- Accidental benefit is available to both partner on payment of Rs. 1/- per thousand.
- At present total maximum accidental benefit coverage amount Rs 400000.

Sources:www.nepallife.com.np

NEW TERM LIFE INSURANCE PLAN (Term Plan)

New term life insurance is one of the unique product which makes provision for the family of the assured in the event of the early death. To cover high risk in low premium is the speciality of this product. If a person has taken a loan from bank/finance and insured under this plan the liability against his loan would be born by the related insurance company.

Feature of this plan

- In this plan have 5, 10, 15, 20, 25, 30 years of term.
- Minimum S.A. Rs 100000 and maximum amount depends upon the income of sources of the life to be assured.
- Minimum entry age 18 and maximum 60 years.

- 5% rebets on premium for above sum assured rider and not applicable in this plan.

Sources: www.nepallife.com.np

JEEVEN SAMBRIDHI JEEVAN BEEMA (Anticipated Plan)

For the first time In Nepal, Nepal life has introduce attractive anticipated life insurance product with whole period risk coverage on limited period premium payment.

Table No 2.1

Jeevan Sambridhi Jeevan Beema Refund Schedule

Term	Premium Payment term	Pre-payment		Bonus	In case of death with in insured
15 years	12 years	After-4years	30% of S.A.	After 15 years	Sum assured with bonus
		After -8years	30% of S.A.		
		After-12years	40% of S.A.		
20 years	16 years	After-4year	20% of S.A.	After 20 years	Sum assured with bonus
		After- 8year	20% of S.A.		
		After- 12year	20% of S.A.		
		After- 16year	40% of S.A.		

Sources: www.nepallife.com.np

NEPAL LIFE JEEVAN JYOTI PLAN (Endowment Plan)

This plan is most popular form of life assurance. It makes provision for the family of the assured in the event of early death, as also assured a lump sum amount at a desired age. The amount assured, if not paid by reason of early death, becomes payable at the end of the endowment term.

If the payment of the premium is discontinued after at least 3 years premium have been paid, a paid up policy of an amount bearing the same proportion to the sum assured as the no of premium actually paid bears to the stipulated for in the policy, will be actually secured. Such reduced paid up policy will not be entitled to participate in the profit declared thereafter.

Table No 2.2

Premium Paid Term

Term of policy in year	10	15	20	25	30
Premium paying term in year	1/5	1/5/10	1/5/10/15	1/5/10/15/20	1/5/10/15/20/25

Sources: www.nepallife.com.np

CHILD-EDUCATION PLAN (Endowment Plan)

(Nepal Life Sunischit Bhawishya Tatha Sawadhik Jeevan Bema)

Eligibility condition:-

Child age:- From birth till 18 years

Proposer age:- 20-65 years

Policy terms:- 5 to 30 years(end of the child should not exceed 30 and proposer should not exceed 70)

S.A.:-proposer-NPR 50 thousand to 1crore

Child -NPR 50thousand to 25 lakhs

Risk Coverage Fee:-NPR 1/-per thousand of child sum assurance.

Sources: www.nepallife.com.np

FOREIGN EMPLOYMENT EXPATRIATE PLAN

Foreign employment expatriate plan Is brought in insurance market by Nepal life insurance company ltd for those Nepalese who are heading in forward for foreign employment ,the company has insured itself with the well –known re insurance company “SCORE GLOBAL LIFE”, France for term Assurance Foreign Expatriate policies.

Table No 2.3

Feature of the Plan are as Follows

Minimum entry age	18 years
Maximum entry age	50 years
Minimum insurance term	1 years
Maximum insurance term	5years
Sum assured	500000
Premium payment mode	Single

Effective from 2068/07/01 the premium rate for foreign employment expatriate policies for sum Assured 500000 is as below.

Table No 2.4

Premium Rate for Foreign Employment Expatriate Plan

Entry age next birthday	Term				
	1 year	2 year	3 year	4 year	5 year
18-35	1025	1825	2430	3050	3550
30 to 50	1500	2500	3400	4200	4900
51 to 64	3500	5000	6600	8300	10000

Sources: www.nepallife.com.np

2.1.3.2 Non-Life Insurance

Insurance, other than life and social insurance are called non-life or general insurance. The subject matter affected under it is in nature of property. The insurance company provides indemnity to the insured. Such compensation should be based on the actual value. Non-life insurance is also known as general insurance. It is a pure insurance because it can measure any risk in terms of money. General insurance is the insurance of property and liabilities risks of insured against some specified cost i.e. the premium. It includes property insurance, liability insurance and other forms of insurance. General insurance considers all the risk and it provides certainty against risk through certain sum of money. This part of insurance includes the insurance and risk transfer of the property and liability of the insured where, “property insurance against loss arising from the ownership or use of the property, include two general

classifications. The first indemnifies the insured in the event of loss growing out of damages too, or destruction of, his/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”. General insurance is responsible to payment of an amount to the insured. But when the incident is held by negligence of insured, the insurer is not responsible to pay any amount against risk. The insurers providing various kinds of non-life insurance policies are as follows –

Marine Insurance Policy

The oldest form of insurance, the marine insurance policy will be written to provide the security against the perils of sea. Ships sailing on are exposed to various kinds of risk. They may collide against one another, spring a leak, caught by fire, captured enemies and seized by pirates. The modified modern insurance policy provides the protection against various risk which does not belong to sea. The modern insurance policy provides the protection against inland transit loss, which is arising in the way to seller and buyer, and protection against loading and unloading also.

Fire Insurance

Fire insurance had been originated in Germany in the beginning of sixteenth century. Fire insurance policies are issued to indemnify owners of property, whether buildings or contents, against destruction or damage caused by fire and lightning. In generic form fire insurance provides indemnity for loss or damage caused by fire. “Basic form of fire insurance offers protection to the insured against the destruction of physical property as a result of fire (*Welshman M.T. and Melcher R.W.; 1980: 213*).

Aviation Insurance Policy

Aviation insurance is related the risk occurring due to peril, hazards or risks created by the aircraft. Aviation insurance provides the indemnity against the risk, which is created on flight, landing and the time of take off of an aircraft.

Automobile Insurance Policy

Automobile insurance policy is related to the risk of vehicles. It provides certainty against the risk of accident. It is the insurance policy related to the vehicles running on the road. It is directly related with providing the insurance against the peril or loss occurring with respect to vehicle and with providing financial assistance to the insured to remit the third party liability occurring to the damage caused by the vehicle.

Engineering Insurance Policy

Engineering insurance policy is directly related against the risk of engineering tools and technique. Engineering insurance is related with the risk transfer arrangement against peril, hazards or risk arising within manufacturing organization or within technical job sectors. A manufacturer has the risk of breakdown of his/her plant and machinery and may produce disqualified goods. However, Engineering insurance provides the protection against that situation.

Household Policy

Under this policy insurer writes the insurance against the risk of personal house/building and other properties. In this policy, the loss occurred due to the natural disaster like earthquake windstorm, lightening etc are financially protected from the insurer if this insurance policy is written.

Medical Aid Scheme Insurance

Under this policy insurer provides the financial support against the health problem to the insured. In this policy, insurer will be responsible to pay the all medical expenses for the insured if the insured needs medical treatment unexpectedly within the insurance written period.

2.1.4 Premium

Premium is the certain amount of payment, which is paid by the insured to the insurer for bearing uncertain risk, peril or hazards. Usually, premium calculated under different method as considering different affected factor. "Premium can be

ascertained either by numerical rating system, evaluates each and every item and marks are assigned to them according to their merits and degrees influencing risk” (Robinson & Dwayne, 1968: 87). Insurer charges the premium differently accordance to nature of risk. Thus, the judgement and personal evaluation play vital role in rating/fixing premium. Therefore, various factor to influence the risk. The management and ownership are very important factor while risks are evaluated for rate fixing.

Generally, the insurer charges higher premium for higher riskier insurance and lower premium for less riskier insurance policy. The premium is always directly affected by the nature of risk expenditure of office, other expense and written period. But, “A strong case exists for reviewing the rates of premium and simultaneously to exercise greater control over expenditure to generate a reasonable surplus in their insurance business.” (Insurance News & Views, 2006: 11). Generally, only premium is one of the main sources of raising fund for insurer. So, insurer should obtain sound management for calculating premium amount and collection process. Different insurance companies or insurer may charge different premium to insured under their objective and goal with accordance to the policies, risk and uncertainty.

2.1.4.1 Types of Premium and Calculating Process

We can find various premiums to paying insurer according to the policy. But the premium is fundamentally of two types. Net premium is calculated considering mortality and interest rate. Therefore, the rate of death of person and interest directly affect on the premium amount to calculating under net premium method. Similarly, the assumed interest rates the expenses of organization and the mortality rate directly affected calculation of premium under gross premium method. “The net premium is based on the mortality rate, the assumed interest rate, the expenses and the bonus loading”. (Mishra,M.N.; 1997: 203)

To make easier calculation of the premium amount, the two premiums are further sub divided into two parts.

- 1) Single premium
- 2) Level Premium

1. Single Premium

According to single premium system, the amount of premium is not divided into instalment. The insured obliges to pay all premium amounts in lump-sum basis. It makes difficult for insured because of paying heavy / large amount in one time. We can further define single premium as 'it makes to a system to paying all amounts in only one instalment'. Net single premium is that premium is received by the insurer in a lump-sum and is exactly adequate, along with other return earned thereon, to pay the amount of claim wherever it arises whether at death or at maturity or even at surrender. It does not provide for expenses of management and for contingencies.

2. Level Premium

Life insurance is usually, issued on a level premium basis, which means that the same premium is charged throughout the life of the contract. So, the level premium is paid periodically in instalment. The level premium system was once a starting yearly, quarterly and monthly. The level premium system was once a starting innovation because it was reasoned that due to the rising probability of death with age, it would be impossible to charge a flat premium that would compensate for the rising mortality costs. The first insurance policies were issued of one year only and were renewable at the end of this year at a higher rate, if the insured was still in good health. These contracts are still available and are known as yearly renewable policies. Usually, the level premium is suitable for the life insurance policies and for the purpose of limited income able person. Therefore, the level premium ideas are considered one of the most basic advances ever made in the development of life insurance. With this concept, it becomes possible to issue policies for longer and longer period until finally whole life contracts were made a regular part of the business..

Level premium is easily converted by the net single premium. Hence, the single premium of a given policy can be easily converted into level premium by establishing ratio between net level premium and net single premium. Because the net single premium is the present value of all claims and the present value of all net level premium is also equal to the total of present value of all claims. It means present value of all net level premium is equal to the net single premium.

2.1.5 Investment

General investment means to flow cash in different sectors at profit motive. Investment in its broadest sense means the sacrifice of certain present value for (possibly uncertain) future value. "Investment in an broad sense means the scarify of current dollor for future dollor. Two different attributes are generally involved; time and risk. The scarify takes place in the present and certain. The reward comes later, if at all, and the magnitude is generally uncertain".(Sharpe, Alexander and Bailey:2008)

In pure financial sense "the subsequent use of the term investment will be the prevalent financial sense of the placing of money in the hands of other for their use, in return for a proper instruments entitling the holders to fixed income payments or the participation in expected profits" (*Dowrie G.W and Fuller R.D; 1950: 6*).

Collecting the premium from the clients by issuing the insurance policies is one of the most important functions of any insurance companies. The main source of fund are premium and the income from the investment. Premium collection and investment are the main functions of every insurance companies. So success and failure of the insurance company depends upon these two tasks. Premium is calculated by the insurance company under the tariff by insurance board. Here applies higher the risks higher the premium.

Mainly there are two types of insurance business in insurance market in Nepal: Life and non life insurance business. Life insurance premium is refundable but the non-life insurance premium is non- refundable to the insured. Life insurance company refunds the insurance premium to the insured with bonus in a certain agreed time period.

For the financial institution, the investment and investment problems 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 future source of income. Thus, 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 the third party to use such resources. However, the investment needs be procedural task. It must follow a definite investment process. This definitely begins from the formulation of proper investment policy.

Insurer has responsibility and liability to pay certain indemnity and balance the fund at a certain specified time, with the accident or loss or death of life. Therefore, insurer's basic function is not only premium collection but also investment of collected fund. Hence, while calculating premium, it has to assume that the accumulated premiums are invested. The funds should be invested to earn at least assumed rate interest. The needs of investment of funds are for the payments of claims, to avoid financial deficit, to collect the funds and to give contribute to the national economy.

2.1.5.1 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 objective and nature of the investible fund and their future use. Such 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 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 maturity 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 principle 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 of investment that need to be followed.

2.1.5.2 Principles of Investment

Generally, the investment depends upon principles of investment. All financial institution and intermediaries invest their collected funds under investment principles and policies. However, investment policy is reformed and developed from the principles of investment. Therefore, so many determinants of principle of investment directly affect the investment policy. Investment policy will be the outcomes of various interrelated considerations. Regarding the insurance business also, it will be the outcomes of various principles and other affecting matters along with the basic principles of investment that need to be followed, because investment policy is formulated under regarding the principle of investment. “ While investment policies needed to be formed, the investors need to consider many factors. Usually these are the factors to be considered in investment planning decisions security of principle, stability of income and rate of return, marketability and liquidity” (*Shim J.K, and Siegel J.B.; 1989: 256*).

a. Security of Principle

The safety and security of principle is a primary and basic function of investment policy. The insurer should never invest its fund in these securities, which are subject to too much depreciation and fluctuations because a little different may cause great loss. Therefore, insurers perhaps invest their funds in fixed deposits and treasury bills of NRB.

The collected premium is a liability for an insurer; therefore they are always conscious on security and safety of the investment. Since the insurers' primary aim will be to provide the “risk financing assurance”, they need to be prompt in claim payments. Besides, the insurers mostly trade on others claim over them, especially claims of the equity holders and policyholders. Therefore, they should always be concentrating not to let decrease of 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 in the “collective saving- investment process”. Regarding the insurance business, this principle is enforced by the federal state laws, to “the basic principles for limiting the investment to those with 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 paramount consideration by the insurance companies themselves (*Life Insurance Company; 1969: 60*). To attain the principle of security the investor needs to analyze the 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 lending, which may be against some assets of the borrower or by the illegal consideration. The secured investment provides the good/sweet return and liquid cash flow whenever required.

b. Review of Insurance Directive for the Insurance Companies

The insurance directive for the life insurance companies:

The directive is equally applicable to all public and private life and non-life insurer and violation of any clause is subject to violation of regulation. The insurer must earn at least the assumed rate of interest; otherwise, they will suffer loss. The investment should be made in such securities, which yield the highest return consistent with the principle of safety. The insurer can reduce his future premium by earnings higher interest and thus, will be able to increase his business. It has been realized that the safety and the profitability is important for insurer investment. The insurer should believe in insurance company so as to interest rate as well as they invest their fund where more secure i.e. government securities. Insurance companies are regulated and directed by insurance board. Insurance board provide following provision to invest their investable amount. They divided criteria to the insurance companies where to invest they are as follows:

Table No 2.5

The Insurance Directives for the Life Insurance Company

Category	Selling of Investment	Types of investable securities and maximum or minimum selling (% on total investment) in each category.
A	At least 25% of total investment	Saving certificate and bond securities issued by government of Nepal saving certificate and bond securities issued on the guarantee of government of Nepal minimum 25%
B	Not more than 50%	<ul style="list-style-type: none"> • Fixed deposit commercial not less than 35% • Fixed deposit on development bank not more than 15% • Ekanki nagarik lagani plan of CIT not more than 5% of total investment amount.
A+B compulsory investment (not less than 75%)		
C	Optional investment	<ul style="list-style-type: none"> • Fixed deposit of financial company not more than 10% • Preference share (not transferable to ordinary share) secured debenture and other debenture of commercial bank, development bank & financial company not more than 10% . • Ordinary share of public ltd. Company not more than 5%.

Sources: *Insurance news and views (2012)*

C. Diversification

An insurer should not lay all of the eggs in the same basket. This saying is very important to the insurer and so he/she should be always careful not to grant

investment in only one sector. To minimize the risk, an insurer must diversify his/her investment in different sectors. The diversification provides maximum security with high yield and better liquidity provided the diversification is done taking in to account of all these factors. Do not invest all the funds at one spread over the widest possible range to minimize unfavourable consideration and to gain favourable advantages. Under diversification, the law of average reduces the losses to minimum.

d. Liquidity

The principle of liquidity is important for the insurance investment. They would be calculated when they need to pay the claim of their client. So, any time some liquidity amount would be required to pay. Thus, the insurer has to invest under the principle of liquidity. It is the principle required to match the function of insurer as financial institution against the function of insurance service provider. Liquidity represents convertibility of investment into cash without undue loss of capital the insurer needs to maintain working cash and balance in order to carry out the normal transaction of receiving payments and making disbursements. The principle of liquidity is against the principle of profitability, because the idle cash will earn nothing and invested cash will have no liquidity.

e. Marketability

Another important principle of investment for an insurer will be marketability or convertibility. The principle of marketability suggests the insurer to invest in that sector where easy possibility of cash convertibility exists. Insurer may not have any information about the requirements of funds to pay the claim of the insured. So, they need to invest in those sectors where marketability exists. The investible funds will be the claim of 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 arriving due to uncertainties, thus, it is quite important to concentrate on the marketability with respect to the investment components.

f. Profitability

Generally, the insurance companies or insurer obtain their name and era through paying claim in simple procedure at right time. In order to pay claim and maintain office expenses the fund is required. An insurance company can maximize its value of wealth and collection of fund through maximization of return on their investment. So, they must invest their fund where they can gain maximum profit. The funds must be invested in the higher yielding components. The rate of return must be matched with the rate of return to be provided on the policy reserve or simply the externally achieved return must exceed the return to be allocated internally.

“In considering yield in realization to company’s operation, it is important to realize that the investment income must provide the addition to policy reserve in accordance with the basis 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” (*Maclen; 1999: 261*).

The insurer must earn at least the assumed rate of interest otherwise they will suffer loss. The investment should made in such securities, which yield the highest return consistent with the principle of safety.

g. 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 attitude as well as the self imposed limitation from their side. If management wishes to increase the yield, investment policy will be to divert the fund to the high yielding portfolios, rather than the 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.

2.1.6 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 will not be available, then the insurer had to accept next best-suited investment components and the policy differs.

2.1.6.1 Life Insurance and Investment Policy

Life Insurance business is a long period coverage insurance business. An insurer can mobilize the collected premium fund of life insurance in long term. Because they do not require the much fund in short term. An important attribute of the insurance fund is that they are of the long term nature. The claim against them by insurance fund is that they are of the long term nature. The claims against them by the policyholders materialize 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: 190*). Insurer written the life insurance under different policy has perhaps a nature of long period like whole life policy, endowment policy etc.

Life insurance is a main source of collection of the funds. It can collect large amount of fund, so insurer needs policy to invest these funds. The chief objective in the management of the funds of life insurance companies is to have adequate funds with which to meet claims, which includes not only the death, disabilities, and annuity

payments called for policies but also the demand for the cash surrender value by person canceling their policies or for loans secured by the cash surrender value (*Dowry G.W and Fuller R.D.; 1950: 229*). This aspect of insurance business desires the investment policy, because the fund of life insurance in liability for an insurer. Therefore, insurer has responsibility to invest profitable sector and securely also. Thus, the fundamental purposes of the life insurance investment are: (a) to make possible the fulfillment of contractual obligation to policyholders. (b) to make available life insurance protection at a cost as low as possible. To meet these objectives an investment must give promise of (a) certain return on principle (b) a stable and responsible income yield (*Magee J.H.; 1959:743*). To attain the basic objective and strategy. The insurer should invest the life insurance fund under investment policy.

2.1.6.2 Non- Life Insurance and Investment Policy

The Non-life or property and casualty insurance are the kind of institution, which are specially purposed to transfer the property and liability risk of others against some benefit. "Unlike life insurance companies, Property and Casualty insurance companies do not collect saving, they sell service, and their liability do not represent firms dollar (amount) obligations to policy holders (*Dahal G.B. & Manandhar B; 2007: 99*).

Though these kinds of insurers are not expected to function as financial institutions at all, they need 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 fortunate 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 insurance are the risk financier for the insured against the loss on subject matter and the third party obligation, their field of operation will be quite unpredictable. The financial 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 on advance. Such advance collection system also makes unpredictable demand of the funds.

Thus, to maintain the successful operation of the business and be prompt in claim payment, the insurer need to held major part of their inflows available to pay future losses and expenses. "Because accidents, casualties, and disasters are not all that predictable, property and liability insurance companies must have reserve of funds to cover large claims and settlements if and when they occur (*Robinson and Wrightsman, Dwayne; 1968: 87*).

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 the capital gains. However, while investing on these kinds of components the proper security analyses 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 reserves, need to be invested in the short term maturity 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 essentials of the property and liquidity insurance funds these are the components, which can be transfer into cash in no times, and are needed, so that claims occurring through the maturity of the policy contract or cancellation can be meet. Since there will not be any provision like policy loan, the insurer need not bother about the claims accruing due to the demand of the policy loan.

2.2 Review of Journal an Article

Bhattarai, R.R (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 risk 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 in 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 an adverse effect in the overall economic of the country. Hence the supervision of insurance through regulation is a means to provide for insurance to established and strengthen the national insurance markets. Thus, insurance regulation is a means to provide for insurance to established and strengthen the national insurance market. Thus, insurance regulation facilities necessary control of insurer activities.

Ghimire, R. (2013), In his study “investment portfolio of insurance company” aims to explore the real states of investment portfolio structure of both life and non life insurance company Nepal. Insurance board of Nepal issued modified directives for the safe and secure investment of insurance fund. The paper examine the current investment practice adopted by the insurance companies and compare with the norms of directives most of the companies have invested more than required fund in secured sector giving priority to solving over profitability. Among the 234 cases 37 cases are non compliances where 197 cases are compliances. Out of 37 non compliance cases, 28 are more sensitive. Life insurance failed to comply the statutory provision in 5 cases and non life in 23 cases. However the voluntary category 1 and 8 cases are not complied by the life and non life insurer respectively. Overall scenario of investment portfolio is satisfactory ignoring few cases.

Joshi, R.M. (1978) “premium collection policy of insurance” seems to be high recommendation to the corporation for having policy of law premium to increase business and the premium should reviewed carefully. The huge amount of outstanding premium is lying, which shows the corporations inefficiency to collect the outstanding premium and recommended to collect immediately for the protection of increasing bad debt.

Shrestha, B.M. (2002), in his article, "*Insurance Business : Opportunity and Threats*", has stated that the Govt. properties including corporation is insured to Govt. Co. is priority basis, it is difficult to pursue in such corporation and Govt. offices, so the environment is not very positive. Only lip service from Govt., the economic growth of the country is very slow. People cannot afford to pay insurance premium.

The sense for insurance unawareness and unconscious mass is very high. Thus insurance business is very challenging. One has to create the market tremendous market potentiality and opportunity is felt due to the right person. After the formation of Nepal Insurance Association, The companies can plead their problem jointly to the Govt. and should to forward for the interest and benefit of insurers. This platform should be taken as an opportunity.

Shrestha, M.K (1991), in his article "*Rastriya Beema Sansthan Changing Investment Portfolio*", has attempted to analyze the investment portfolio holding pattern and its effect to financial performance of RBS. He found, the dominant part of total volume of investment portfolios in development bonds of HMG/N and a very negligible figure of total investment in share of other companies, due to his fact, the contribution of income from development bond to total incomes from the portfolios is dominant part the creation by a sound investment project is very crucial to RBS to minimize return rather than always taking same traditional policy of investing in Govt. securities fixed deposits, certificates and others. But the time has come for the Sansthan to cope with increasing competition to tap profitable investment opportunities by taking initiating in new industrial ventures for encouraging capital formation in the country.

2.3 Review of Thesis

Various experts, authorities MBS and MBA students have conducted a number researches relating the insurance business. Among them only few are related with the investment aspect of the insurer and insurer business. Among them least are related to the premium collection and investment.

Bhandari, M. (2010), in his thesis, "*Premium Collection and Investment Pattern of Insurance Companies*", uses secondary sources of data. The period covered was for 2059/60 to 2063/64. he used 5 insurance company i.e., PICL, EICL, SICL, NICTL, AICTL.

The basic objective of this thesis is to examine how far the different insurance premiums are collected and invested them properly. Other major objectives of the thesis are as follows:

1. To find out the trend of premium collection and compare investment pattern correlated with ratio analysis, EPS and MPS of insurance companies in Nepal.
2. To identify and analysis the role and growth of insurance company in the Nepalese economy on the reference of premium collection and investment pattern.
3. To identify major problems facing by the insurance company related to the premium collection and investment aspect.
4. To suggest and recommended probable corrective measure for the improvement based on findings of the study.

Bhandari, uses many financial and statistical tools like ratio analysis, standard deviation, trend analysis and co efficient variation and 'f' test etc. to analysis his study.

Main Finding of Bhandari's Study were as Follows;

Ratio analysis and trend analysis show that as the transaction amount is increased, the increase in percentage is not so satisfactory. Increase in premium collection has fluctuate nature and investment fund is low in comparison to others financial companies. They have seen only the fixed deposit and government saving fund as save and risk free sectors. Some insurance companies have net return low than interest received from deposit. Similarly, EPS and MPS of insurance companies are not satisfactory in respect to other financial institution like bank and finance. Poor performance of premium collection and mobilization i.e. investing in suitable sectors, insurances companies are unable to meet the target and are unable to contribute great percentage in GDP.

Although, Nepali insurance industry runs smoothly with profit, they faced various problems. The main problem is cut throat competition because of the liberalization and privatization. Under rating, price-cutting and unhealthy competition are the problems of insurance business in Nepal.

Gautam, P. (2009), in his thesis, "*Premium Collection and Investment Pattern of insurance companies*", uses both primary and secondary sources of data. The period covered was for 2059/60 to 2063/64. he used 5 insurance company i.e., PICL, EICL, SICL, NICTL, AICTL.

Where ,

PICL = Premier insurance co.(Nepal) ltd

EICL = Everest insurance company ltd.

SICL = Sagarmatha insurance company ltd.

NICL = Neco insurance company ltd.

AICL = Alliance insurance company ltd.

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Risal, U. (2009), “Profitability Analysis of Nepal Life Insurance Company Ltd and Life Insurance Corporation Nepal Ltd”. This study also descriptive and analytical too. Risal use secondary data in her study and analyze by the statistical tools like mean S.D., C.V., correlation, trend analysis, least square and financial tools like ration analysis.

The main objective of the thesis study is as follows:

- To evaluate and analyze the soundness of profitability of the companies.
- To study the trend of profitability of the companies.
- To evaluate and study the relation of various factors like assets, Interest income, Managerial Expenses and Life Insurance Fund on profitability.
- To provide recommendation to the management in improving their activities to increase profitability on the basis of the findings and the study.

Risal, (2003_2007) use 5 year data to analyze the study.

After detailed study Risal found the following conclusion:

Based on the Research Main Findings of the Risal were as Follows;

Return on total assets ratios, return on earning assets ratio, return on equity ratio and net profit to life insurance fund ratio of both the companies are in increasing trend. and all ratio of NLIC is higher than LIC on each of the ratios.

There is perfect positive correlation between net profit and total assets, earning assets and interest income respectively. Similarly, there is high degree of positive correlation between net profit and managerial expenses and life insurance fund.

Where,

NLIC = Nepal Life Insurance Company.

LIC = Life Insurance Corporation.

Shrestha , R. (2009) in her thesis *investment and liquidity management of insurance companies in Nepal*. This study also descriptive and analytical too. Shrestha used secondary data. In her study and analyze by the statistical tools like trend analysis and correlation of coefficient and financial tools like ratio analysis the period cover was (2068/69 to 2062/63).

The research has some specified objectives. Sampling analysis of investment and liquidity position of Insurance companies has been performed to meet the following objectives.

1. To analyze the investment composition & pattern of insurance companies of Nepal.
2. To evaluate Liquidity position of insurance companies.
3. To analyze the trend of the earning of the companies.
4. To suggest & recommend on the basis of major findings.

Based on the Research Main Finding of the Study are as Follows:

The major findings of this study have been summarized below on the basis of the above presentation and analysis of data:

- The insurance companies seem not wanting to make a risk in their investment.
- The trend of future earning of the insurance companies is found satisfactory except Everest and Neco Insurance Company.
- The Return on Asset of Himalayan and Premiere Company is found very much Satisfactory but Neco and United are in miserable condition.
- The correlation coefficient between Investment and Total Assets of all the sampled insurance companies is positively correlated.

Yadav, S. (2010), in this thesis premium collection and investment position of prudential insurance company ltd. This study is analytical and descriptive too. Yadav use secondary data in his study. Yadav, (2060/61 to 2064/65) used 5 years data to analyze the study and use financial tools like ratio analysis and statistical tools like mean, S.D., C.V., Correlation trend analysis.

The main objectives of the study were follows:-

1. To see the premium collection and investment position of Prudential Insurance Company Ltd.
2. To examine the trend and pattern of premium collection and investment.
3. To recommend probable corrective measures relating to the improvement of the premium collection and investment.

Main Finding of the Yadav's Study were as Follows

Premium collection and claim paid of different sources was in fluctuate and slightly increasing trend. According to the investment position of this company is good but not satisfactory. Trend of premium and investment also in increasing as well as interest earned on total investment of the company was also gradually increases till the last year.

2.4 Research Gap

There is close relationship between Yadav's study and this study because both studies are about premium and investment. Both studies use five years data to analyze premium and investment. There is no longer gaps between these study. Yadav emphasis the premium collection and investment position of non life insurance company but this study emphasis on premium collection and investment position of life insurance company.

Gautam study and this study both deal the premium and investment. Both study use five year data. Gautam use 5 non life (PICL, EICL, SICL, NICL, AICL) insurance company but this is only the study about life insurance of Nepal life insurance company ltd.

Risal study and this study is only the related with the conceptual term and same company because it is life insurance business. Risal's study and this study both deal with the NLIC (Life Insurance Company) and Risal use another Life Insurance corporation Nepal but Risal analyzed profitability analysis and this study analyzed premium collection and investment position.

Bhandari, study and this study both deal the premium and investment. Both study use five year data. Gautam use 5 non life (PICL, EICL, SICL, NICL, AICL) insurance company but this is only the study about life insurance of Nepal life insurance company ltd.

Shrastha study and this study is only the related with the study about insurance business of Nepal. Both study deals about insurance but Shrestha analyzed the investment and liquidity management of insurance companies in Nepal and this study analyzed premium collection and investment position of Nepal Life Insurance Company.

There is no longer difference between the thesis about premium collection and investment position. But there is no study about only the premium collection and investment position of Life Insurance by this way.

CHAPTER - III

RESEARCH METHODOLOGY

For any type of study, a sound research methodology is necessary. Research is the process of systematic and in-depth study or search for any particular topic, subject area of investigation, backed by collection, compilation, presentation and interpretation of relevant details of data. It is careful search or inquiry into any subject matter, which is an endeavor to discover or find out valuable facts which would be useful for further application or utilization. This study aims at presenting, evaluating, and finding about premium collection and investment position of NLIC by systematically.

3.1 Research Design

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. It is the plan and formulation of investigation idea and strategy so as to obtain answers to research questions and to control variance.

Research design is the main part of any research work. It is the preplan of any research or thesis work. "A research design is the management of condition for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure" (*Claire S. and Associates, 1962*).

To achieve the objective of this study descriptive and analytical research designs have been used. The research is so designed that the analysis and interpretation of the secondary data relates to the evaluation of past behavior of the insurer relating to the premium collection and investment position of NLIC.

3.2 Populations and Sample

The large group about which the generalization is made is called the population under study, or the universe, and small portion on which the study is made is called the sample of the study (*Sunity Shrestha and Dhruba Silwal , 2064: 78*).

In this study, all the financial statement published by the concerned company from the beginning till the period of study are taken as the population of the study and the statement taken to analyze about the company are taken as the sample of the study. So the entire operating period of the companies from establishment till now is the population of the study and the period covered by this study is the sample period of the study.

In Nepal, there are 25 insurance companies functioning to underwrite insurance business. But this study undergoes to research the premium collection and investment position of Nepal life Insurance Company Limited among 25 insurance companies. Nepal life Insurance Company is one of leading insurance company of Nepal.

3.3 Nature and Sources of Data

In order to achieve the objective of the study, secondary data collection procedure has been adopted. The secondary sources of data are the information received from reports, books, newspaper, journal and its related website etc. the major sources of data are as follows.

- Nepal life insurance annual report, insurance agencies books and its website: www.nepallife.com.np.
- Nepal life insurance companies respondent person.
- Thesis and reports conducted by various MBA and MBS students relating insurance field.
- Publications of Nepal Stock Exchange & its web site: www.nepalstock.com.
- Publications of Insurance Board of Nepal & its web site: www.bsib.org.np.
- Nepal Rastra Bank website: www.nrb.org.np.
- Various Publications of the Government agencies and Bodies relation to the field.
- Various Brochure, Journals as well as Booklets Published by the insurers.

3.4 Method of Data Analysis

Presentation and analysis of the collected data is the core part of research work. The collected raw data of premium collection and investment position are first presented

in systematic manner in tabular form and are then analyzed by apply two different financial and statistical tools to achieve the research objectives.

3.4.1 Financial Analysis Tools

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

3.4.1.1 Ratio Analysis

The term ratio refers as arithmetical relationship between two figures, in order to take rational decisions of financial variability of the company, the ratio analysis is adopted. Ratio can be expressed as percentage, fraction and stated comparison between numbers. It is an indicator yardstick or measuring rod or evaluating the financial performance and position of firm. In order to analyze premium collection and investment position of NLIC, the following ratios are used.

Ratio analysis for NLIC

$$\text{Sawadhik Premium to Total Premium} = \frac{\text{Premium collection by sawadhik jeevan beema}}{\text{Total premium collection}}$$

Where,

Sawadhik Jeevan Bema = One kind of product of NLIC

Total Premium Collection = Total premium collection of year 065/66 to 069/70

$$\text{Keta Keti Premium to Total Premium} = \frac{\text{Premium collection by keta keti jeevan beema}}{\text{Total premium collection}}$$

Where,

Ketaketik Jeevan Bema = One kind of product of NLIC

$$\text{Jeevan Sarathi Premium to T.P} = \frac{\text{Premium collection by jeevan sarathi jeevan beema}}{\text{total premium collection}}$$

Where,

T.P = Total premium

Jeevan Sarathi Jeevan Beema = One kind of product of NLIC

$$\text{Jeevan Sahara to Total Premium} = \frac{\text{Premium collection by jeevan sahara jeevan beema}}{\text{Total premium collection}}$$

Where,

Jeevan Sahara Jeevan Beema = One kind of product of NLIC

$$\text{Jeevan Sambridhi Premium to T.P} = \frac{\text{Premium collection by jeevan sambridhi beema}}{\text{Total premium collection}}$$

Where,

Jeevan Sambridhi Jeevan Beema = One kind of product of NLIC

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

Where,

Investment = Total investment of the year 065/66 to 069/70

$$\text{Interest earned to total investment} = \frac{\text{Interest}}{\text{Total investment}}$$

Where,

Interest = Interest earned in the year 065/66 to 069/70

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

Where,

Claim paid = Total claim paid of year 065/66 to 069/70

$$\text{Investment on Govt. Saving Bond to Total Investment} = \frac{\text{Invst.to total govt.saving bond}}{\text{Total investment}}$$

Where,

Invest to total govt. saving bond = Portion of total investment in government saving bond

Investment to total government saving bond = Portion of investment in government saving bond

3.4.2 Statistical Analysis Tools

Statistical tools are the mathematical technique used to facilitate the analysis and interpretation of numerical data. Statistical tools were used for attaining accuracy on analysis and study. We can use different statistical tools to analyze and type of study. According to this study's objective here, mean, standard deviation, coefficient of correlation and Trend analysis were performed.

3.4.2.1 The Mean

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

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

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

Where,

$$\sum X = \text{sum of total value}$$

$$N = \text{No. of values}$$

3.4.2.2 Co-Efficient of Correlation

Co-efficient of correlation is used for measuring the magnitude of linear relationship between two variables. In this study to attain the relationship between 'premium collection and Investment', 'Premium collection and claim paid' and 'Investment and interest earned, co-efficient of correlation is used.

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

$$\text{Co-efficient of correlation (r)} = \frac{\sum XY}{\sqrt{\sum x^2} \sqrt{\sum y^2}}$$

Where,

r = Correlation coefficient

X = X - \bar{X}

Y = Y - \bar{Y}

X = Variable x

Y = Variable y

$$\text{PE(r)} = 0.6745 \times \frac{1 - r^2}{\sqrt{n}}$$

Where ,

PE(r) = probable error

r² = coefficient of determinants

n = no of year (item)

3.4.2.3 Trend Analysis

Trend analysis has been a very useful and commonly applied statistical tool to forecast the events in quantitative terms. On the basis of tendencies in the dependent variables in the past periods, the future trend is predicted. This analysis takes the historical data as the basis of forecasting, this method of forecasting the future trend is based on the assumptions that the past tendencies of the variable are repeated in the future or the past events affect the future events. In order to predict the investment and premium aspect as a statistical tool trend analysis(time series analysis) was used.

$$Y_C = a + bx$$

Where,

Y_C = the dependent variable

a = the origin i.e. arithmetic mean

b = the slope coefficient i.e. rate of change

x = the independent variable i.e. year

3.4.2.4 Standard Deviation

Standard deviation is commonly used to measure of risk. It shows the deviation of actual mean with average mean. Standard deviation measures the absolute dispersion or variability of a distribution. The greater variability or dispersion, greater the standard deviation for the greater will be the magnitude of the deviation of the value from variability, smaller the standard deviation for the high degree of uniformity of the observation as well as homogeneity of series. Hence, standard deviation is extremely useful in judging the representative of the mean.

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

Where,

X = variable,

\bar{X} = mean

N = No. of period.

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

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

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

Where,

\bar{X} = Mean

δ = Standard deviation

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

CHAPTR – IV

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

In this course of analysis, data gathered from various sources have been inserted in the tabular form and shown in diagram form is a data presentation. The collected data have been analyzed by using different tools like financial and statistical tools. The purpose of this chapter is to analyze and elucidate the collected data to achieve the objective of the study following conversion of unprocessed data to an understandable presentation.

For the purpose of study and analysis, secondary data are used. Different table and figure are drawn to make the result more simple and understandable of NLIC premium collection and investment position. Based upon the data analysis and study major findings are conclude. This data presentation and analysis chapter separated in to two parts, as 'evaluation of premium collection and composition through financial tools' and 'evaluation of investment pattern and composition through statistical analysis'.

4.1.1 Evaluation of Premium Collection and Composition through Financial Tools

Collected premium is the main source of an insurer for the purpose of investment. It shows the performance of the insurance company. Higher premium tends the higher volume of transaction. All the insurer tries to collect higher premium because if they succeed to receive higher income from the investment.

All the theoretical concept of premium is mentioned in the above chapter, which may be enough for the theoretical idea. Therefore, here, only quantitative analysis is described, which is related to the premium collection and its composition. For the purpose of the evaluation of the premium collection condition and composition among the portfolios, mean, standard deviation and coefficient of variance are used. For the comparison of all the respective matter in premium collection, various ratio analyses are computed. This evaluation chapter is also separated in to two parts as

financial analysis and statistical analysis likewise evaluation of investment patterns chapter.

4.1.1.1 Sawadhik (endowment) Jeevan Beema Premium Collection to Total Premium Collection and Sawadhik Jeevan Beema Claim Paid & Refund to Total Claim Paid & Refund

This ratio used to measure the collection of *Sawadhik Jeevan Beema* premium collection in total premium collection and sawadhik claim paid& refund to total claim paid. It reveals the weight of Sawadhik Jeevan Beema premium collection and Sawadhik claim over the total premium collection and total claims paid & refund respectively of NLIC. It measure using following equation:

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

Where,

Sawadhik premium collection= Premium collection by one kind of product of NLIC i.e.sawadhik jeevan beema.

Total premium collection=Total premium collection by all product in the year 065/66 to 69/70.

$$\text{Sawadhik claim paid \& refund to total claim \& refund} = \frac{\text{sawadhik claim \& refund paid}}{\text{Total claim \& refund paid}}$$

Where,

Sawadhik claim and refund paid = Claim paid and refund to Sawadhik Jeevan Beema

Total claim & refund paid = Total claim paid to all product of NLIC in the year (065/66 to 069/70)

Table 4.1

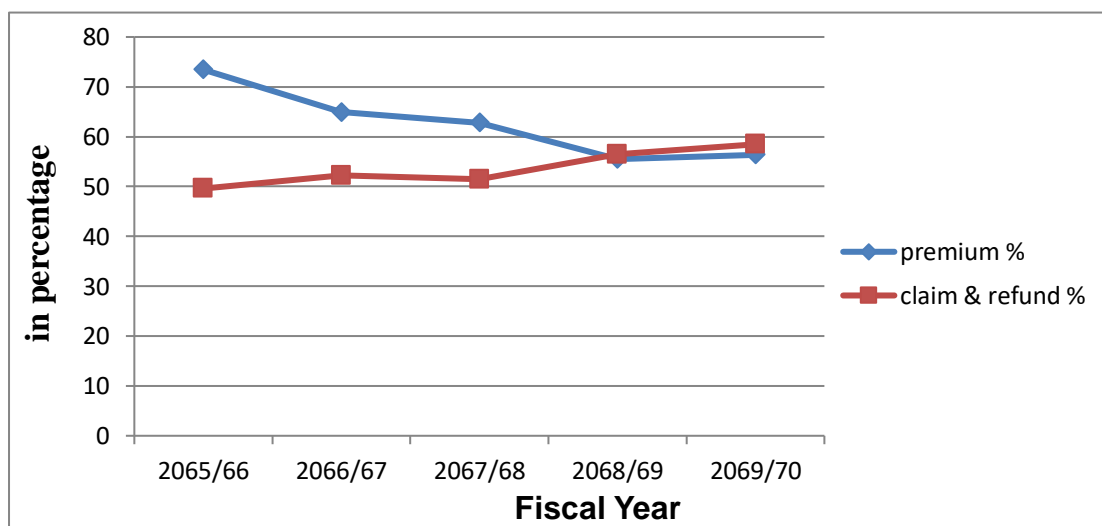
**Sawadhik (Endowment) Premium Collection to Total Premium Collection and
Sawadhik Claim Paid & Refund to Total Claim Paid & Refund**

Fiscal Year	Sawadhik Premium collection	Total Premium collection	Sawadhik Claim paid & refund	Total claim paid & refund	Sawadhik premium to total premium (%)	Sawadhik claim & refund to total claim and refund (%)
2065/66	990253275	1348078251	59419501	119814854	73.45	49.59
2066/67	1281278672	1974466181	75231084	144032911	64.89	52.23
2067/68	1457143149	2320696993	102345577	199089242	62.79	51.41
2068/69	1776514661	3201160522	210873309	373658702	55.50	56.43
2069/70	2473362008	4387727528	362379054	619769205	56.37	58.47
Mean					62.598	53.626
S.D.					6.51691	3.3077
C.V.					10.41	6.17

Sources: Annual report of NLIC (2065/66 to 069/70)

Figure 4.1

**Sawadhik (Endowment) Premium Collection to Total Premium Collection and
Sawadhik Claim Paid & Refund to Total Claim Paid & Refund**



Sawadhik insurance premium holds the major portion of the total premium in the company. Above table shows the average of Sawadhik premium to total premium collection of the insurer.

According to the table highest contribution of NLIC was 73.45% in the year 065/66 and lowest was 55.50% in the year 068/69. The trend of collection of Sawadhik premium was decreasing up to 068/69 and after was slowly increased in the year (069/70). The average Sawadhik premium collection to the total premium collection in this 5 years period was 62.598%.

The claim paid and refund to Sawadhik insurance was increasing trend except in the year 067/68. The highest portion of the Sawadhik claim paid and refund to total claim paid and refund was 58.47% in the year 069/70, and the lowest was 51.41 in the year 067/68. The average Sawadhik claim paid and refund to total claim paid and refund was 53.626%.

4.1.1.2 Jeevan Jyoti Premium Collection to Total Premium Collection and Jeevan Jyoti Claim Paid and Refund to Total Claim Paid and Refund

This ratio used to measure the collection of Jeevan Jyoti Jeevan Beema premium collection in total premium collection and Jeevan Jyoti claim paid and refund to total claim paid and refund. It exhibit the weight of Jeevan Jyoti Premium Collection and Jeevan Jyoti claim paid and refund over the total premium and total claim paid and refund respectively of NLIC. It measures using following equation

$$\text{Jeevan Jyoti Premium to Total Premium Collection} = \frac{\text{Jeevan jyoti premium collection}}{\text{Total premium collection}}$$

Where,

Jeevan Jyoti premium collection= Premium collection by one kind of product of NLIC i.e. Jeevan Jyoti

$$\text{Jeevan Jyoti claim paid \& refund to total claim \& refund} = \frac{\text{jeevan jyoti claim paid \& refund}}{\text{total claim paid and refund}}$$

Where,

Jeevan Jyoti claim paid and refund= Claim paid \& refund to Jeevan Jyoti Beema

Table 4.2

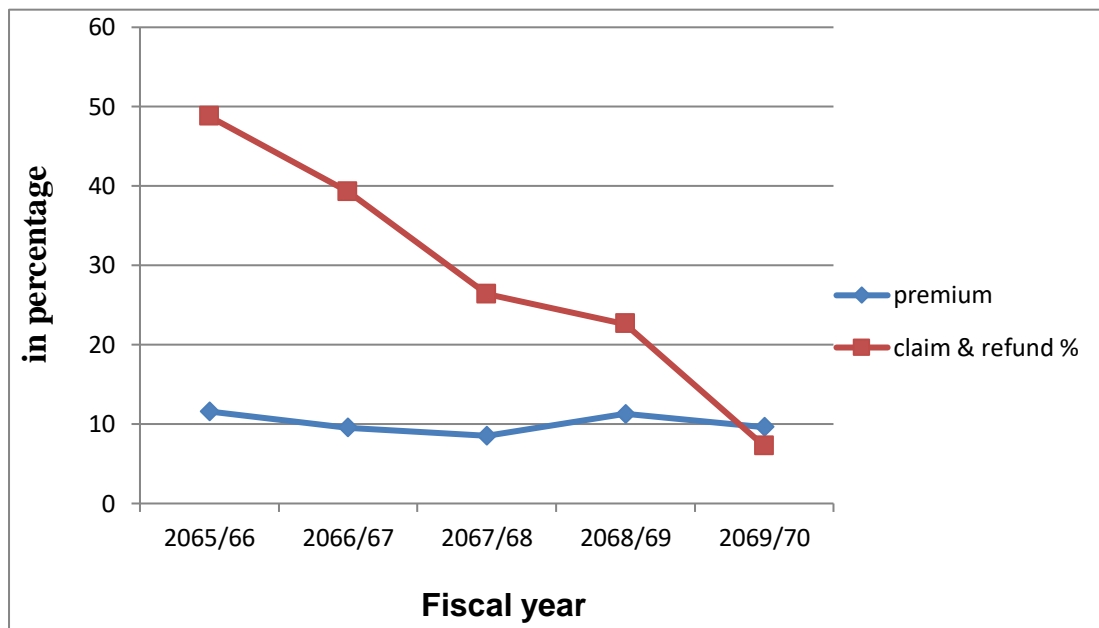
**Jeevan Jyoti Premium Collection to Total Premium Collection and Jeevan Jyoti
Claim Paid and Refund to total Claim Paid and Refund**

Year	Jeevan Jyoti Premium Collection	Total Premium Collection	Jeevan Jyoti claim & refund	Total claim & refund	Jeevan Jyoti Premium to Total Premium(%)	Jeevan Jyoti claim & refund to total claim & refund(%)
2065/66	156216943	1348078251	58425504	119814854	11.59	48.76
2066/67	188351764	1974466181	56561537	144032911	9.54	39.27
2067/68	198014499	2320696993	52518821	199089242	8.53	26.38
2068/69	361450613	3201160522	84566713	373658702	11.29	22.63
2069/70	422538161	4387727528	44933267	619769205	9.63	7.25
Mean					10.116	28.858
S.D.					1.151896	14.25716
C.V.					11.39	49.40

Sources: Annual report of NLIC (065/66 to 069/70)

Figure 4.2

Jeevan Jyoti Premium Collection to Total Premium Collection and Jeevan Jyoti Claim Paid and Refund to Total Claim Paid and Refund



One of the another portion of premium collection in this company is Jeevan Jyoti Insurance policy's premium. The highest premium collection of Jeevan Jyoti Insurance Premium of NLIC was 11.59% in the year 2065/66 and likely same premium collection was 11.29% in the year 2068/69. And the other year as well as in the 69/70 was also decreased till 9.63%. It seen slowly fluctuate trend. The average Jeevan Jyoti Premium collection to total premium collection in this 5 years period was 10.116%.

The claim paid and refund of Jeevan Jyoti Insurance to total claim paid and refund was decreasing trend. The highest portion was 48.76% in the year 065/66 and lowest portion was 7.25% in the year 069/70. The table shows that the average claim paid and refund to total claim paid and refund was 28.858% and S.D. was 14.25716. It shows that the Jeevan Jyoti insurance policy is lightly risky.

4.1.1.3 Jeevan Sahara Jeevan Beema Premium Collection to Total Premium Collection and Jeevan Sahara Claim Paid and Refund to Total Claim Paid and Refund

This ratio used to measure the weight of Jeevan Sahara Jeevan Beema premium collection to total premium collection and Jeevan Sahara claim paid and refund to total claim paid and refund. It measures using following equations:

$$\text{Jeevan Sahara Premium to Total Premium Collection} = \frac{\text{Jeevan sahara premium collection}}{\text{Total premium collection}}$$

Where,

Jeevan Sahara Premium Collection= Premium collection by one kind of product of NLIC i.e. Jeevan Sahara Beema.

$$\text{Jeevan Sahara Claim \& Refund to Total Claim Paid \& Refund} = \frac{\text{Jeevan sahara claim \& refund}}{\text{Total claim paid \& refund}}$$

Where,

Jeevan Sahara claim paid and refund= Claim paid and refund to Jeevan Sahara Beema

Table 4.3

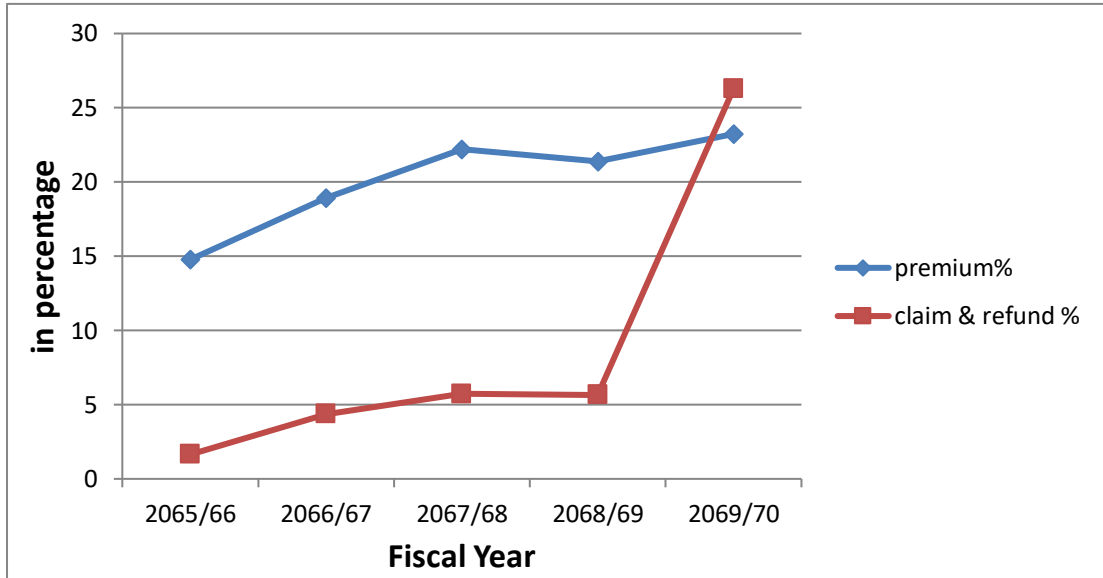
Jeevan Sahara Jeevan Beema Premium Collection to Total Premium Collection and Jeevan Sahara Claim Paid and Refund to Total Claim Paid and Refund

Fiscal Year	Jeevan Sahara Premium Collection	Total Premium Collection	Jeevan Sahara Claim Paid & Refund	Total Claim Paid & Refund	Jeevan Sahara Premium to Total Premium (%)	Jeevan Sahara Claim Paid & Refund to Total Claim Paid & Refund (%)
2065/66	199175962	1348078251	1969849	119814854	14.77	1.64
2066/67	373492728	1974466181	6282084	144032911	18.92	4.36
2067/68	514907598	2320696993	11382551	199089242	22.19	5.72
2068/69	684016954	3201160522	21110844	373658702	21.37	5.65
2069/70	1019269105	4387727528	162813370	619769205	23.23	26.27
Mean					20.096	8.728
S.D.					3.019242	8.894527
C.V.					15.02	101.91

Sources: Annual report of NLIC (065/66 to 69/70)

Figure No 4.3

Jeevan Sahara Jeevan Beema Premium Collection to Total Premium Collection and Jeevan Sahara Jeevan Beema Claim Paid and Refund to Total Claim Paid and Refund



Jeevan Sahara Jeevan Beema policy also another the second major parts of premium collection. The highest contribution of Jeevan Sahara Premium collection was 23.23% in the year 069/70 and lowest was 14.77% in the year 065/66. The trend of collection of premium was increasing except the year of 068/69. The average Jeevan Sahara Premium Collection in this 5 years period was 20.096% .

Above table and figure shows Jeevan Sahara Jeevan Beema claim paid and refund to total claim paid and refund was highly increasing trend. The highest portion of Jeevan Sahara Jeevan Beema claim paid and refund to total claim paid and refund was 26.27% in the year 069/70 and lowest was 1.64% in the year 065/66. It's average claim paid and refund within 5 years period was 8.728% of total claim paid and refund and S.D and C.V. were 8.894527% & 101.91% respectively. It seems it is too riskier.

4.1.1.4 Jeevan Sarathi Jeevan Beema Premium Collection to Total Premium Collection and Jeevan Sarathi Claim Paid and Refund to Total Claim Paid and Refund

This ratio is used to measure the contribution of the collection of Jeevan Sarathi premium to total premium collection and Jeevan Sarathi claim paid and refund to total claim paid and refund. It measures using following equations.

$$\text{Jeevan Sarathi Premium to Total Premium} = \frac{\text{Jeevan sarathi premium collection}}{\text{Total premium collection}}$$

Where,

Jeevan Sarathi premium collection=premium collection by one kind of product of NLIC i.e. Jeevan Sarathi plan.

$$\text{Jeevan Sarathi claim \& refund to total claim \& refund} = \frac{\text{Jeevan sarathi claim paid \& refund}}{\text{Total claim paid \& refund}}$$

Where,

Jeevan Sarathi claim paid & refund=Claim paid and refund to Jeevan Sarathi Beema

Table No. 4.4

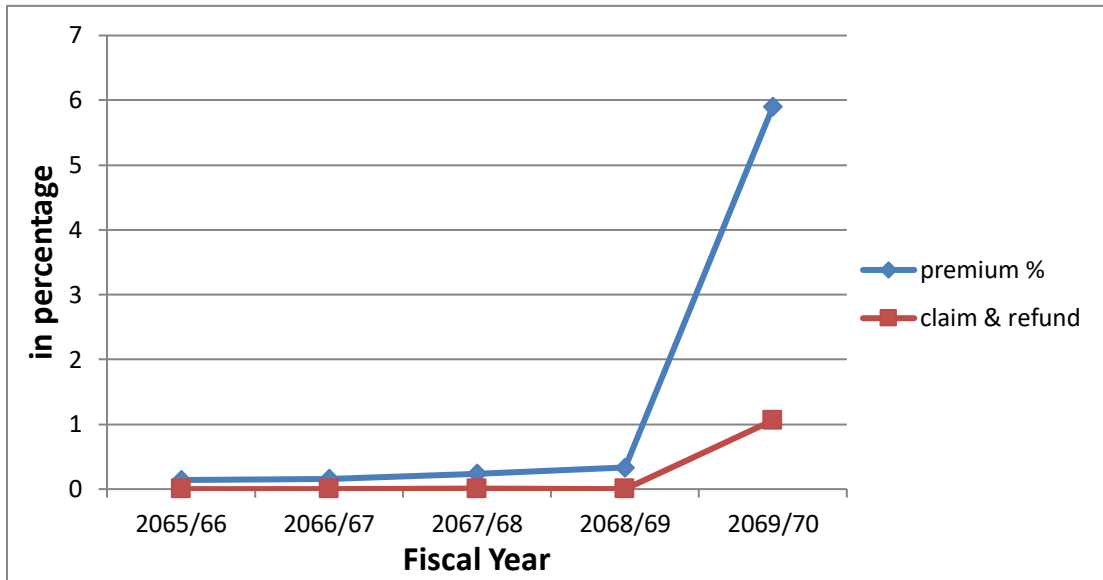
Jeevan Sarathi Jeevan Beema Premium Collection to Total Premium Collection and Jeevan Sarathi Claim Paid and Refund to Total Claim Paid and Refund

Fiscal Year	Jeevan Sarathi Premium Collection	Total Premium Collection	Jeevan Sarathi Claim Paid & Refund	Total Claim Paid & Refund	Jeevan Sarathi Premium to Total Premium (%)	Jeevan Sarathi Claim & Refund to Total Claim Paid & Refund (%)
2065/66	1856060	1348078251	-	119814854	0.14	0
2066/67	3200962	1974466181	-	144032911	0.16	0
2067/68	5462760	2320696993	14016	199089242	0.24	0.007
2068/69	10688303	3201160522	-	373658702	0.33	0
2069/70	258875924	4387727528	6569554	619769205	5.90	1.06
Mean					1.354	0.2134
S.D.					2.27339	0.42331
C.V.					59.56	50.42

Sources: Annual report of NLIC (065/66 to 69/70)

Figure No. 4.4

Jeevan Sarathi Jeevan Beema Premium Collection to Total Premium Collection and Jeevan Sarathi Jeevan Beema Claim Paid and Refund to Total Claim Paid and Refund



Jeevan Sarathi Jeevan Beema Premium hold smallest portion in this company. The highest portion of premium collection of Jeevan Sarathi Jeevan Beema was 5.90% in the year 069/70 and lowest portion was 0.14% in the year 065/66. According to the figure it is increasing trend and then there was highly increment from the year 068/69. The average Jeevan Sarathi Premium collection to total premium collection in this 5 years period was 1.354%.

The above table shows that Jeevan Sarathi claim paid and refund was a smallest portion of total claim paid and refund. From the year 2065/66 to 68/69 there is no claim and refund except in the year 67/68 there was small portion that is 0.007%.

4.1.1.5 Term Life Jeevan Beema Premium Collection to Total Premium Collection and Term Life Claim Paid and Refund to Total Claim Paid and Refund

This ratio is used to measure the contribution of term life premium collection towards to total premium collection and term life claim paid and refund to total claim paid and refund. It shows the percentage of share hold by term life collection in total collection

and term life claim paid& refund portion to total claim paid and refund. The following equation is used to measure it.

$$\text{Term Life Premium to Total Premium Collection} = \frac{\text{Term life premium collection}}{\text{Total premium collection}}$$

Where,

Term Life Premium Collection=Premium collection by one kind of product of NLIC i.e. term life

$$\text{Term Life Claim Paid & Refund to Total Claim Paid & Refund} = \frac{\text{Term life claim paid \& refund}}{\text{Total claim paid \& refund}}$$

Where ,

Term Life Claim Paid and Refund = Claim paid and to Term Life Beema

Table No. 4.5

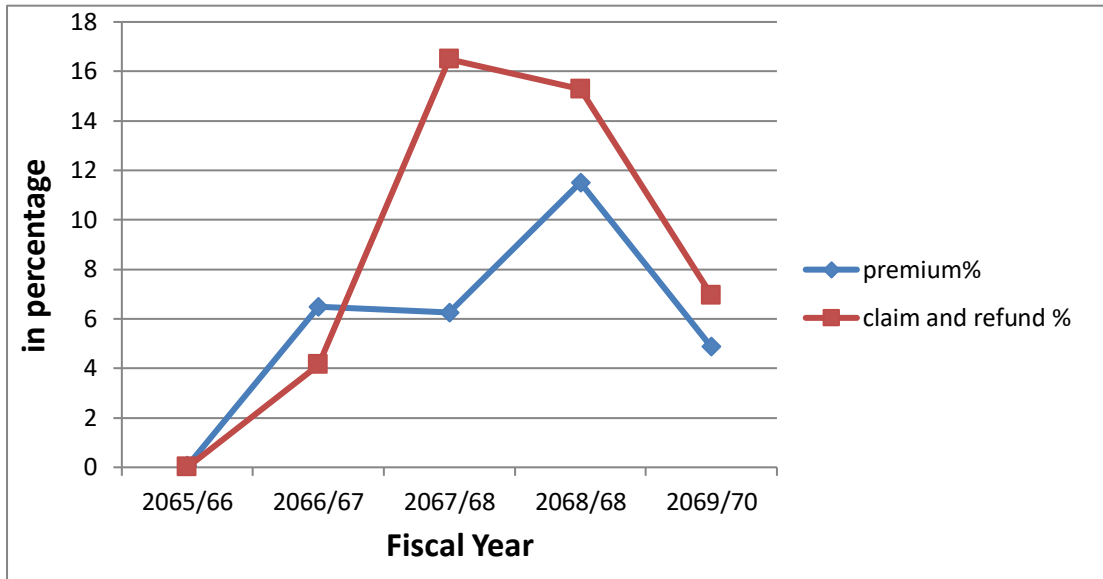
Term Life Jeevan Beema Premium Collection to Total Premium Collection and Term Life Claim Paid and Refund to Total Claim Paid and Refund

Fiscal Year	Term life Premium Collection	Total Premium Collection	Term Life Claim Paid and Refund.	Total Claim Paid and Refund	Term life Premium to Total Premium (%)	Term Life Claim Paid & Refund to Total Claim Paid and Refund (%)
2065/66	576011	1348078251	-	119814854	0.05	0
2066/67	128142055	1974466181	5958206	144032911	6.49	4.14
2067/68	145168978	2320696993	32828277	199089242	6.25	16.49
2068/69	368489991	3201160522	57107836	373658702	11.51	15.28
2069/70	213682330	4387727528	43073960	619769205	4.87	6.95
Mean					5.834	8.572
S.D.					3.66618	6.37879
C.V.					62.84	74.41

Sources: Annual report of NLIC (065/66 to 69/70)

Figure No 4.5

**Term Life Jeevan Beema Premium Collection to Total Premium Collection and
Term Life Claim Paid and Refund to Total Claim Paid and Refund**



Another premium collection portion of this company is term life insurance premium. The contribution of term life insurance premium collection was fluctuation in the trend. The highest contribution of this policy was 11.51% in the year 068/69 and the lowest contribution was 0.05 in the year 065/66. Till the year 066/67 there was increasing trend and then there was slightly decreased in the year 67/68 then it increasing in year 68/69 and then decreased to 6.95% in the year 069/70 .

The above table and figure shows in the initial stage claim and refund was continue to increase till in the year 67/68 then after that there was dramatically decreased till the year of 069/70 to 6.95%. The highest portion of term life claim paid and refund to total claim paid and refund was 16.49% in the year 067/68 and lowest was 0% in the year 065/66. The average claim and refund of term life within these 5 years period was 8.572% of total claim paid and refund and S.D. & C.V. were 8.37897 and 74.41% respectively.

4.1.2 Evaluation of Investment Position and Composition through Financial Tools

All the concept of insurance and investment are mentioned in the above chapter, which may show the detail of insurance business. Here, only quantities analysis is mentioned which are related to the investment and investment position.

For the purpose of the evaluation of the investment position and composition among the portfolio the trend analysis is used. For the comparison of all respective matter on investment, the mean, standard deviation and coefficient of variance is also used. Likewise, to evaluation the return on respective portfolio and investment amount the ratio analysis is also used. To attain the objectives of the study purpose all the concerned studies and analysis are also used. Basically this evaluation chapter is separated into two parts as financial analysis and statistical analysis the purpose of this part is to study, evaluate and analysis those major matters, which are related to the investment position and composition of NLIC. This analysis moves along with studies objective therefore only those ratios are calculated and analyzed which are very important to evaluate in investment policy, position for this purpose are mentioned below:

4.1.2.1 Investment on Govt. Saving Bonds to Total Investment

This ratio shows the proportion of investment on government saving bond. The entire insurer invests its fund to making separate portfolio. It is known as secured investment instrument. The ratio measures the percentage of investment of the insurer in the government saving bond. This ratio is calculated by using this equation:

$$\text{Govt. Bond to Total Investment} = \frac{\text{Investment on government saving bond}}{\text{Total investment}}$$

Where ,

Investment on government saving bond=Portion of investment in government saving bond

Total investment= Total investment of year 065/66 to 069/70

Table 4.6

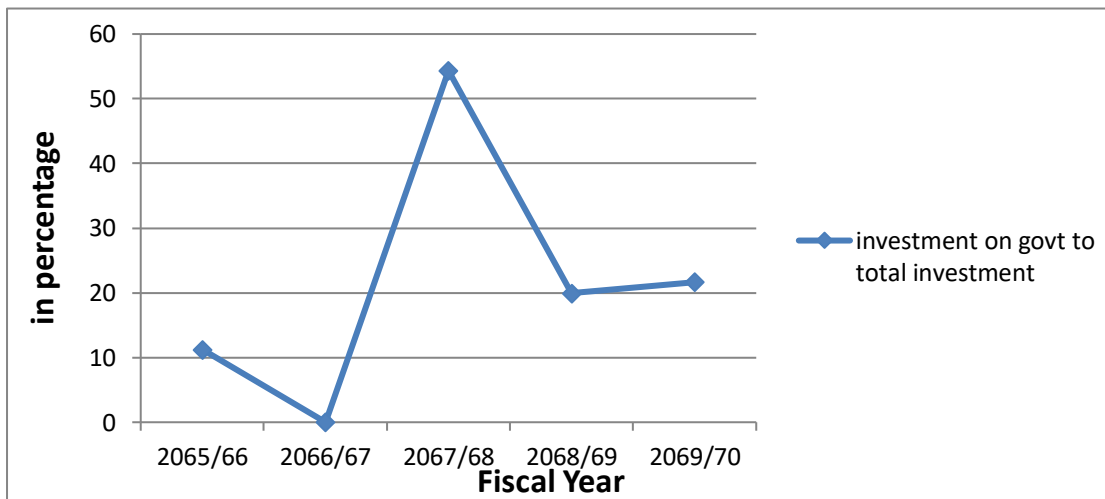
Investment on Govt. Saving Bonds to Total Investment

Fiscal year	Investment on Govt/NRB bond	Total investment	Govt/nrb to total investment (%)
2065/66	160440036	1426133650	11.25
2066/67	0	1605830545	0
2067/68	1959113890	3605248486	54.34
2068/69	677448000	3395231140	19.95
2069/70	1021364606	4713265373	21.67
Mean			21.442
S.D.			18.15595
C.V.			84.67

Sources: Annual report of NLIC (065/66 to 69/70)

Figure No 4.6

Investment on Government Saving/NRB bond to Total Investment



There was fluctuation in investment in government saving bond to total investment. According to this table the highest portion of investment on govt. saving bond to total investment of NLIC was 54.34% in the year 067/68 and lowest was 0% or no investment in govt. bond in the year 66/67 and 21.67% in the year 069/70. The average investment in the govt. bond was 21.442% of total investment.

4.1.2.2 Investment on Commercial Bank (Fixed Deposits) to Total Investment

It is the ratio that measures the weight of in commercial bank (fixed deposits) investment to total investment made by the company. It is computed, here, using following equation:

$$\text{Investment on CB/BFD to Total Investment} = \frac{\text{Investment on CB/BFD}}{\text{Total investmentmt}}$$

Investment on CB/BFD= investment on commercial bank (bank fixed deposit)

Table 4.7

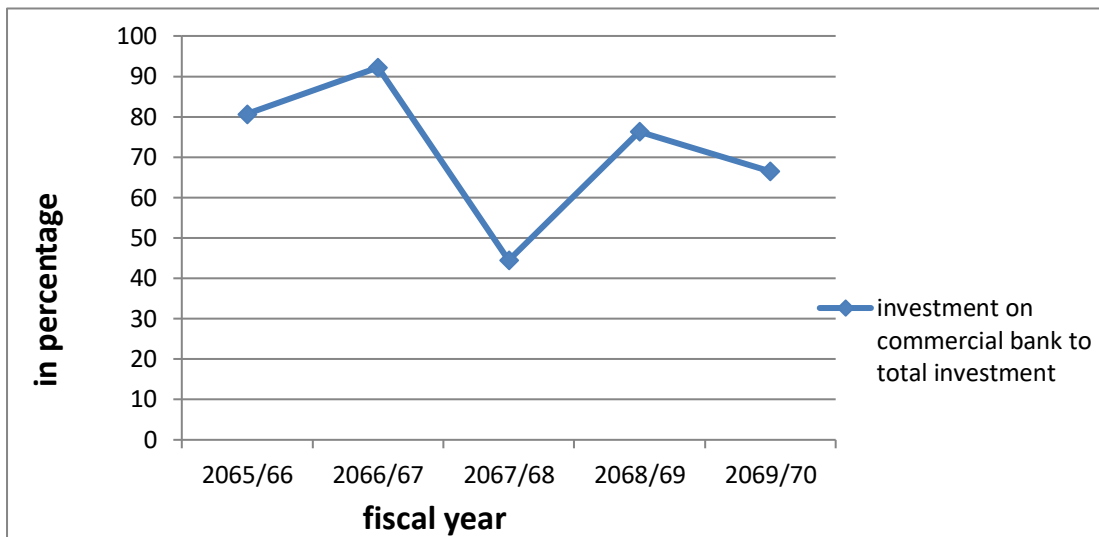
Investment on Bank Fixed Deposits to Total Investment

Fiscal Year	Investment on Commercial Bank	Total Investment	Commercial Bank (Fixed Deposit) to Total Investment (%)
2065/66	1150462015	1426133650	80.67
2066/67	1480458155	1605830545	92.19
2067/68	1602000000	3605248486	44.44
2068/69	2591900000	3395231140	76.34
2069/70	3136206779	4713265373	66.54
Mean			72.036
S.D.			16.0686
C.V.			22.306

Sources: Annual report of NLIC (065/66 to 69/70)

Figure No. 4.7

Investment on Commercial Bank to Total Investment



NLIC had invested its major portion of investment in bank fixed deposit. Investment on bank fixed deposits on total investment of NLIC is in fluctuation trend. Its highest portion was 92.19% in the year 066/67 and the lowest was 44.44% in the year 67/68. Average investment of its was 72.036% and then 66.54% in the year 069/70.

4.1.2.3 Investment on Fixed Deposit at Development Bank/ Financial Institute to Total Investment

It is the ratio that measures the weight of development bank/ financial institute fixed deposits investment to total investment made by the company. It is computed, here, using following elution:

$$\text{Investment on FD Dev. Bank/ Fin. Inst to Total Investment} = \frac{\text{Investment on FD dev.bnk \& in.inst}}{\text{Total investment}}$$

Where ,

Investment on FD dev.bnk & fin. inst = Investment on fixed deposit at development bank and financial institute

Table 4.8

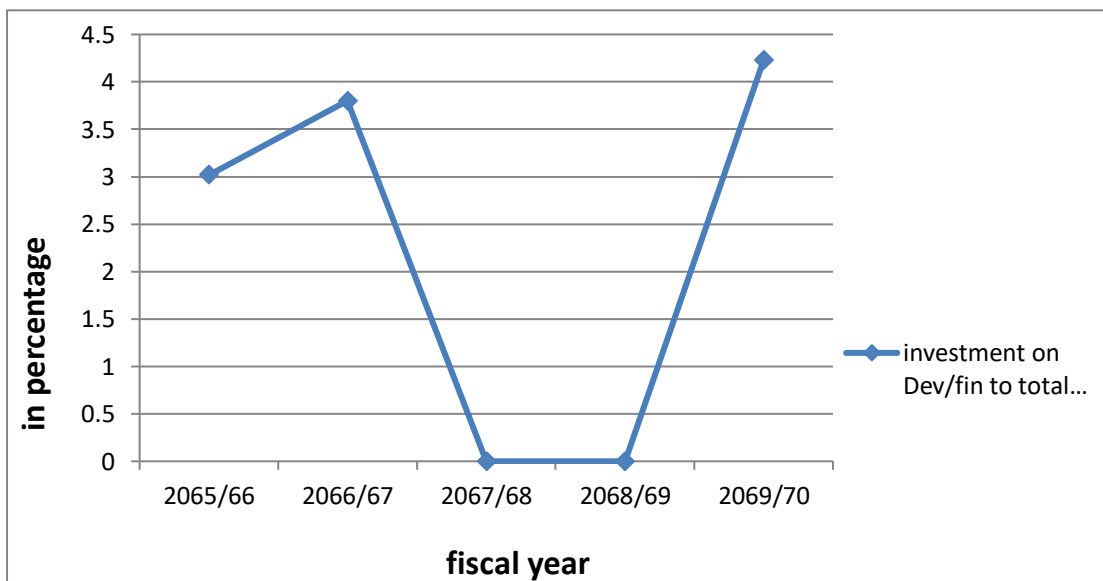
Investment on Fixed Deposit at Development Bank/ Financial Institute to Total Investment

Fiscal Year	Investment on Development or Financial Institute	Total Investment	Dev/fin to Total Investment (%)
2065/66	43069236	1426133650	3.02
2066/67	61046406	1605830545	3.8
2067/68	-	3605248486	0
2068/69	-	3395231140	0
2069/70	199371125	4713265373	4.23
Mean			2.21
S.D.			1.84569
C.V.			83.515

Sources: Annual report of NLIC (065/66 to 69/70)

Fig No. 4.8

Investment on Dev/Fin to Total Investment



The small sector of investment of this company is fixed deposit at Dev. Bank/Financial institute. According to the table the highest portion of investment in

this sector was 4.23% in the year 069/70 and then there were no investment in this sector in the year 067/68 & 068/69. The graph shows fluctuation trend of investment portion in this sector (i.e. fixed deposit at dev. bank/ financial institute).

4.1.2.4 Investment on Other Investment to Total Investment

Other Investment means other than aforesaid investment i.e. Govt. /NRB Bond/ Debenture, Bank Fixed Deposit, etc. like Insurance pool, NCM Mutual Fund etc. It is the ratio that measures the weight of other investment like buying shares of the companies to total investment made by the company. It is computed, here, using following equations.

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

Where ,

Other investment = Other then government saving, commercial bank & dev. and financial institute like buying other companies shares.

Table 4.9

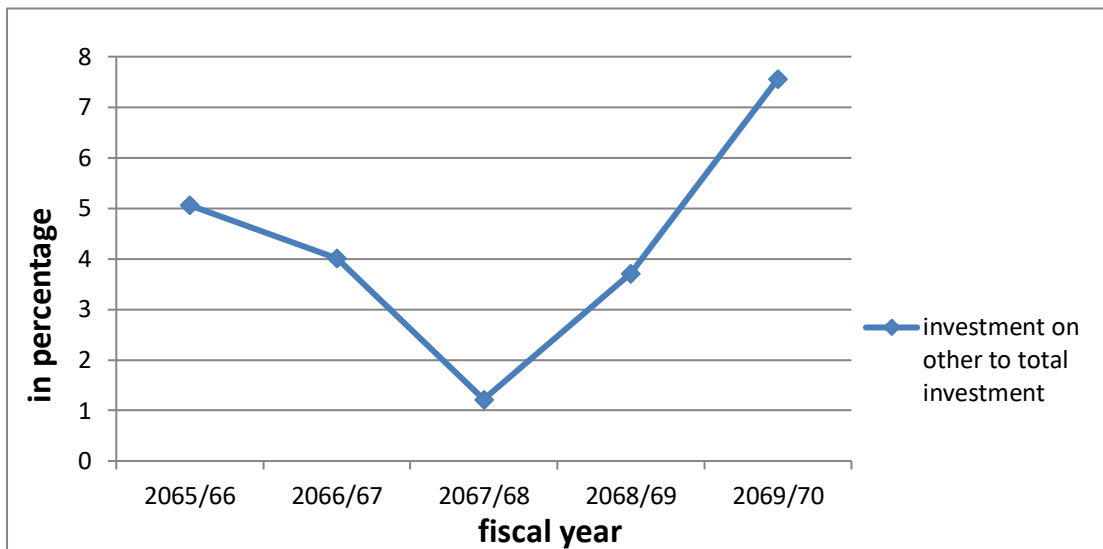
Investment on Other Investment to Total Investment

Fiscal Year	Other Investment	Total Investment	Other Investment to Total Investment(%)
2065/66	72162363	1426133650	5.06
2066/67	64325984	1605830545	4.01
2067/68	44134596	3605248486	1.22
2068/69	125883140	3395231140	3.71
2069/70	356322862	4713265373	7.56
Mean			4.312
S.D.			2.05539
C.V.			47.667

Sources: Annual report of NLIC (065/66 to 69/70)

Fig No. 4.9

Investment on other to Total Investment



There was highly fluctuation in investment on other investment portion to total investment. Total highest contribution of its investment was 7.56% in the year 2069/70 and lowest was 1.22% in the year 067/68. The graph shows till the year 067/68 there was decreasing trend and then there after there were dramatically increment till the year 069/70 the ratio was.7.56%.

4.1.2.5 Investment to Total Premium Collection Ratio

It is rate of average premium investment. It shows the rate of investment with comparison on premium collection. This ratio measure the investment ratio in percentage. This ratio helps to show what proportion of collected premium is invested in different sector in aggregates. That ratio is calculated by using this formula.

$$\text{Investment to total premium collection ratio} = \frac{\text{Investment}}{\text{Total premium collection}}$$

Investment = Total investment of year 065/66 to 069/70

Total premium collection = Premium collection of all product of NLIC in the year 065/66 to 069/70

Table No. 4.10

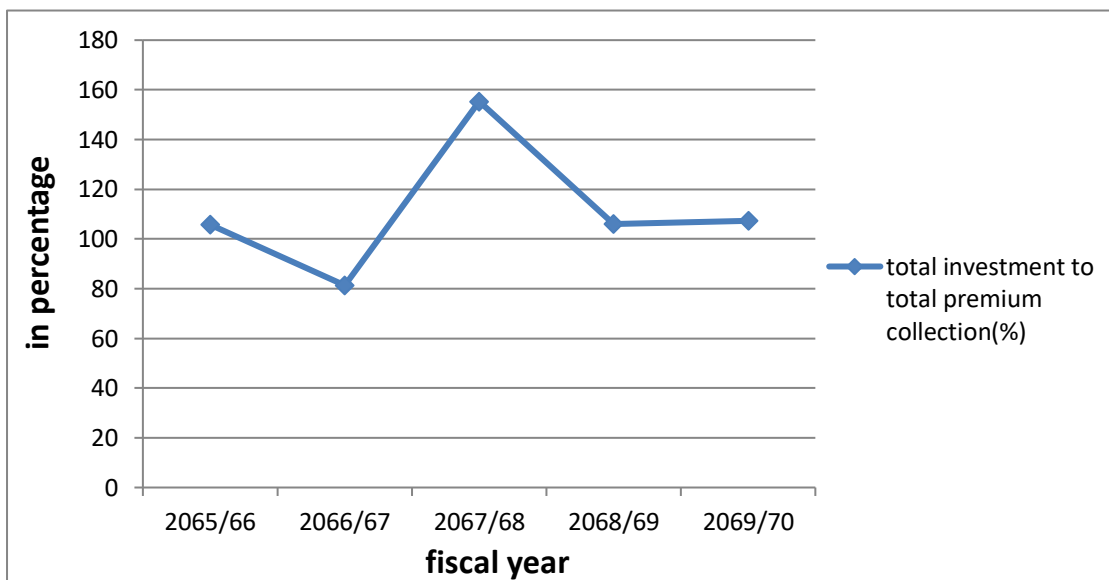
Investment to Total Investment

Fiscal Year	Total Investment	Total Premium Collection	Total Investment to Total Premium Collection (%)
2065/66	1426133650	1348078251	105.79
2066/67	1605830545	1974466181	81.33
2067/68	3605248486	2320696993	155.35
2068/69	3395231140	3201160522	106.06
2069/70	4713265373	4387727528	107.42
Mean			111.19
S.D.			23.13054
C.V.			20.80

Sources: Annual report of NLIC (065/66 to 69/70)

Figure No 4.10

Total Investment to Total Premium Collection



The investment on total premium calculation ratio of NLIC was an fluctuating trend. There was no stable any time. Some time it is increasing and then decreasing and so on. The highest ratio was 155.35% in the year 067/68 and lowest was 81.33% in the year 065/66. The average ratio of it was 111.19% within the 5 years period.

4.1.3 Interest Earned to Total Investment Ratio

This ratio represents the return from interest in total investment. Total interest earned to total investment ratio reflects the extent to which insurer is successful to earn interest as major income on total investment. This ratio actually reveals the earning capacity of an insurance company by investing its all collected premium and other capital fund. Higher the ratio higher will be the income as interest. The ratio calculated used by following equation.

$$\text{Interest earned to total Investment Ratio} = \frac{\text{Interest earned}}{\text{Total investment}}$$

Where ,

Interest earned= Return from investment

Table No. 4.11

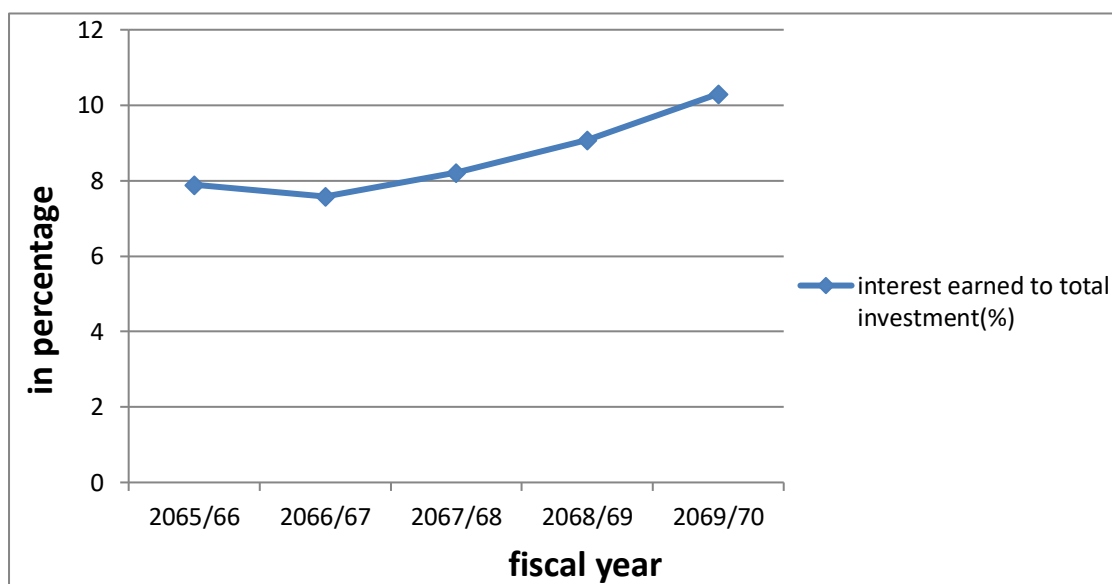
Interest Earned to Total Investment Ratio

Fiscal Year	Interest Earned	Total Investment	Interest Earned to Total Investment (%)
2065/66	112521945	1426133650	7.89
2066/67	121721955.3	1605830545	7.58
2067/68	295990901	3605248486	8.21
2068/69	308286987.5	3395231140	9.08
2069/70	485466333	4713265373	10.3
Mean			8.612
S.D.			0.981456
C.V.			11.40

Sources: Annual report of NLIC (065/66 to 69/70)

Figure No 4.11

Interest Earned to Total Investment



The above table describe a ratio of interest earned to total investment of the NLIC company. The figure shows the ratio was increasing trend in all year except the year of 066/67. The highest ratio 10.03% in the year 069/70 and the lowest was 7.58% in the year 066/67. The average interest earned to total investment ratio in this 5 year period was 8.612%.

4.1.4 Total Claim Paid to Total Premium Collection

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

$$\text{Total Claim Paid to Total Premium Collection} = \frac{\text{Total claim paid}}{\text{Total premium collection}}$$

Where ,

Total claim paid = Total claim paid of all product of NLIC.

Total premium collection = total premium collection of all product of NLIC

Table No. 4.12

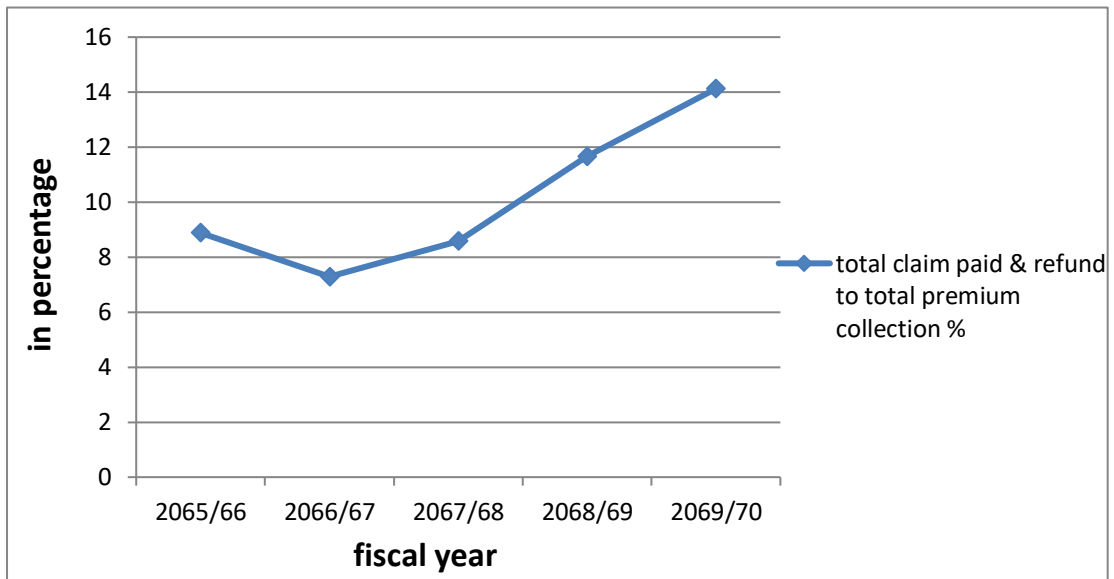
Total Claim Paid to Total Premium Collection

Fiscal Year	Total Claim Paid & Refund	Total Premium Collection	Total Claim Paid & Refund to Total Premium Collection (%)
2065/66	119814854	1348078251	8.89
2066/67	144032911	1974466181	7.29
2067/68	199089242	2320696993	8.58
2068/69	373658702	3201160522	11.67
2069/70	619769205	4387727528	14.125
Mean			10.111
S.D.			2.46315
C.V.			24.36

Source: Annual report of NLIC (065/66 to 69/70)

Figure No. 4.12

Total Claim Paid and Refund to Total Premium Collection



The above table describes a ratio of total claims paid and refund to total premium collection of NLIC. The highest portion of claims paid was 14.125% in the year 069/70 and lowest portion was 7.29% in the year 066/67. The figures shows it was

decrease trend till 066/67 and then rapidly increased till the last year 069/70. The average claim paid to total premium collection in this 5 years period was 10.111%

4.2 Statistical Analysis

Under this chapter various statistical mathematics are studied which are related to decision making for premium collection and investment position. The trend analysis and coefficient of correlation are used for the purpose to find out tendency, relation and distinguish between premium collection investments. For this purpose following measures are analyzed.

4.2.1 Correlation Analysis

In this analysis product moment method has been used to find out the relationship between premium collection and investment. Generally, the correlation analysis is used to describe the degree to which one variable is related to another. Hence, in statistics, it is used in order to depict the co-variance between two or more variables. It helps to determine whether: 1) a positive or negative relationship exist; 2) The relationship is significant or insignificant and 3) Establish cause and effect relation if any. The statistical tools, correlation analysis is preferred in this study to identify the relationship between premium and investment, whether the relationship is significant or not for the purpose of decision making under correlation, decision is based on following interpretation:

When $r = +1$, there is perfect positive correlation.

When $r = -1$, there is perfect negative correlation.

When $r = 0$, there is no correlation.

When 'r' lies between 0.7 to 0.999, there is high degree of positive correlation.

When 'r' lies between -0.7 to -0.999, there is high degree of negative correlation.

When 'r' lies between 0.5 to 0.699, there is a moderate degree of correlation.

When 'r' is less than 0.5, there is low degree of correlation.

Probable Error

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

$$P. E. = 0.6745 \times \frac{1-r^2}{\sqrt{n}}$$

It is used of the interpretation whether calculated value of r is significant or not.

- i. If $r < P. E.$, it is insignificant. So, perhaps there is no evidence of correlation.
- ii. If $r > 6 P. E.$, it is significant.

In other cases, nothing can be done.

The probable error of correlation coefficient may be used to determine the limits within which the population correlation coefficient lies. Limits for population correlation coefficient are $r \pm P.E.$

4.2.1.1 Correlation between Premium Collection and Investment of NLIC

Table No. 4.13

Correlation Between Premium Collection and Investment of NLIC

Coefficient of Correlation	Relationship	r ²	6 x P. E.	Probable error P. E. (r)	Sig./ Insig.
0.9032	high degree of positive correlation	0.8158	0.3333	0.0556	significant

Source:- Appendix VII

From the above computation, we can draw the conclusion there was high degree of positive co-relation between the premium collection by NLIC and its investment.

Again, the co-efficient of determinants (r²) is the measure of the degree of liner association or correlation between two variables one of which is the dependent variable and other is independent. In case of NLIC, the co-efficient of determinants is

0.8158, which means that the variation is independent variable (Premium collection) explains 81.58% of the dependent variable (investment). (See Appendix VII)

Generally probable error is used to measure the significant of the relation between two variables. In case of this study the significance relationship between premium collection and investment is measured by calculating probable error of correlation of co-efficient. Since the co-efficient of correlation (r) is more than the 6P. E. (r), therefore we conclude that the relation between the two variables is significant.

4.2.1.2 Correlation between Premium Collection and Claim Paid and refund by NLIC

Table No. 4.14

Correlation between Premium Collection and Claim Paid and Refund by NLIC

Coefficient of Correlation	Relationship	r ²	6 x P. E.	Probable error P. E. (r)	Sig./ Insig.
0.9827	High degree of positive correlation	0.9656	0.0623	0.0104	Significant

Source:- Appendix IX

From the above computation, we can draw the conclusion there was high degree of positive co-relation between the premium collection by NLIC and claim paid and refund. It says that more premium collection means more claims paid and refund.

Again, the co-efficient of determinants (r²) is the measure of the degree of liner association or correlation between two variables one of which is the dependent variable and other is independent. In case of NLIC, the co-efficient of determinants is 0.9656, which means that the variation is independent variable (Premium collection) explains 96.56% of the dependent variable (claim paid and refund) (see Appendix ix).

Generally probable error is used to measure the significant of the relation between two variables. In case of this study the co-efficient of correlation (r) is more than the 6P. E. (r), therefore we conclude that the relation between the two variables is significant.

4.2.1.3 Correlation between Interest Earned and Investment of NLIC

Table No. 4.15

Correlation between Interest Earned and Investment of NLIC

Coefficient of Correlation	Relationship	r ²	6 x P. E.	Probable error P. E. (r)	Sig./ Insig.
0.9860	high degree of positive	0.9721	0.0505	0.0084	significant

Source:- Appendix VIII

From the above computation, we can draw the conclusion there was high degree of positive co-relation between the interest earned by NLIC and its investment.

Again, the co-efficient of determinants (r²) is the measure of the degree of liner association or correlation between two variables one of which is the dependent variable and other is independent. In case of NLIC, the co-efficient of determinants is 0.9721, which means that the variation is independent variable (investment) explains 97.21% of the dependent variable (interest) (see Appendix viii).

Generally probable error is used to measure the significant of the relation between two variables. In case of this study the significance relationship between interest and investment is measured by calculating probable error of correlation of co-efficient. Since the co-efficient of correlation (r) is more than the 6P.E. (r), therefore we conclude that the relation between the two variables is significant.

4.2.1.4 Standard Deviation and Coefficient of Variance Analysis

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

In this study, the coefficient of variation is calculating the measure the variability on premium of various insurance policy or product.

$$\text{Claim paid to premium collection} = \frac{\text{Individual claim paid \& refund}}{\text{Individual premium collection}}$$

Where ,

Individual claim paid & refund=claim paid and refund of each product of NLIC

Individual premium collection= premium collection by each product of NLIC

Table No. 4.16

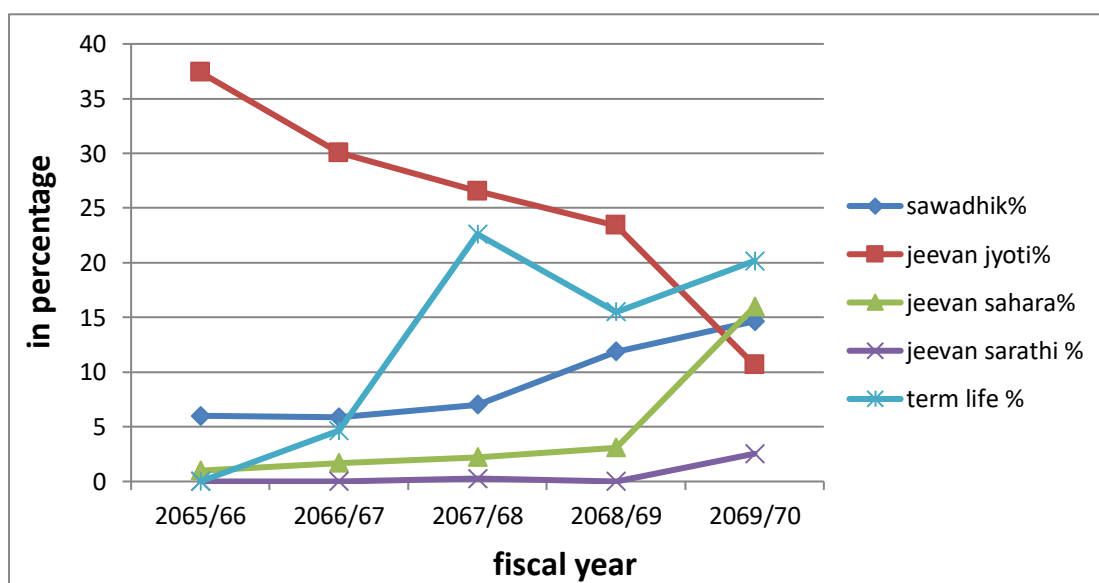
Claim Paid to Premium Collection (%)

Insurance	Fiscal Year					Mean	S.D.	C.V.
	2065/66	2066/67	2067/68	2068/69	2069/70			
Sawadhik	6	5.87	7.02	11.87	14.65	9.082	3.5452	39.04
Jeevan Jyoti	37.40	30.03	26.52	23.4	10.63	25.596	8.8165	34.44
Jeevan Sahara	0.99	1.68	2.21	3.09	15.97	4.788	5.6330	117.65
Jeevan Sarathi	0	0	0.26	0	2.54	0.56	0.9951	177.70
Term Life	0	4.65	22.61	15.50	20.16	12.584	8.8060	69.98

Source: Appendix No. 5

Figure No. 4.13

Claim Paid to Premium Collection (%)



The above table shows the relationship between claim paid and premium collection of different products. According to the standard deviation term life and Jeevan Jyoti

Insurance seems more risky than other insurance policy business of NLIC and Jeevan Sarathi Insurance policy business are less risky. From point of view of ratio, the highest portion of claim paid and refund to premium collection was 37.40% in the year 065/66 of Jeevan Jyoti Insurance policy.

4.2.2 Trend Analysis (Future Prediction)

The future predictions of Premium collection and Investment are done using the Time Series Analysis (trend analysis) for the next two fiscal years i.e. from FY 2070/71 to FY 2071/72.

4.2.2.1 Time Series Analysis to Predict the Premium Collection of NLIC

The predicted values of Premium collection of NLIC using Time Series Analysis for the next two years (from FY 2070/71 to FY 2071/72) are presented in the table 4.17.

Table No. 4.17

Predicted Value of Premium Collection of NLIC

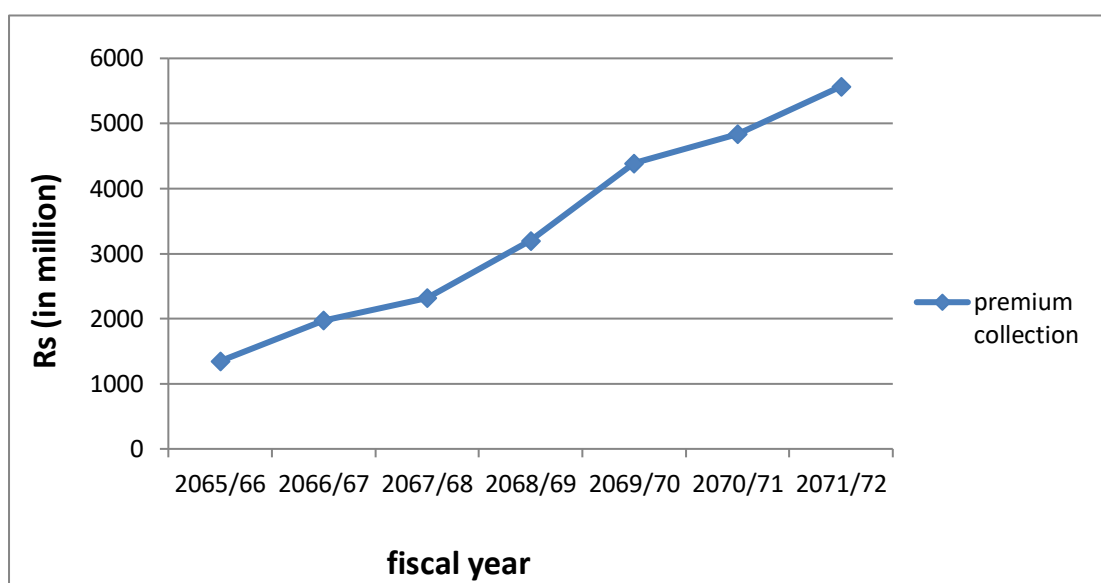
Rs (In millions)

Fiscal year	Premium collection
2065/66	1348.09
2066/67	1974.47
2067/68	2320.7
2068/69	3201.16
2069/70	4387.73
2070/71	4838.22
2071/72	5568.818

Sources: Appendix No. X

Figure No. 4.15

Predicted Value of Premium Collection of NLIC



The premium collection of NLIC is in increasing trend till Fiscal Year 2071/72. According to the prediction the premium collection will increase in the F/Y 2070/71. The predicted value of premium collection for the F/Y 2070/71 is Rs 4838.22 million which is greater than that of F/Y 2069/70 where the premium collection was Rs 4387.73million. In F/Y 2071/72, the premium collection will reach to Rs 5568.818. according to the prediction which is more than that of F/Y 2070/71

4.2.2.2 Time Series Analysis of predicted the Investment position of NLIC

The predicted value of investment position of NLIC by using time series analysis for the next two fiscal year (from F/Y 2070/71 to 2071/72) are tabulated as (table no 4.18).

Table No. 4.18

Predicted Value of Investment position of NLIC

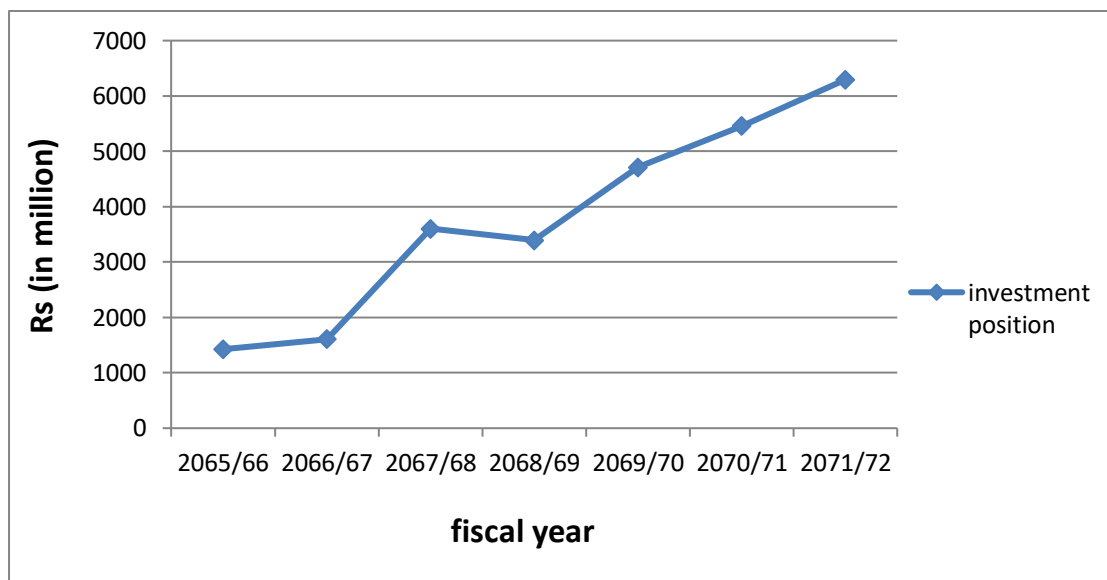
Rs (in Million)

Fiscal Year	Total Investment
2065/66	1426.13
2066/67	1605.83
2067/68	3605.25
2068/69	3395.23
2069/70	4713.27
2070/71	5458.246
2071/72	6294.614

Sources: Appendix No. XI

Figure No. 4.16

Predicted Value of Investment Position of NLIC



The investment position of NLIC is in increasing trend. As stated in table and figure, the predicted value of investment will increase to 5854.246 million in the F/Y 2070/71 as compare to the fiscal year 2069/70 which was Rs 4713.27million. The investment position will reach to 6294.614 million in fiscal year 71/72, according to the prediction, which is also increasing trend.

4.5 Major Finding of the Study

Based on the data provide by the concern company the above analysis has been made and based upon these the main findings of the study can be drawn.

- One of the major portion of premium collection of this company i.e. Sawadhik insurance hold the average premium of 62.598% and average claim paid and refund of 53.62%. So it is effective plan and profitable business.
- Jeevan jyoti insurance premium is able to maintain 10.116% average ratio of premium and claim paid & refund ratio is 28.858%. The average claim paid & refund ratio was higher then average premium so it is less effective plan and seems not profitable.
- The contribution of Jeevan Sahara Jeevan Beema is 2nd position in this company. Jeevan Sahara Jeevan Beema holds the average premium of 20.096% and average claim paid & refund of 8.728% which shows that the this plan is more effective and profitable business then the Jeevan Jyoti and Sawadhik Insurance plan.
- Jeevan Sarathi holds smallest portion in this company having increasing trend in premium collection as well as claim paid and refund. Which seems to be more effective, increase and profitable.
- The contribution of term life premium collection and claim paid and refund was highly fluctuate. There was gradually increment and dramatically decrement in premium and claim which seems to be risky and less effective.
- According to the analysis of investment position of this company in different sector of investment , the investment position seems good but not satisfactory . There is fluctuating trend of investment in this company in different sector. This company should not fully follow the investment directives of insurance board.
- The ratio of interest earned on total investment of the company was gradually increased till the last year which is a good sign for the company.
Although, NLIC insurance company runs smoothly with higher portion of life insurance in Nepal. Submission procedures foe the claim and premium are not clear to clients. Thus there is delay in claim settlement. The volumes of transaction are increasing rapidly year by year.

- The correlation between investment, premium and interest is high degree of positive correlation and significant relationship with all. It shows all factors relation move towards same direction.

CHAPTER – V

SUMMARY, CONCLUSION & RECOMMENDATIONS

The brief introduction of this study has been already presented in the first chapter. In the second chapter, the available literature about the premium collection and investment position has been reviewed. Research methodology has explained in the third chapter. And the available data have been presented and analyzed in the fourth chapter.

This is a last chapter of this study. In this concluding chapter, an attempt has been made first to make present summary of the study, then conclusion of the analysis and some recommendations, which are useful to take corrective actions from the side of concerned company.

5.1 Summary

Insurance has been introduced to safeguard the interest of people from uncertainties by providing certainty of payment at a given contingency. According to nature, characteristic and objective of the insurance company, they are also referred to as financial intermediaries. In the modern society and 21st centuries Business age it plays vital role through risk bearing and providing certainty. Therefore insurance is an assets of world's economy.

Among the 25 insurance companies, 16 companies are non-life and rest 9 companies are life, out of 9 life insurance companies **Nepal Life Insurance Companies** is one of the leading company still now. This present study has been taken to evaluate the premium collection and investment position of NLIC. The study analyzed the annual report of five years starting from 065/66 to 069/70 has been taken into consideration for the purpose of the study.

In the context of Nepal, insurance business is one of the business, which has not any loss and it suffered at profit from establishment date to till now. But the trend of premium collection investment and profit earned are fluctuated. Insurance premium is the life blood of Insurance Company. Therefore, to succeed the insurance companies should be able to increase premium earning. In other words insurance companies may

flourish only with the significant increase in premium earning. The analysis of premium is very crucial to give meaningful inference on financial performance of insurance companies. It is needed to restudy and reanalyzed as per present condition and situation. The insurance act aimed regulation should be clear enough to guide the investment-related matter to a direction. The regulatory limits relating the investment should be promptly changed according to the change in over all macro economy and money capital condition.

Insurance business plays the great role in the national financial system. The growing numbers of insurance companies are competing with each other to attract policyholders with different types of insurance policies. In this regard Nepal life Insurance Company played vital role for Socio-economic development within the nation either by transferring risks or by collecting scattered resources. In this study an attempt is made to provide independent views of the premium collection and investment position of NLIC. On the basis of study some findings and recommendations are identified, which are useful to improve the future of NLIC on the premium and investment sector.

The summary of each chapter can be presented in the following paragraphs.

'Introduction' provides the brief introduction of this study. The historical background of insurance industry in Nepal shows the contribution for the development of industrial sector in Nepal. The establishment of NLIC is example of that evidence. So, this study tries to evaluate premium collection and investment position of insurance company. The main objective of the study is to high light the premium collection and investment position of Nepal life insurance company.

The literatures related to the premium collection and investment and insurance companies have been reviewed in the second chapter. In this chapter, the theoretical review and empirical review i.e. review of related studies has been presented separately. From the theoretical review section, we may take advantages of conceptual foundation of premium collection and investment position of insurance company in Nepalese contest. Similarly, by reviewing some previous studies, many inputs can be taken for this study and other researchers can also take advantages from this section.

Third chapter explains about the Methodology of this study. Mostly the secondary data are used in this study. This study covers the five years data of NLIC. Descriptive and analytical research design has been used in this study. Financial as well as statistical tools are used. This includes ratio analysis, correlation analysis probable error and trend analysis.

Data are presented and analyzed in the fourth chapter. Data analysis tools mentioned in the third chapter is used to analyze the data in this chapter. Various ratios that are related to the premium collection and investment position, correlation analysis between two variables, trend analysis etc. have been used to evaluate the premium collection and investment position.

5.2 Conclusion

Based on the data provided by the concerned company, the above analysis has been made. And based on the main findings of the study as revealed in the analysis, the following conclusion can be drawn.

Sawadhik insurance premium is able to maintain 62.6% average ratios. Its claim paid ratio was also the highest portion to total claim paid and refund. Because Sawadhik insurance policy represent the combination of other rest insurance policy except Jeevan Sahara, Jeevan Sarathi, Jeevan Jyoti and term life. Its high portion represent high policy was sold, claim and refund. So its combination is more effective insurance plan.

One another portion of premium collection of this company i. e. Jeevan Jyotii insurance policy holds the average premium of 10.116% and average claim paid and refund of 28.858%, which shows that is riskier and it is not effective insurance plan.

The average contribution of Jeevan Sahara Premium Collection was 20.096% and average claim paid and refund was 8.728%. it shows sold of no of policy of its plan was increased yearly. So it is profitable and effective insurance plan.

Jeevan Sarathi insurance premium holds smallest portion in this company. The premium collection and claim paid ratio to this sector is smaller. On the basis of

findings of the study it can be concluded that this sector is new and effective plan of this company.

Term life insurance premium also holds smaller portion in this company having fluctuating trend in premium collection ratio and claim paid and refund ratio. The average premium collection ratio was 5.834% and average claim paid and refund ratio was 8.572% which seems to be risky and less effective insurance plan.

According to the analysis of investment position of this company in different sector of investment, the investment position seems good but not satisfactory. There is fluctuating trend of investment in this company in different sectors. This sector seems to be less risky sector.

The ratio of interest earned on total investment of the company was gradually increased till the last year which is a good sign for the company.

While analyzing the annual trends of premium collection and investment, it can be expected that the situation will improve as the increasing pattern of premium collection is a witness of the prediction.

Correlation between the premium and investment, premium and claim paid & refund and interest and investment is high degree of positive correlation which shows that the relationship between factors is increasing with the same direction and significant relationship.

4.3 Recommendations

Based upon the above mention issued and constraints some recommendation has been made. These guidelines would help in taking prompt decision in relation to premium collection and investment position.

- Sawadhik insurance premium is decreasing trend. Sawadhik premium is a combination of others policy also so it is one of the most important part of insurance business. Its average premium ratio is good but not satisfactory and its claim paid ratio is increasing trend. So it is suggested to give more attention in this business and attention to how to increase in insurance policy and how to decrease claim paid ratio.

- Jeevan Jyoti insurance policy is one of the another insurance policy of this company. Its trend of premium collection is stable or little increasing trend. The company should do extra act or program to know about the important of insurance. The Jeevan Jyoti insurance claim paid and refund is decreasing trend it is good for the company.
- Jeevan Sahara Insurance Premium collection is also another policy of this company. It holds the second position of the insurance business in this company. Its average ration of premium collection is good. Premium collection and claim paid both are in increasing trend. so the company should attention to maintain claim paid and profitability.
- Jeevan Sarathi insurance premium holds fewer portions in total premium collection. Both premium collection and claim are stable then after increasing trend. it is newly started business even though these business are profitable so try to maintain it and to maintain and increase insurance policy issue new attractive scheme as well as insurance related program.
- Term life insurance trend is too fluctuating. It shows it is too risky so concern about it.
- According to the analysis of investment position of this company in different sector of investment it seems good but not satisfactory. For this the company should select mote refundable and less risky sector of investment.
- For excellent investment decision as well as new product, company should make independent research and development department .R& D department will help to meet future goals of the company as well as the betterment of the company. The entire insurance should follow the investment policy and should maintain insurance directives.
- The entire insurer should improve these premium collection and investment system too and try to increased customer service by providing different facilities and to withdraw unnecessary process on insurance and followed scientific insurance system.
- The company is suggested to expand its insurance activities in rural area by establishment of branches or by appointment of agents according to its potentiality.
- The insurance company should introduce new policies and attractive strategy to make easy for the development of insurance business.

- The insurance company should play vital role to differentiate between insurance business and networking business and to important about insurance business with respect to future security by economically.
- Attractive premium collection scheme, better service to clients, good facility to agents, fast and reliable service, development of scientific and realistic method and process should be followed for collecting more premium. Similarly, new, less risky and more profitable investment sector should be develop for making the investment pattern more safety and returnable.

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Nepal stock exchange website www.nepalstock.com.np

APPENDIX-I

Nepal Life Insurance Company Ltd						
Premium Collection						
year	Sawadhik	Jeevan jyoti	Jeevan sahara	Jeevan sarathi	Term life	total
2065/66	990253275	156216943	199175962	1856060	576011	1348078251
066/67	1281278672	188351764	373492728	3200962	128142055	1974466181
067/68	1457143149	198014499	514907598	5462760	145168978	2320696993
068/69	1776514661	361450613	684016954	10688303	368489991	3201160522
069/70	4387727528	422538161	1019269105	258875924	213682330	2473362008

Premium collection to total premium collection ratio						
year	Sawadhik	Jeevan jyoti	Jeevan sahara	Jeevan sarathi	Term life	Total
065/66	73.45	11.59	14.77	0.14	0.05	100
066/67	64.89	9.54	18.92	0.16	6.49	100
067/68	62.79	8.53	22.19	0.24	6.25	100
068/69	55.50	11.29	21.37	0.33	11.51	100
069/70	56.37	9.63	23.23	5.90	4.87	100

APPENDIX-II

Nepal life insurance company ltd					
Investment					
year	Govt;/NRB	FD in commercial	FD in dev/fin	Other	Total
065/66	160440036	1150462015	43069236	72162363	1426133650
066/67	0	1480458155	61046406	64325984	1605830545
067/68	1959113890	1602000000	0	44134596	3605248486
068/69	677448000	2591900000	0	125883140	3395231140
069/70	1021364606	3136206779	199371125	356322862	4713265373

APPENDIX-III

Investment proportion					
Fiscal year	Govt/NRB	Commercial	Dev/fin	Other	Total
065/66	11.25	80.67	3.02	5.06	100
066/67	0	92.19	3.80	4.01	100
067/68	54.34	44.44	0	1.22	100
068/69	19.95	76.34	0	3.71	100
069/70	21.67	66.54	4.23	7.56	100

APPENDIX-IV

Nepal life insurance company ltd			
claim paid& refund			
Fiscal year	Total claim paid & refund	Total premium collection	proportion
065/66	119814854	1348078251	8.89
066/67	144032911	1974466181	7.29
067/68	199089242	2320696993	8.58
068/69	373658702	3201160522	11.67
069/70	619769205	4387727528	14.125

Claim paid						
Fiscal year	Sawadhik	Jeevan jyoti	Jeevan sahara	Jeevan sarathi	Term life	Total
065/66	59419501	58425504	1969849	0	0	119814854
066/67	75231084	56561537	6282084	0	5958206	444032911
067/68	102345577	52518821	11382551	14016	32828277	199089242
068/69	210873309	84566713	21110844	0	57107836	373658702
069/70	362379054	44933267	162813370	6569554	43073960	619769205

APPENDIX-V

Claim paid to total claim paid						
Fiscal year	Sawadhik	Jeevan Jyoti	Jeevan sahara	Jeevan sarathi	Term life	Total
065/66	49.59	48.77	1.64	0	0	100
066/67	52.23	39.27	4.36	0	4.14	100
067/68	51.41	26.38	5.72	0	16.49	100
068/69	56.43	22.63	5.65	0.007	15.28	100
069/70	58.47	7.25	26.27	1.06	6.95	100

Claim paid & refund to premium collection ratio %

Fiscal year	sawadhik	Jeevan jyoti	Jeevan sahara	Jeevan sarathi	Term life
065/66	6	37.40	0.99	0	0
066/67	5.87	30.03	1.68	0	4.65
067/68	7.02	26.52	2.21	0.26	22.61
068/69	11.87	23.4	3.03	0	15.50
069/70	14.65	10.63	15.97	2.54	20.16

Individual claim paid & refund

Claim paid to premium collection % = -----

Individual premium collection

For example

Sawadhik for year 065/66,

Claim paid and refund of sawadhik = 59419501

Sawadhik premium collection = 990253275

$$\begin{aligned} \text{Claim paid \& refund to premium collection} &= \frac{59419501}{990253275} \times 100 \\ &= 6\% \end{aligned}$$

APPENDIX-VI

Nepal life insurance company ltd			
Interest earned			
Fiscal year	Interest earned	Total investment	Ratio
065/66	112521945	1426133650	7.89
066/67	1217219553	1605830545	7.58
067/68	295990901	3605248486	8.21
068/69	3082869875	3395231140	9.08
069/70	485466333	4713265373	10.3

APPENDIX-VII

Correlation between premium collection and investment

X= Premium collection

Y= Investment

N= No. of years

F/Y	X (Rs.In Million)	Y(Rs. in Million)	x =(X - \bar{X})	y= (Y- \bar{Y})	x ²	y ²	xy
065/66	1348.09	1426.13	-1298.346	-1523.01	1685702.336	2319559.46	1977393.94
066/67	1974.47	1605.83	-671.966	-1343.31	451538.305	1804481.76	902658.65
067/68	2320.70	3605.25	-325.736	656.108	106103.94	430477.71	-213717.996
068/69	3201.16	3395.23	554.724	446.09	307718.72	198996.29	247458.61
069/70	4387.73	4713.27	1741.294	1764.128	3032104.79	3112147.6	3071865.502
N=5	13232.15	14745.71			5583168.09	7865662.82	5985658.706

$$\bar{X} = 2646.436 \quad \bar{Y} = 2949.142$$

$$\text{Correlation}(r) = r = \frac{\sum xy}{\sqrt{\sum x^2} \sqrt{\sum y^2}} = \frac{5985658.706}{\sqrt{5583168.09} \sqrt{7865662.82}} = 0.9032$$

$$r^2 = (0.9032)^2 = 0.8158$$

$$\text{P.E.}(r) = 0.6745 \times \frac{1-r^2}{\sqrt{N}} = 0.6745 \times \frac{1-0.8158}{\sqrt{5}} = 0.0556$$

$$6 \times \text{P.E.}(r) = 0.0556 \times 6 = 0.3333$$

APPENDIX-VIII

Correlation between interest and investment

X=interest

Y= Investment

N=No of years

Fiscal year	X(Rs.in million)	Y(Rs.in million)	x=(X - \bar{X})	y=(Y - \bar{Y})	x ²	y ²	XY
065/66	112.52	1426.13	-152.278	-1523.01	23188.59	2319559.46	231920.92
066/67	121.72	1605.83	143.069	-1343.31	20468.45	1804481.76	192186.02
067/68	295.99	3605.25	31.201	656.108	973.50	430477.71	20471.23
068/69	308.29	3395.23	43.501	446.09	1892.34	198996.29	19405.36
069/70	485.47	4713.27	220.683	1764.128	48700.99	3112147.6	389313.06
N=5	1323.99	14745.71	0	0	95223.87	7865662.82	853296.59

$$\bar{X} = 264.798$$

$$\bar{Y} = 2949.14$$

$$\text{Correlation (r)} = \frac{\sum xy}{\sqrt{\sum x^2} \sqrt{\sum y^2}} = \frac{853296.59}{\sqrt{95223.87} \sqrt{7865662.82}} = 0.9860$$

$$r^2 = (0.9860)^2 = 0.9721$$

$$\text{P.E.(r)} = 0.6745 \times \frac{1-r^2}{\sqrt{N}} = 0.6745 \times \frac{1-0.9721}{\sqrt{5}} = 0.0084$$

$$6x \text{ P.E.(r)} = 6 \times 0.0084 = 0.0501$$

APPENDIX-IX

Correlation between premium collection and claim paid

X= Total claim paid Y= Total premium collection N= No of years

F/Y	X(Rs.in million)	Y(Rs.in million)	x=(X - \bar{X})	y=(Y- \bar{Y})	x ²	y ²	xy
065/66	119.81	1348.09	-171.46	-1298.16	29398.53	1685702.336	222614.405
066/67	144.03	1974.47	-147.24	-671.966	21679.62	451538.305	98940.27
067/68	199.09	2320.70	-92.18	-325.736	8497.15	106103.94	30026.34
068/69	373.66	3201.16	82.39	554.724	6788.11	307718.72	45703.71
069/70	619.77	4387.73	328.5	1741.296	107912.25	3032104.79	572015.736
N=5	1456.36	13232.15	0	0	174275.66	5583168.09	969300.46

$$\bar{X} = 291.27$$

$$\bar{Y} = 2646.43$$

$$\text{Correlation } (r) = \frac{\sum xy}{\sqrt{\sum x^2} \sqrt{\sum y^2}} = \frac{969300.46}{\sqrt{174275.66} \sqrt{5583168.09}} = 0.9827$$

$$r^2 = (0.9827)^2 = 0.9656$$

$$\text{P.E}(r) = 0.6745 \times \frac{1-r^2}{\sqrt{N}} = 0.6745 \times \frac{1-0.9656}{\sqrt{5}} = 0.0104$$

$$6 \times \text{P.E}(r) = 0.0104 \times 6 = 0.0623$$

APPENDIX- X

Computation of predicted values of premium collection using time series analysis

Fiscal year(t)	Y(premium collection Rs, in million)	X=t-067	XY	X ²
2065/66	1348.09	-2	-2696.18	4
066/67	1974.47	-1	-1974.47	1
067/68	2320.70	0	0	0
068/69	3201.16	1	3201.16	1
069/70	4387.73	2	8775.46	4
N=5	13232.15	0	7305.97	10

Here,

$$Y_c = a + bX \dots \dots \dots (i)$$

Since,

$$\sum X = 0, a = \frac{\sum Y}{N} = 13232.15/5 = 2646.43$$

$$b = \frac{\sum XY}{\sum X^2} = 7305.97/10 = 730.597$$

putting the value of a and b in equation (i)

$$Y_c = a + Bx$$

$$= 2646.43 + 730.597x$$

For the year 2070/71 ,x=3

$$Y_{2070/71} = 2646.43 + 730.597 \times 3 = \text{Rs } 4838.22 \text{ million}$$

For the year 2071/72 , x = 4

$$Y_{2071/72} = 2646.43 + 730.597 \times 4 = \text{Rs } 5568.818 \text{ million}$$

APPENDIX - XI

Time series analysis of predicted the investment position of NLIC.

F/Y (t)	Y(investment Rs. In million)	X =(t-67)	XY	X ²
065/66	1446.13	-2	-2852.26	4
066/67	1605.83	-1	-1605.83	1
067/68	3605.25	0	0	0
068/69	3395.23	1	3395.23	1
069/70	4713.27	2	9426.54	4
N=5	14745.71	0	8363.68	10

Here,

$$Y_c = a + bX \dots \dots \dots (i)$$

Since,

$$\sum X = 0, a = \frac{\sum Y}{N} = 14745.71/5 = 2949.142$$

$$b = \frac{\sum XY}{\sum X^2} = 8363.68/10 = 836.368$$

Putting the values of a and b in equation (i)

$$Y_c = 2949.142 + 836.368x$$

For the F/Y 2070/71 X = 70-67 = 3,

$$Y_{2070/71} = 2949.142 + 836.368 \times 3 = 5458.246 \text{ million}$$

Again , for the F/Y 2071/72, X = 71-67 =4,

$$Y_{2071/72} = 2949.142 + 836.368 \times 4 = 6294.614 \text{ million}$$