

AN OVERVIEW OF LIFE INSURANCE PRODUCTS AND IT'S MARKET DISTRIBUTION IN NEPAL

Submitted by

Nirmala Kafle

Central Department of Management

Campus Roll No. 374/064

T.U. Reg. No.: 7-2-303-40-2004

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RECOMMENDATION

This is to certify that the thesis

Submitted by:

Nirmala Kafle

Entitled

AN OVERVIEW OF LIFE INSURANCE PRODUCTS AND IT'S MARKET DISTRIBUTION IN NEPAL

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

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Lecturer Jagat Timilsina	Prof. Dr. Bal Krishna Shrestha	Prof. Dr. Dev Raj Adhikari
Supervisor	Chairperson, Research Committee	Head of the Department

Date:

VIVA-VOCE SHEET

We have conducted the viva-voce examination of the thesis presented by

Nirmala Kafle

Entitled

AN OVERVIEW OF LIFE INSURANCE PRODUCTS AND IT'S MARKET DISTRIBUTION IN NEPAL

and found the thesis to be the original work of the student written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment for

Master's Degree in Business Studies (M.B.S.)

Viva-Voce Committee

Chairperson, Research Committee -----

Member (Thesis Supervisor) -----

Member (External Expert) -----

Member (Central Department of Management) -----

Date: -----

DECLARATION

I hereby, declare that the work reported in this thesis entitled “**An Overview Of Life Insurance Products And It’s Market Distribution In Nepal**” submitted to Central Department of Management, University Campus, T.U. Kirtipur is my original piece of work done in the form of partial fulfillment of the requirement for the Master’s Degree in Business studies under the supervision and guidance of Jagat Timilsina, Lecturer, Central Department of Management.

.....

Nirmala Kafle

Roll No.: 374/064

Central Department of Management

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CHAPTER - I

INTRODUCTION

1.1 Background of the Study

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

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

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

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

Insurance helps to overcome the outcomes of undesirable and unforeseen happenings. However, insurance cannot stop losses incurred from risks. It can merely provide financial compensation for the effect of misfortune. Insurance, therefore, does not protect the material property, which is the subject matter of the insurance but safeguards the financial interest of the insured.

Insurance have a wide scope in modern world. There are many forms of insurance such as life insurance, fire insurance, marine insurance, property insurance, vehicle insurance, etc. In general, insurance is classified as Life Insurance and Non-Life Insurance. Life Insurance is different from non-life insurance though objective of both forms are to safeguard the people. Fire insurance, marine insurance, property insurance, vehicle insurance, etc. all are categorize under non-life insurance. In general, insurance coverage other than life comes inside non-life insurance. On non-life insurance, the insurance company sells policy for financial protection of individual property from unsuspected risk. Insurance other than Life Insurances are the contract of indemnity, where the insurers agree to compensate in the event of loss such that the insured is left substantially in the same position financially after the loss as he/she was before it. But the principle of indemnity does not apply in case of Life Insurance, as value of human life cannot be expressed in monetary terms. Subject matter of life insurance is the life of human being.

This report focus only with Life Insurance, its products/policies/plans and its market share mainly in the context of Nepalese life insurance market. Life Insurance simply is insurance on the life of people and the life insurance contract is a valued policy that pays a stated sum to the insured upon maturity else to the beneficiary upon the insured's death. In other words, a life Insurance policy is a contract between the policy owner (insured) and an insurance company (the insurer). Under the terms of a life insurance contract, the insurer promises to pay a certain amount of money (death benefit) to someone the insured chooses (beneficiary) when he/she die or to the insured himself/herself at the end of the contract (term) period, in exchange for the insured's premium(fee payments). Thus, to purchase life insurance is a prudent act to get rid from uncertain risk and provides benefits against premature death, living a certain length of time, incapacities, injuries etc.

At present there are 9 Life Insurance Companies in Nepal. They are Rastriya Beema Sansthan (RBS), National Life Insurance Company, Nepal Life Insurance Company (NLIC), Life Insurance Corporation (Nepal) Ltd. (LIC Nepal), American Life Insurance Company Nepal (ALICO Nepal), Asian Life Insurance Company, Gurans Life Insurance Company, Prime Life Insurance Company and Surya Life Insurance Company.

Table 1. 1
Growth Of Various Economic Sectors In Nepal

Year		2027	2037	2047	2057	2065	2067
Commercial Bank		2	2	5	13	25	31
Development Bank		2	2	2	7	58	84
Finance Company		0	0	0	47	78	79
insurance Company	Life	0	1	2	2	9	9
	Non - Life	3	4	4	12	16	16

Source: Insurance News & Views

NOTE: Rastriya Beema Sansthan (RBS) one of the pioneer government

Insurance companies sell both Life & Non Life products.

Comprehending growth of Insurance sector in Nepal; we can simply analyse that the felt of insurance was there, many years back in Nepal but the pace of development of life insurance is less than non-life insurance despite the greater importance of former one. Perhaps, this is because people used to care more to their properties rather than their life. Besides, people hardly realize their death and its consequences but life insurance is what all about. Therefore, whatever be the facts, the importance and potentiality of life insurance in country like Nepal is very high and realizing it the various prominent people and government itself are focused for the development of life insurance sector in Nepal.

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

Types of Life Insurance Products

On the basis of participation in profit

1. *Participating*: In this type of plan the policy owner also get the part of profit made by company in terms of bonus. Normally, saving insurance plans comes under it so premium rate is higher than non participating plans.
2. *Non Participating*: No bonus is paid. Normally, non saving plans comes under it and premium rate is comparatively lower than participating.

On the basis of number of insured

1. *Single Life Policy*: Policy is issued for individual insured.
2. *Group Life Insurance*: Policy is issued for group's risk coverage.

On the basis of period or duration

According to Insurance Regulation, 2049, Insurer can conduct business on following life insurance product in Nepal.

1. **Whole Life Insurance**: Whole life insurance is designed to remain in force during the insured's entire lifetime. Normally premium is paid for whole life (whole term). This kind of insurance is for the dependents of insured as he/she cannot enjoy the benefit of policy. Beneficiary gets the Sum Insured after the death of insured only. The premiums are payable as per the term agreed, i.e. semi-annually, annually or lump sum. RBS & National Life Insurance Companies have these sorts of products but they haven't sold it as they are not popular in market.

Whole Life Insurance policy is further divided into four types:

- a. **Ordinary Whole life Insurance Policy**: Insured pay premium for entire lifetime. After the death of the person, no further premium has to be paid. Beneficiary get sum assured after insured's death only.
- b. **Limited Payment Whole Life Policy**: Premium is not paid for entire lifetime but for a fixed term only like for 10 years or 20 years or 25 years etc. If insured dies before completion of that term premium is not required to pay but the Sum Insured is paid to beneficiary after the completion of

term only. It is useful to those persons who have regular income for certain period of time only.

c. Convertible Whole Life Policy: Policy is issued as whole life but it can be change into other form after sometime. It can be converted at the end of five years into endowment policy. If the policy is converted into endowment, then policy no longer remains whole life policy and premium is paid as the new terms policy and it is generally higher than the whole life. This policy is suitable for those people, who have prospect for increase in income after a few short periods. The policy remains whole life policy if it is not converted.

d. Anticipating Whole Life Insurance: Insured also get certain portion of face amount before the maturity and remaining after maturity period; beneficiary get the face amounts in case of insured's death.

2. Endowment Life Insurance: The term is fixed in the policy like-10, 11, 12...30 years etc. Insured can get Sum Insured after the completion of agreed term, otherwise if insured dies before maturity period (completion of term) the beneficiary gets the said amount. Endowment life insurance policy is issued for a certain period or up to a particular age not exceeding the age of 70 years. Mostly, at present all life insurance companies have endowment plan.

Endowment Life Insurance policy is further divided into five types:

a. Ordinary Endowment life Policy: Endowment life insurance generally guarantees that a sum of money will be available to you or your beneficiaries, whether you live until the policy ends (or "matures" or in case of an untimely death to your beneficiary.

b. Pure Endowment life Policy: If insured completes the whole term he himself gets the sum assured but no amount is paid if insured dies before maturity. In other type of Pure Endowment only certain amount is paid to beneficiary if insured dies before maturity.

- c. Double Endowment Life Policy:** If insured dies before maturity because of accident he gets double the amount of sum assured otherwise face amount plus accrued bonus after maturity.
- d. Anticipated Endowment Life Policy:** Insured get certain amount before maturity and remaining after maturity. Under this plan, a part of sum assured is paid at certain interval before death within maturity of the policy and balance of the sum assured is paid at maturity. In the event of death of the insured before the maturity date, full sum assured is paid, even if the insured had taken money from the insurer. The premium of anticipated endowment policy is higher than other policies.
- e. Deferred Endowment Life Policy:** Even if insured dies before maturity beneficiary will get benefit after completion of term only. Assured amount is not payable before expiry date. Assured amount is paid to insured on his/her survival; otherwise the payment is made to his/her nominee/dependent.

3. Term Life Insurance: It is issued for a specific period, or “term” for specific purpose. Term may usually ranges from few months to many years. If the insured dies before the completion of term, the Sum Insured is paid to beneficiary; but no amount is paid if insured lives, after the completion of term. Only protection element is present in this policy and is the cheapest policy. Mostly, we can find different term life insurance plans being sold by different life insurance companies in Nepal.

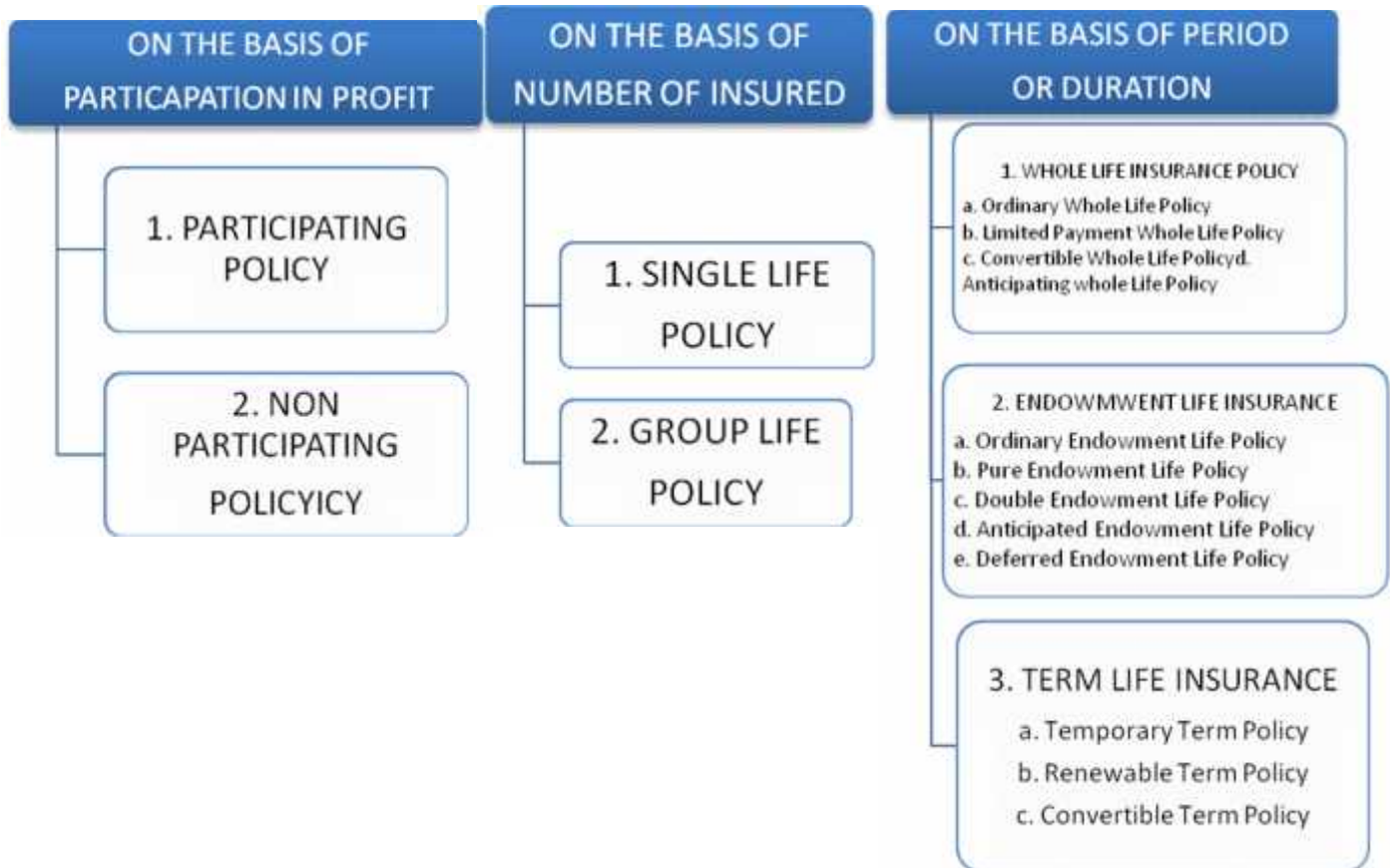
- a. Temporary Term Policy:** Policy is issued normally for short term, normally up to 2 years; premium for whole period is paid in advance. Like medical, travel insurance. A single premium is paid in this policy. The sum assured will be paid only on the death of the insured within two years from the commencement of the policy. Assured amount will not be paid on the survival of life assured and the contract will be void automatically after 2 years.

b. Renewable Term Policy: After the completion of term, the policy can again renew for another term till insured reach the age of 55 years. Policy can be renewed without medical examination. The premium rate will be altered according to the age attained at the time of renewal. This policy is suitable or beneficial for those whose health is deteriorating.

c. Convertible Term Policy: The policy can be converted in to another policy (endowment etc.) as per insured's requirements. Policy can be converted without medical examination but the premiums rate will be according to term and conditions of policy to be converted prevailing on the date of conversion. This plan is useful for those who are unable to pay the larger sum required for a whole life and endowment policy for the time being.

Though most of the insurance companies(IC) sold similar type of products, they have given different names for different plans, to differentiate among the companies. Thus, we can find various products among the company that are named differently. Whatever be the classification of life insurance product, in Nepalese Insurance Market, basically products are classified under 4 forms. They are:-

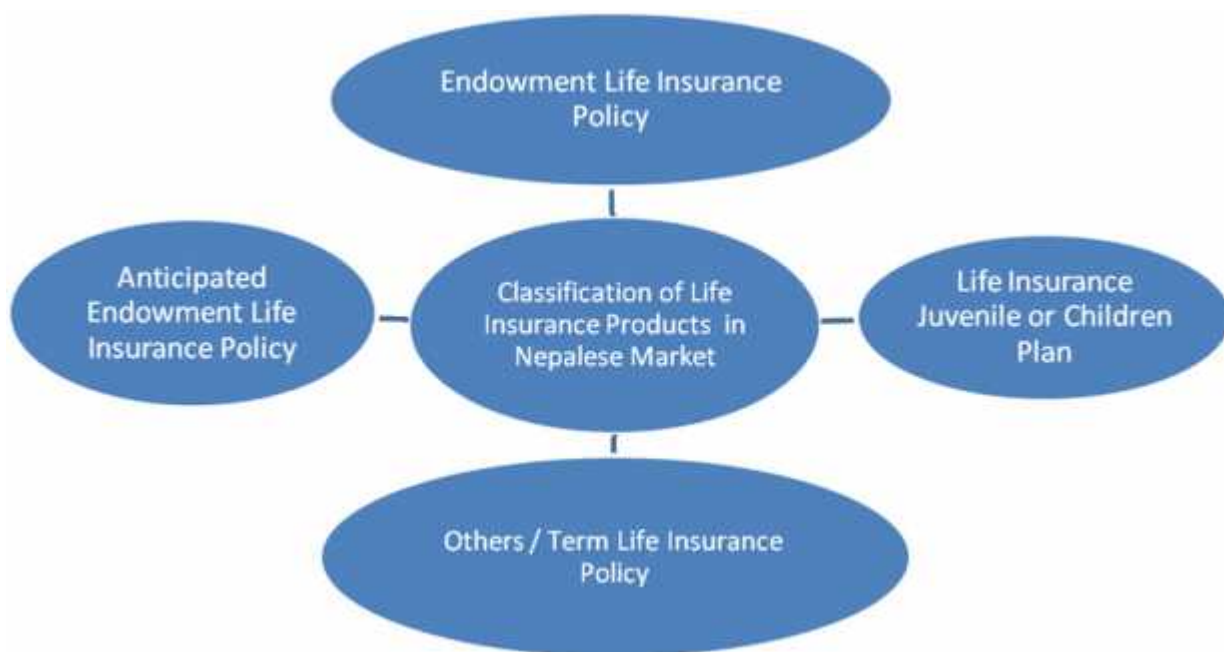
- Endowment Life Insurance
- Anticipated Endowment Life Insurance



Types Of Life Insurance Products

- Life Insurance Juvenile or Children Plan
- Others/Term Life Insurance

Classification Of Life Insurance Products In Nepalese Market



1.2 Focus of the Study

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

National Life Insurance Company (NLIC): NLIC, established under the Company Act 2053 and Insurance Act 2049 as a public limited company on 2058/01/21 (04/05/2001). NLIC is the foremost life insurance company established by private investors. The promoters of the company are a group of well known businessmen and business houses of Nepal. Within the nine years of operation the Company has set up an excellent business record and has a strong financial position. The company has an authorized capital of Rs. 100 Crore. Issued Capital of Rs 50 Crore and Paid-up Capital of Rs 30 Crore. The company has insured itself with well-know reinsurance company

"**Hannover Re Life Reinsurance Company**", Germany for individual policies and "**SCOR Global Life**", France for Term Assurance Foreign Expatriate policies .

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

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

1.3 Statement of the Problem

Today, no doubt insurance has become an integral part of every sector of the country. On one hand, it provides the financial security against future loss & on the other hand it provides capital to the business house. By knowing this reality, the number of insurance companies is increasing in Nepal but at the same time there are a number of constraints

that hinder the development of insurance sector in Nepal. In advance countries, insurance companies have played a very significant intermediary role, mobilizing funds through the prudential combination of investment portfolio. But, in developing countries like Nepal, the role of insurance company is still to be realized as an important vehicle for mobilizing the internal saving through various insurance schemes of life & non-life sector in the economy

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

1. Most of the Nepalese people live under poverty line thus limiting investment. People have problem of hand to mouth, they hardly think of insuring their life by paying a life insurance premium.
2. Majority Nepalese have no knowledge of life insurance due to lack of education. Even many of the educated people are unaware of it.
3. Most life insurance companies are located in urban areas with limited target customers leaving out a very large rural population.
4. Most companies lack professionalism, speedy transaction, timely payment of the claim and even do not follow insurance ethics.
5. Negligence of agents, brokers and even a staffs.
6. Unclear rules and regulation regarding insurance acts.
7. Unhealthy market competition among prevailing companies.
8. Lack of Reinsurance Company.
9. Most of all, the political turmoil in our country has hindered the growth of insurance company to a large extent. Also, increasing violence & terrorism has been threatening the insurance business. Therefore, the insurance company should be very much cautious about their business operation. Besides the problems, the present study will intend to explore the following basic questions.
 - What is the basic thought of people about life insurance?
 - Do Nepalese people feel to insured their life?

- Why the numbers of insurance companies intend to commence in Nepal?
- Why people buy life insurance product? Are they satisfied buying it?
- What types of life insurance products are available in Nepal?
- What are the government policies against Life Insurance?
- What sorts of activities need to be done to develop & expand the insurance sector?
- Are the activities executed by the prevailing companies sufficient for the entire development of the insurance industry?

1.4 Objectives of the Study

- To explore present situation of the life insurance business in Nepal.
- To analyse the aggregate market trend of life insurance policies, premiums collections and largest share among the companies.
- To analyse the types of life insurance products available in Nepal.

1.5 Significance of the Study

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

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

- Researcher himself will feel significant to study on the topic that can access to different aspects of insurance sector.
- Individuals who carry out further research works in related topic.
- Individuals who have keen interest in Nepalese economy & insurance industries.
- Investors, policyholder, students, policymakers, staffs, academic and professional people, companies etc.
- This study helps insurance companies to identify their hidden weakness regarding different operational, financial and distributional aspects of their business.

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

1.6 Research Gap

Out of various studies in insurance and its sector, we could hardly find the research works in Life Insurance, its various products and its market distribution too. Besides, although there have been a several research works on the insurance reviewed above, this study is especially concerned with the life insurance product & its market distribution in Nepal. Moreover, while reviewing related subject matter, various researchers have attempted to assess the Financial Performance of a few insurance companies. But this study is different from others in that it deals with the issued products, its benefits, and reason behind its popularity of all prevailing life insurance companies. Most of the studies are unable to present the research work in products/plans and exact sales figure in terms of premium collection (both New & Renewal) with statistical analysis of total policies issued as well. In this study, various primary data are also been observed to analyze, assess and to decide the various thoughts of people towards life insurance. Hence, this study is a supplement to overcome the weakness & limitation of previous studies.

1.7 Limitation of the Study

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

1. The study may not be precise as it is to fulfill the partial requirement of degree in management (MBS) program and it is merely focused to analyze certain aspects of Nepalese insurance sector.
2. Resource, time, money constraints and inaccessibility of sufficient information also limit the conclusion drawn from the study.
3. The study is based on secondary data of few years period i.e. from fiscal year 2061/62 to 2065/66, therefore conclusion about the result confines only to stated period.
4. The evaluation is made through the analysis of financial statement published and provided by the companies and insurance board.
5. Finding of the study would be fully dependent on the accuracy and the reliability of the data provided by the respected organization and respondents.
6. The financial information of Rastriya Beema Sansthan of the few years was not available in the company as well as in the Beema Samiti as it had not conducted the auditing of its records for different period. Similarly, National Life Insurance also hasn't submitted a few years transaction report as per the prescribed manner, so its figures are also forecasted as per the financial analysis of data provided by them.
7. The study is mainly focused on the life insurance sector of the insurance industry in Nepal. Hence, it completely ignores other forms of insurance.
8. The study only deals with life insurance products available in Nepalese market; similarly the research has been carried out in the Kathmandu only.

Despite these limitations, best possible efforts have been made to ensure that these limitations do not affect the findings of the study, in a significant manner.

1.7 Organization of the Study

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

Introduction:

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

Review of Literature:

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

Research Methodology:

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

Data Presentation and Analysis:

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

Summary, Conclusion and Recommendations

The final or fifth chapter contains the summary of entire study. The conclusion will be presented and concrete measures are suggested in the form of recommendation.

Besides these, bibliography and appendixes are also included.

CHAPTER – II

REVIEW OF LITERATURE

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

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

2.1 Conceptual Framework

2.1.1 Concept of Insurance

Developing modern society plays various roles in a society. They bear a major character, the inevitable uncertainty and revolutionize surroundings. Due to the uncertainty and competition factor the concept of insurance and its evolution was enforced and these days it is far more strengthening due to very competitive environment and many dropped down situation. Thus, the insurance seems as an auxiliary for the modern society and organized business company as well as individuals.

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

Insurance is a contract made by a company, society, or by the state, to provide guarantee of compensation for loss, damage, sickness, death etc in return for regular payment. In other words, it can be said that any measure taken as safeguard against loss, failure, perils etc. An insurance company means the enterprises that are involved in insurance business. Insurance companies are integrated part of the same business. Before knowing about insurance company's concept we need to know about concept of insurance. It is quite hard to define insurance to satisfy every view point of insurance. It may be defined as "A system of combining many loss exposures with the costs of the losses being shared by all of the participants." (Crane, 1980:8)

It may be an economic system of reducing the risk through transfer and pooling of losses, "A legal method of transferring risk is a contract of indemnity a business institution providing many jobs in free enterprise economy a social device in which the losses of few are paid by many or an actuarial system of applied mathematics." (Bickeinaupt, 1983:43)

"Insurance is created by insurer which is a professional risk bearer, assumes the financial aspects of risk transferred to it by insured. As a device for handling the financial aspects of risk, insurance is feasible because insurance is able to combine the risks of individuals into groups and pay losses with funds collected from its members." (Athenian; 1981:25)

"Insurance is a provision made by a group of persons, each single in danger of some losses, the incidence of which cannot be foreseen that when such loss occurs to any of these, it shall be distributed over the whole group. Its elements therefore are foresight and cooperation." (Bhargave; 2053:15)

"Insurance as a contract settled between the parties, one is insurance company and another is insured party who insure his properties as well as lives. They have stated as, it undertakes to indemnify to loss suffered (due to specified cases) by other party known as the insured in consideration for a sum of money known as premium. Since the amount of the premium is generally small, insurance contract spreads the losses suffered by one person over a large number of persons. Everyone pays a premium those who suffer a loss are paid a sum of equivalent to loss (loss according to the term of contract) and those who do not suffer loss by the premium paid. The protection against unforeseen events is purchased through a contract of insurance." (Shukla and Grewal; 1990:36)

In same generic term insurance is regarded as, "Co-operative risk carrying transfer of specializing risk carries, redistribution of actual loss etc, as a business institution insur-

ance may be defined as a plan by which large number of people associated themselves and transfer to the shoulder of all risk that attach to an individuals. It is a universal fact that the outcomes of most activities are uncertain. Uncertainty remains in every nature of businesses. So, insurance is one of the major risk handling method, also it is an instrument to spread the loss caused by a particular risk among various people who are interested to accept risk for certain return. The word for taking risk or assuring to cover loss is known as insurance. There are no such devices or methods which confirm that there is no risk and no chances of loss occurrence in any types of business. It should not necessarily be only businesses, even in the houses where we live; we are unsure what is going to happen tomorrow because we don't know when earthquake occurs. In fact, it is similar to our lives as we absolutely have no idea about our exact longevity. This is a tricky situation. Until now, we are able to transfer the risk primarily created due to natural disaster or an accident in the form of insurance but unable to eliminate in first hand. It is beyond our capacity to control natural calamities or an accident. Insurance is a precautionary measure that has been taken by any party's to compensate for the loss incurred due to any undesirable events. It is an intangible service which helps to get rid from the painful sufferings caused by the uncertainties. Thus the insurance provides a relief in the form of compensation packages in a period of desperate need.

In a period of deepest sorrow and need, when funds appear to drain into abyss of creditor's demand and estate duties, the hefty cheque brought in the form of insurance claims provide great relief. So, insurance offers excellent financial protection. Industrial and commercial risks are more complex. Apart from the normal trading risks, they are exposed to various natural and man created hazards, the result of which can kick them completely out of the business. Moreover, not all the risks are insurable which means the careful risk management should be administered. Risk management deals with the technique of identification, evaluation and handling of risks. After properly identifying the risk one is exposed to, one has to evaluate the monetary consequences of such risks before thinking of handling of the risks which may be consciously assuming certain risks oneself and transferring others by various devices including insurance. Insurance is one of the risk transfer mechanism. Insurance is not a luxury; it is a necessity especially when one's paid up assets is few. Many people think insurance is for the rich people as they can afford but it is precisely for those who are not financially secure.

Insurance business is broadly classified into two groups

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

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

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

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

2.1.2 Definition & Meaning of Life Insurance

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

In other words;

Life insurance is a contract whereby the insurer promises to pay the defined amount either on the maturity of policy to the policyholder or to his/her nominee in case of the premature death of the policyholder, in consideration of premium paid. Thus, life insurance has both elements of protection as well as investment. It has the element of protection because insurer pays the policy amount to the nominee in case of the death of policyholder. On the other hand, it is an investment because the policy amount is paid after the expiry of given period, if the policy holder survives.

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

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

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

2.2 Origin of Life Insurance

There is no actual evidence of origin of insurance/life insurance. So we cannot accurately say how and where it was introduced. Today's modern form of insurance is not the effort of fortnight. It has crossed a long series of time to develop insurance from ancient practices to modern insurance practices. There was insurance in ancient time too, but not in its present form. Some say insurance is as old as human civilization. We can guess that there was some sort of life insurance in this part of the eastern world. Insurance related word "YOGCHHYAM" (means complete protection/security to the people" is found in religious texts like Rihgbed.

Historians accept that the insurance first developed in Sumer and Babylonia (both in what is now Iraq) beginning in about 3000 B.C. It is also believed that before 4500 B.C. there was a culture of some sort of Life Insurance in Babylonia, Greece and Rome. On 18th June, 1583 William Gibbons became the first person to get his life insured in England. He got insured for 1 year. The premium was 8% of the Face Amount. Gibbons died on 11th month so Face amount had to be paid. On 1693, Edmond Healy prepared the Mortality Table and submitted in Royal Society. It became basis for insurance table later. On 1696 A.D. the Hand in Hand Society became the first institution of the Insurance.

Till 17th century Life insurance was issued only for rich and honorable people of England. But in the 18th century, it was opened for general public as well. The first life-insurance company in North America was founded in 1759 in Philadelphia.

In the Eighteenth Century insurance business began to develop but at the same time there was a problem of irregularity and misuses due to lack of insurance act. Hence insurance acts were passed. In 1774 Life Assurance Act was passed in England to prevent insurance from being gambling.

From 1905 to 1912 establishments of many insurance companies took place in India. Till 1955, 259 Life Insurance Companies are working in India (inclusive of Provident Fund Societies) In 1956 Life Insurance Corporation Act was passed in India.

2.3 Origin & Development of Life Insurance in Nepal

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

The modern insurance business is relatively new in Nepal. There used to be agents of Life Insurance Companies of India working in Nepal. Indian insurance companies initiated the insurance business from the late 1930 in Nepal. The Indian insurance companies were enjoying monopoly over the insurance business and had a well development business network in Nepal, later in 1948(2004 B.S).The first Nepalese insurance company, 'Nepal Mal Chalani Ra Beema Company Limited'(2004/6/8 B.S.) was established by Nepal Bank Limited. This pioneering insurance company renamed name into Nepal Insurance and Transport Company Limited in 2016 and Nepal Insurance Company Limited since 2048. The company started to provide only non life insurance. There was no only insurance company to carry out life insurance business until 2024. So, the government realized the necessity for the establishment of insurance company to execute life insurance business. As a result on 2024 B.S. His Majesty’s Government established Rastriya Beema Sansthan (2024/9/1 B.S.). On 2025B.S. Insurance Act 2025 was enacted to regulate insurance business in Nepal. Similarly, unit to look after Insurance business under Finance Ministry was established. On 2029 B.S. Falgun 7, Rastriya Beema Sansthan (RBS) started its life division. Life Insurance Corporation of India closed their office in Nepal and handed over the transactions to Rastriya Beema Sansthan.

On 2044 B.S. National Life & General Insurance Company (NLGI) was established (2044/9/24 B.S.). On 2046 B.S. NLGI started their transaction in Life Insurance. On 2049 B.S., New Insurance Act & Insurance Regulation came into effect with full fledge Insurance Board; abolition of Insurance Act 2025. On 2058B.S. Nepal Life Insurance Company (NLIC) was established and then a few months later Life Insurance Corporation Nepal (LIC Nepal) was established. On 5th December 2001, American Life Insurance Company Nepal (ALICO Nepal) was inaugurated in Kathmandu. From 2002 February onwards,

ALICO started its transaction with totally new concepts and strategies in Nepal. On September 1, 2003 A.D. agent's code of ethics became effective.

The insurance activities are regulated by Insurance Act 2026 B.S. (1969 A.D.). The Act and the regulations are modified and new Insurance Act and Regulations are enacted in 2049 B.S. (1992 A.D.). Beema Samiti observes and regulates the insurance activities in Nepal as per the provisions of Insurance Act 2049 and Insurance regulations 2049.

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

Table 2. 1
Composition Of Insurance Companies In Nepal

OWNERSHIP	NATURE OF COMPANY			TOTAL
	GENERAL	LIFE	COMPOSITE	
Government Owned	-	-	1	1
Private Sector	13	5	-	18
Foreign	2	1	-	3
Joint Venture	1	2	-	3
TOTAL	16	8	1	25

Source: Beema Samiti

Insurance Companies Providing Both Life and Non-Life Insurance Services

1. Rastriya Beema Sansthan

Insurance Companies Providing Only Life Insurance Services

2. National Life and General Insurance Company Limited
3. Nepal Life Insurance Company Limited
4. American Life Insurance Company Limited
5. Life Insurance Corporation (Nepal) Limited
6. Asian Life Insurance Company Limited
7. Surya Life Insurance Company Limited
8. Gurans Life Insurance Company Limited
9. Prime Life Insurance Company Limited

Insurance Companies Providing Only Non-Life Insurance Services

10. Nepal Insurance Company Limited
11. Himalayan General Insurance Company Limited
12. United Insurance Company (Nepal) Limited
13. Everest Insurance Company Limited
14. Premier Insurance Company (Nepal) Limited
15. Neco Insurance Company Limited
16. Alliance Insurance Company Limited
17. Sagarmatha Insurance Company Limited
18. NB Insurance Company Limited
19. Prudential Insurance Company Limited
20. The Oriental Insurance Company Limited

21. National Insurance Company Limited
22. Shikhar Insurance Company Limited
23. Siddhartha Insurance Limited
24. Lumbini General Insurance Company Limited
25. NLG Insurance Company Limited

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

2.4 Operational Definition (Terminologies)

Insurance: Protection against economic consequences of loss

Insured: Person whose life is insured/secured

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

Payer: Person who pays the premium

Insurer: Company that covers the risk of insured

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

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

Mode of Payment: Annual, Semi Annual, Quarterly

Term: Risk coverage period

Policy Document: Written paper of insurance contract

Policy Owner: Who owns a policy?

Beneficiary: Person who receive the policy benefit

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

2.5 Basic Principles of Life Insurance

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

were concealed at the time of contract, which could affect the contract; the contract is subject to void.

2. Insurable Interest: The presence of insurable interest must be established for every life insurance policy. Insurance is intended to compensate an individual or a business for a financial loss, not to provide an opportunity for gain. Insurable interest exists between two people if the living of one person can benefit other & death cause loss (or one is compel to look after the other as per law). Without insurable interest policy is not valid. It is necessary also to prevent crime. In its absence, insurance may become gambling. It can be exist in two cases

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

2.6 Products

A product is anything that is capable of satisfying human needs and wants. Philip Kotler defines a product “as anything that can be offered to a market for attention, acquisition, use or consumption and that might satisfy a want or need” (7th ed.p.274). In a broad sense, products include physical objects, services, persons, places, organizations, ideas or mixes of these entities. Viewed on a broad framework, product is everything that one receives on an exchange. Hence, here Life insurance dealt with service product and exchange with premium.

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

buying them. Thus, life insurance as a product is different type of product which is concern with life of people.

2.6.1 Life Insurance Products

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

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

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

2.6.2 Types of Life Insurance Products available in Nepal

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

dowment, Anticipated Endowment, Children and Other policies. For simplicity, researcher also presents the report work as per the record maintained by the Beema Samiti.

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

- Endowment Life Insurance Policy
- Anticipated Endowment Life Insurance Policy
- Juvenile/Children Plan
- Others/Term Life Insurance (Whole-Life Insurance policy/

Group Insurance/Expatriate Insurance/Life Shield) these policies may further be modified on the basis of requirement of the customer. It can be varied on the following basis;

- Payment of Premium, i.e. single, regular or limited.
- Lives covered, i.e. Single life policy or joint life policy
- Participation in profit, i.e. participation and non-participation
- Payment of claim: Installment or Lump sum payment of claim.

Endowment Life Insurance Policy

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

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

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

Anticipated Endowment Life Insurance Policy

This sort of policy is new & modern insurance plan and can be called as modified version of endowment policy. Drawbacks of getting accumulated money only after the fixed period in endowment plans is left out by this plan. Under this policy, a part of sum assured is paid at certain interval before death within maturity of the policy and balance of the sum assured is paid at maturity. In the event of death of the insured before the maturity date, full sum assured is paid, even if the insured had taken part of the sum from the insurer. The premium of anticipated endowment policy is higher than other policies.

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

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

Juvenile / Children Plan

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

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

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

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

Others

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

Term Life Insurance Policy

Term Life insurance policy is issued for a short period of time, i.e. up to 5years. The insured amount is paid only in the event of death of the insured during the period and the assured amount is not paid on the survival of the insured during the period. Only protection element is present in this policy and is the cheapest policy. This policy is mainly taken by those, who have taken loan and want their family to be free from any tensions relating to the loan.

Some of the term life insurance policies that are available in Nepal are

Level Term Life Assurance, Decreasing Term Life Assurance, etc.

Whole Life Insurance Policy

Whole life insurance policy is issued for the whole life of a person. The premiums are payable as per the term agreed, i.e. semi-annually, annually or lump sum. The assured amount becomes payable only on the death of the policy holder to his/her nominee. In Nepal, this policy is only available under Rastriya Beema Sansthan but yet to be sold. These sorts of products are not much popular in Nepal. In Nepal, we can find combine insurance policy Whole Life & Endowment where benefits of FA plus bonus is given if insured dies during or after policy maturity and coverage of FA after maturity. For in-

stance, we can find a new scheme in Nepalese market popularly known as Jeevan Anand for periodic plus posthumous security launched by LIC and similar type of plan launched by few companies. Under this plan clients enjoys both endowment & whole life insurance coverage. The insurance policy will continue to exist even after clients are paid back insured sum along with bonus at the end of the agreed insurance period. The customers need not have to pay premium after the payback period, but still the company will pay money equal to insured sum to the immediate nominees, one the policy holder's pass away.

Group Life Insurance Policy

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

Group Life Insurance policy can be an endowment life insurance policy as well as under term life insurance policy.

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

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

charges (to fly home the body of the deceased from the accident site) up to sum Rs. 50,000. The Foreign Employment fulltime insurance covers migrant workers against death, permanent & partial disability for one to three years. As numbers of people depart for foreign employment from Nepal, this plan has much support in collecting huge premiums for insurance companies. Even some companies are attracting people adding high benefits with some additional premium apart from the standard benefits directed by the government to compete within the market. For instance, ALICO's plan provides additional sum of Rs. 100,000 for body repatriation. Also, the company pays a sum of Rs. 3,000 per month for one year to family of the injured/death person for Death/PTD due to accident. Hence, this plan has highly protected migrant people and their family.

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

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

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

Disability Protection Rider (DPR): DPR also called EPR which is embedded (automatic coverage) basically in child's plan in some of the companies where in other should be purchased and can attach. It protects payer in the event of disability due to accident & sickness.

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

- Accidental Death (AD) – In case of accidental death of insured, lump sum cash to beneficiary.

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

2.6.3 Market Distribution

Here researcher notifies market distribution as market share. He wants to give clear picture of market distribution in terms of premium collection and policy issue. Basically, this report attempts to analyse the top company with highest share through the topic market distribution.

2.7 Regulation & Legislation Relating To Life Insurance Business in Nepal

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

- Rastriya Beema Sansthan Act, 2025
- Insurance Act, 2049 (with amendment)
- Insurance regulation, 2049 (with amendment)
- Company Act, 2053
- Contract Act, 2056
- Policies and directives, issued by Beema Samiti from time to time
- Rastriya Beema Sansthan is directed by Rastriya Beema Sansthan Act

2025 and Insurance Act 2049 and Insurance Regulation 2049. Where as insurance companies in private sector are operated under Company Act 2053, Contract Act 2056, and Insurance Act, 2049 and Insurance Regulation 2049.

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

According to the Insurance Act 2049 (with amendment), insurer should get approval from Samiti for investment in different sectors. The insurer can't provide loan and invest in those organizations in which the board members of company are involved. The financial

statement should be submitted to the Samiti within six months after completion of each fiscal year. Insurance companies should keep certain amount as reserve.

The agent of the companies should meet certain criteria as specified by the Insurance Act, i.e. agents should be over 16 years of age and should have sound mind and character. The commission should be received as per the rule of Beema Samiti.

There are various legal documents or legislation relating to the regulation of insurance business in Nepal which has been reviewed in this part.

Insurance Act 2049

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

- Provision to form insurance Board (Beema Samiti) as a supervisory body to systematic regularize, develop and to control the insurance business in the country.
- Provision for the members of the board and their designation, terms and conditions.
- Provision for duty power and responsibility.
- Provision for registration, cancellation and their liabilities of insurers.
- Restriction to grant loan, guarantee and security to directors of insurance companies.
- Provision on accounting record keeping and submitting of necessary documents to authorized body (Beema Samiti).
- Provision to create necessary reserve for unexpected risks and outstanding liabilities.
- Provision on auditing the various fiscal documents.
- Restriction to accept the risks before getting premium.
- Compulsions to reinsure the risks beyond the retention limit of insurer.
- Provision for agents, brokers and surveyors responsibility and accountability to them and legal treatment to them if undesired activities will be conducted.
- Provision for separate funds under Beema Samiti.
- Provision for insurance tariff advisory committee.

Insurance regulation 2049

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

Provision for types of insurance Business which are:

- Life Insurance Business
- Non Life Insurance Business
- Re-Insurance Business
- Registration and Renewal of Insurance Companies.
- Approval of investment sector, other than priority sector fixed by the board.
- Fixation of reserve funds of various insurance sectors.
- Limitation on management expenditure.
- Restriction to collect premium as accordance with tariff fixed by committee.
- Commission to be got by the agent
- Provision regarding surveyors
- Provision on claim paid procedure

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

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

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

- To offer necessary plan for HMG to formulate policies for systematizing,
- regularizing, developing and controlling the insurance business.
- To formulate policies and fixed priority sectors for investing the insurance proceeds.
- To register and renew the certificate of insurers, insurance agents or
- surveyors and cancel such registration or make arrangement for doing so.
- To mediate in dispute between the insurer and insured.

- To formulate necessary criteria for protecting the interests of the insured and insurer too.
- To perform or make arrangement for performing other necessary function related to the insurance business.

2.8 Review of Previous Studies

2.8.1 Review of Related Articles & Journals

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

Sahay K. (2003) in his article presents Life Insurance as multifaceted benefit things. According to him, for a an individual saving of hard earned money is imported not only for provision for his future needs but also for protecting the value of his savings in spite of inflation and passage of time. The money saved therefore needs to be prudently invested. People always try to gain more in their investment. When I say prudently I mean due regard to safety, liquidity and growth. It’s a common principle known to everybody that an investment where return is higher there is higher rated of risk too. Similarly where safety is higher return is relatively lower. Everybody therefore looks forward to an avenue of savings which provides a reasonable combination of both the situations but it is necessary for him to first understand value of his own money instead of looking forward to value on his money.

Now let us see what we don’t get elsewhere how we get them through life insurance. Investment in equity appears to be a very bright proposition whenever somebody hears about an investor becoming a millionaire overnight due to bullish trend at the equity market. People, however, get so much hypnotized that they tend to overlook the real truth behind the whole scenario. The fact is that some body’s gain is the result of some body’s loss. It is never a gain from the thin air. There are thousands of instances of middle class

people investing their entire savings in equity market, sailing along the tide and overnight due to crash of senses they have found themselves left with nothing. Equity investment is directly linked with the economic ups and downs of a particular economy and in the modern time with very fast changes in everything nobody can guess the volatility of this instrument of growing rich. Besides, this is an area of investment, which requires experience and skill and only an intuitive and experienced investor can succeed. Everybody cannot judge the right time for buying or selling shares. The wary investors prefer to maintain low profile and choose all available sources where they can park their money with safety and reasonable growth.

The last but not least is one avenue, which provides total security to the investor's fund. During a selected term he can enjoy its benefits if he survives and at the same time he makes provision for his unfinished commitments if unfortunately he exits from the scene. Life insurance is not a mere investment. It is a multifunctional investment which leads to not only fair return but also ensures peace of mind for a considerably long period. The true value of investment in life insurance is not the return that one gets on his investment but return that is assured to him during a long period in spite of investment in small installments. In fact life insurance is the method to create an estate with a very small installment. The only condition is that the installment must be paid regularly and on time. Life insurance also normally provides liquidity by way of loan and survival under Money Bank Plan. There is, however, a common accusation that life insurance does not protect a person's investment against loss of worth of money due to inflation. Here people miss one important point. The money that is put into life insurance is in installments, the first installment may lose some of its worth after 25 years but the last installment will be paid at the prevailing value in the market. Hence the erosion in the value of money is both disadvantage and advantage to the policyholder. He does not stand to lose only. Life insurance companies attach bonus to with profit policies which is again a method of compensating the policyholder for inflationary loss in the value of this investment.

Life insurance provides for much more than only yield on investment. It also takes care of security of fund hedge against inflation, liquidity and tax benefits. A life insurance policyholder enjoys all these benefits once he buys a policy along with the very basic objective of financial protection to family in case of unfortunate death by a provision of large sum as claim proceeds. The life insurance companies are not free to invest their

fund. They are regulated by a very strict regime in this regard by Insurance Regulator all over the world. In Nepal also there is a very strict guideline issued by Beema Samiti for investment of the life fund by insurance companies. They are prohibited from parking their fund in business organizations whose balance sheet for last five years do not reveal healthy financial position. They are also not allowed to invest in company's share etc. beyond a certain limit. Diversion of fund to enterprise where Directors of the company have any interest is also not allowed. In fact about 90% of the fund is necessarily to be invested in government securities and in banks and financial institutions approved for the purpose. This ensures security of the policyholder's money. Income tax rules amended by the HMG recently also provide for tax exemption on payment of premium up to Rs. 10,000/- (current Rs. 20,000/-) in a year. A policyholder, therefore, can save at least Rs. 1,500/- (Rs. 3,000) on his income tax which otherwise he would have been required to pay. This also enhances the value of his investment and it increase the ultimate yield by a very big margin. In such a situation what would be important is not the yield but the additional value one gets on his investment. The life insurance cover is an extra value addition to one's investment as it takes care not only of present but also of unforeseen future. It is a partner which gives comfort while one earns and a support when one stops earnings .Similarly, another article by **Sahay K. (2002)** attempted to analyse Salesman or Agents & Companies responsibilities towards every people in life insurance profession. "Selling" is essential to the business of the life insurance. Every life insurance organization therefore, has an insatiable appetite for number of agents. Growth in the strength of the sales force gives lots of comforts to the managers of life insurance organizations. But neither such managers, nor the sales force themselves, do ever find time to ask themselves: "Who am I and what my social responsibility is". Taking a license for agency only does not make one a salesman of life insurance. The life insurance salesman must know that by joining this profession he role in the business of life insurance. If a theft or even an accident takes place in a locality we question the policeman of the area and hold him responsible. But if somebody dies in the same area without the protection of life insurance to his family no body raises fingers towards the life insurance agents operating in that area. But with growing awareness in society about life insurance as an instrument of financial security to all those who need this in different stages of life such time is fast approaching when people would hold an agent responsible for not providing that security to a family

which needed it most. In England once an old widow filed a suit against her neighbor demanding several thousands of pounds from him as compensation on her husband's death. She pleaded that her husband died without life insurance and for this the neighbor must be held responsible. The court upheld her plea and directed the neighbor to pay certain amount to the widow. The neighbor was a life insurance agent and was held responsible for not insuring the next-door gentleman.

The life insurance salesman, therefore, must acquire a clear perception about his role, which is very different from that of other salesman. Having understood his role he will have to acquire certain skills to achieve his objectives. It is of course understood that he is not in this profession only for philanthropy but also for his own financial advancement. Therefore, he has to become a master salesman with commitment towards his role. Only then he will be able to take pride in the profession and will be successful in achieving his objectives.

The salesman's responsibility is therefore, unusually high and this situation is unique to life insurance. Commitment to the very objectives to selling life insurance is therefore, very important for the agent. A good agent becomes a part of the policyholder family and he commits himself to the family's welfare in all circumstances. Perhaps it is this very natural of the profession inspired someone to say: when an agent leaves a house he leaves behind himself footsteps of God. **Chalise K. (2008)** in his article focuses in insurance company's ambiguity in Nepal. He wrote Beema Samiti, the regulatory authorities of insurance companies are doing homework to make insurance companies more transparent. BS is working to make them publish their quarterly reports to maintain transparency and inform small investors about the companies. Regulatory authority that has primary duty to protect policyholders has also duty to protect interest of small investors. At present, the insurance companies submit their reports yearly to the board but do not need to publish that in the newspapers. BS has just started a new regulation of submitting detailed reports assessing that earlier disclosure system was not very good.

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

How has life insurance market grown in the country?

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

How healthy is the competition in the market?

Life insurance is fairly operated business. Still some unhealthy practices have emerged of late. Few companies are competing by giving extra incentives on top of the regular business commissions to the agents rather than coming up with attractive products. This has created an environment wherein agents could be manipulated. It has put undue pressure on companies like us that focus on distributing the benefits to clients rather than siphoning earnings on other areas. It will also adversely affect the new companies. As for the business, I think the companies still need not compete with each other, as there is a huge untapped market in the country.

What are the major challenges facing life insurance sector?

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

opment is another major challenge of the industry. How friendly in the insurance regulator and government policies? Insurance Board, the regulator authority has become much more mature than in the past. However, the insurance act and regulations are more focused towards on-life insurance businesses. This must be changed. The government regulations and policies must cater more to the needs of the life insurance business. More so, because life insurance fills in the social security gap, in which the government has no presence. The government is presently imposing tax on death claims and final insurance receipts of the clients. This does not match with insurance norms and must be scrapped. The regulator must also think seriously towards widening the investment areas for the companies.

Bhattarai R. R. (2004) associated with Beema Samiti in his article, wrote insurance regulation and supervision are fundamental requirements for the sound development of insurance activities, and that insurance activities, properly supervised, played an outstanding role in the process of the economic growth of every country. Insurance legislation should always provide the basis for a continuous supervision over the insurance concerns so as to ensure that the legislation is observed in all respects. In developing countries, an additional specific and very important task of insurance supervision through regulation is to provide for measures to establish and strengthen the national insurance market, “sound national insurance and re-insurance market being an essential characteristic of economic growth”. Whatever may be the regulation or supervision practices, the essential thing is to have a sound and efficient national insurance market where fair premiums would be matched by efficient service to the nation. There should be a fair commercial competition.

The important part of insurance supervision is to make sure that insurance companies remain solvent and policyholders are fairly treated. This can only be achieved by sound supervisory system. A conservative supervisory system can lead to overlook the necessity on innovation and creativity in any corporate system. At the other extreme, an overly open system will lead to increase in the number of company failures. Thus there should be a balance between the public aims of ensuring strong financial institutions and public protection on one hand and competitiveness, entrepreneurial spirit and efficiency, on the other.

Bhattarai R. K. (2009) vice-chairman, Nepal Insurer Association & MD, Asian Life Insurance Company Ltd. in his article, suggests concern authority to widen the investment area of collected income to foster the insurance business in Nepal. Currently, IB has limited the investment area of insurance companies. They have to invest their collected fund as per the area selected by the IB. Mr. Bhattarai express that for the rapid economic development of the nation; insurance business helps a lot and for this number of insurance companies should be operated which is possible only after expansion of investment area to attract the private sector. In Nepal around 60 billion premium are collected annually which is very positive sign for the economic development of the country.

Lack of proper Act, Regulation, and Legislation etc are also highly affecting the development of insurance sector today. Traditional Act is still in use. For the development of new product these Acts should be modify. Human Resource is still lacks in insurance field. There should be adequate man power for insurance business. However, IB is trying to open Insurance Academy to develop proper man power for insurance field. At present most of the companies are focused in remote areas because most of the people in city area are interest in other benefit more than life. Besides, tax exemption limit on payment of premium should be increase up to Rs. 50,000/- which will increase people insuring their life. Moreover, in Nepal there is a very strict guideline issued by the BS for the investment of life fund by insurance companies. It is crucial to increase investment area to develop life insurance. IB should allow investing life fund beyond the current limit.

Adhikari R. (2009) insurance analyst in his article notifies that IB is undergoing feasible to open re-insurance company in Nepal. They start it as the Budget 66/67 release the establishment provision of re-insurance company of collaboration of foreign company. Re-insurance is done for to minimize risk or transfer of risk from one company to another. Around 65 to 70 crore rupees paid to foreign re-insurance company annually through Nepal. IB has already submitted the feasible study report of re-insurance in chaitra 2065 to The Ministry of Finance after discussing to concern parties. The need of re-insurance company is very high in Nepal. IB is still undergoing study assessing how to operate & establish re-insurance company in Nepal. Besides, IB has already got two proposal regarding operation of re-insurance Co. One is from Malaysian Trading Academy with Ne-

palese team and another is proposal from BeemaSansthan. But IB has not decided yet for establishment though it is inevitable in present stage. Hopefully, IB will give approval to start Re-insurance Company in Nepal assessing various criteria needed.

Adhikari R. (2009), insurance analyst in his article, attempt to summarize present scenario of insurance business. Out of total population around 5% have taken life insurance policy in Nepal. Last year around 4 lakhs 63 thousand numbers of policies were issued by insurance companies which exceed more than ten lakhs in summation. As per FY 065/066 except Beema Sansthan other 8 companies collected around 1 Arab 99 Crores premium which is higher than previous FY with 138%. It is very enthusiastic & positive sign which shows high potential in insurance business. Many companies are focusing in remote areas; around 70% business comes from there. Entry of abundant remittance also highly support for insurance in remote areas. Moreover, competition between insurance companies also support for increase insurance awareness in people.

This year Asian Life Insurance is top company to issue much new policies. They collected 43 Crores 46 Lakhs premium and sold 1 Lakh 36 Thousand new policies. Similarly, NLIC is second collecting 41 Crores 42 Lakhs premium and sold 74 Thousand new policies. Likewise, LIC collected 32 Crores 75 Lakhs premium and sold 52 Thousand new policies. Around 5 Arab 73 Crores renewal premiums collected in FY 065/066. ALICO has collected much renewal premium this year. They collected around 1 Arab 28 Crores renewal premium. This year, the total collected premium increase by 138% while policy sold is by 218%. This year 8 companies except Beema Sansthan issued 4 Lakhs 63 Thousand policies in comparison to last year 1 Lakh 45 Thousand. Expatriate Insurance has highly support for this year increase percentage. Around 50% premium collected from Foreign Employment Insurance. Compulsory insurance in foreign employment imposed by Govt. also very much support for this increasing rate.

The research study by **AC Nielsen (ORG-MARG) Nepal (2007)** (one of the renowned South Asian research organizations) in Life Insurance and its response from different people also depict the situation of life insurance in Nepal to some extents. Total of 610 people inside Kathmandu valley responded in the research. Out of which 13% said they

have life insurance policy and 87% do not have taken it. They found majority people have purchased life insurance from ALICO i.e.57%. Similarly, 21%, 13%, 6% and 3% from NLIC, LIC, National Life & RBS respectively.

2.8.2 Review of Unpublished Thesis

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

Sharma B. (2003), in his thesis entitled “A study on Financial Performance of Rastriya Beema Sansthan and Nepal Life & General Insurance limited” attempted to find out the various financial indicators of these RBS and Nation Life & General Insurance companies. The analysis concerned with financial performance of the company. He found many issues which are described in the following paragraph.

The study shows though absolute value of premium collection has been increasing, it further points that the premium collection is in decreasing trend in comparison to the GDP. Sharma has pointed out that net Premium to claim ratio is gradually decreasing, claim outstanding and premium outstanding are increasing year by year since the overall liquidity position is weakening and most of the part of investment portfolio are composed of bulk fixed account and HMG securities.

Based on the issues he gives various recommendations to the companies out of which main are as follows:

- They should make an effective program to take larger share in insurance market.
- They should increase their retention capacity.
- They should accelerate the outstanding premium collection speed.
- They should make effective investment portfolio.
- They should improve overall liquidity position.

Another study was conducted by **Gelal S. P. (2005)** entitled “A comparative financial analysis of Nepal Insurance and NLGI (Nepal Life and General Insurance) Co”, analyzed only two insurance company's financial performance among various insurance companies. This study was descriptive and analytical too. He analyzes the financial position, liquidity and profitability condition and market situation of NIC and NLGI in his study. After the detailed study and analysis he concludes that:

- Premium collection of both life and non-life insurance shows growing trend of this business in the recent year of the study period. But net claim paid and investment by insurance company is not increased as increase in premium collection during the study period.
- The net profit percentage of NIC found better than NLGI but the liquidity position of both companies is found better.
- Change in insurance premium collection of NIC ranged about 18.04% to 34.64% whereas the NLGI premium collection ranged about 17.10% to 61.97%. Very high fluctuation is found in NLGI.

After the study and analysis Mr. Gelal recommends that;

- Insurance premium collected should be invested in different sector other than HMG bond in order to enhance the life standard of people there by increasing the insurance premium.
- The necessity of training to agent is a must before their appointment in order to attract and well serve the people.

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

A study conducted by **Poudel R. B. (2006)** entitled “Insurance Companies in Nepal”, found to be slightly related with the study among various topic. Poudel’s study was descriptive and diagnostic one, and was intended to cover every policy and practical issues relating the insurance business. In his study Poudel has tried to analyze the status of the insurance business. For this purpose he had set the objectives like assessing the status of the industry, analyzing policy issues, examining the liability structure and investment portfolio, and to review major policy issues of the insurers.

To attain the objectives he had used descriptive research design based upon the secondary data only. He had used qualitative rather than quantitative analysis. The research was concentrated on analyzing the regulatory provisions and its impact on the practice among the insurers. In the study, Poudel had analyzed provisions relating the formation, working and governance of the insurance companies. As a part of his study he had also provided insight upon the investment of the insurers and the provisions governing the investment.

His all over findings and conclusion was that the basic law was not sufficient. The excess power on the hand of the insurance committee was advantageous to some extent but it was much costly in many cases. Hence, this study was descriptive rather than analytical. Similarly, research conducted by **Adhikari N. D. (2002)**, was also among those few re-search work in insurance.

Adhikari's study is descriptive and analytical tool and was intended to cover investment policy of life and non-life insurance business. In his study, Mr.Adhikari analyzed the entire existing insurer's investment pattern. His study's objectives were to evaluate the investment policies on different insurance policies and to examine the trend and pattern of investment towards different portfolios. After detailed study and analysis he concluded that;

- Regarding the product wise investment return, non-life insurance industry got higher return from Government securities and (bank & finance company deposits) than the life insurance industry in aggregate. It might be the outcome of the investment being made on the middle of the fiscal year and the return had not yet been received.
- Regarding the life insurance industry, major proportion of investment was incepted within the "Government Securities" and "Bank fixed deposits", falling into the classification "compulsory" only a very smaller portion of investment was invested in the sector falling into the classification "optional".
- The return from the government securities was highest and the return from the "policy loan" was lowest and "Bank fixed deposit" was more stable than others.

A research conducted by **Thapa T. B. (2007)**, on the topic premium collections & investment pattern was based on secondary data as well as primary data from five insurance companies in Nepal. The primary data collection was done by the use of questionnaire.

His main objectives were to compare the premium collection and investment patterns of various insurance companies and to examine its trend. It was also concerned with analyzing the management opinion on insurance premium collection and investment system.

In his research, he had identified the cause for earning less net amount tax is mainly due to time consuming procedures in accepting, issuing and dispatching policies and practice of only traditional insurance policies, practice and schemes.

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

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

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

RESEARCH METHODOLOGY

3.1. Introduction

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

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

3.2 Research Design

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

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

In this study, the annual reports published by the insurance companies and other publications especially published by Beema Samiti, various magazines and newspapers, internet

and other related agencies are collected for the diagnostic purpose of the study. This research is aimed at finding out the current situation of life insurance industry in Nepal.

3.3 Nature And Source Of Data

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

3.3.1 Secondary Data

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

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

3.3.2 Primary Data

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

3.4 Data Collection Procedures

Primarily, secondary data were used in preparing this report. Data was obtained directly from respective insurance companies, websites of the respective insurance companies and mostly from BS. The comprehensive data regarding insurance business, like cash flow of

all the insurance companies, the premium collection, and policies sold under various policy categories were collected from BS.

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

3.4.1 Structured Questionnaire

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

3.5 Data Processing Procedures

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

3.6 Population Size and Sample

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

Considering the gradual development of life insurance business here, all 9 companies operating in Nepal have been selected on “simple judgmental” basis for secondary data analysis.

3.6.1 Sampling Procedure

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

3.7 Methods of Data Presentation and Analysis

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

3.8 Statistical Tools Used

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

Standard deviation (S.D.)

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

Coefficient of Variation (C.V.)

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

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

Where, σ = Standard Deviation or Risk the companies

\bar{X} = Average of number of Insured

Correlation of Coefficient

Correlation coefficient may be defined as the degree of linear relationship existing between two or more variables. Two variables are said to be correlated when the change in the value of one variable is accompanied by the change of another variable. It is denoted by small r and is expressed as,

$$\text{Correlation coefficient (r)} = \frac{\sum(x-\bar{x})(y-\bar{y})}{\sqrt{\sum(x-\bar{x})^2 \sum(y-\bar{y})^2}}$$

Where, X = Numbers of Insured of respective company (variable one)

Y = Numbers of Insured of respective company (variable two)

\bar{X} = Mean value of respective company (variable one)

\bar{Y} = Mean value of respective company (variable two)

Trend Analysis/Time Series

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

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

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

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

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

3.9 Limitations of the Data

Even though proper attention has been given on the data used in this report, the data used in this report have some limitations. They are:

- Rastriya Beema Sansthan has not audited its financial data for the various years hence, the some data is not used in this report and the data from other 8 companies are used as population data.
- Beema Samiti has not got all the data from RBS & National Life Insurance in the prescribed format for the few years hence some of the data used in this report was forecasted by Beema Samiti on the basis of analysis.
- Due to above reasons, only three life insurance companies purely conduct life insurance business NLIC, LIC & ALICO were selected for statistical analysis.

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

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

A. Secondary Data

B. Primary Data

4.2 Secondary Data

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

4.2.1 Products Analysis

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

4.2.1.1 Products/Policies & Issue

Table 4. 1**Total Number Of Policies Issued As Of Fy 061/062 To Fy 065/066**

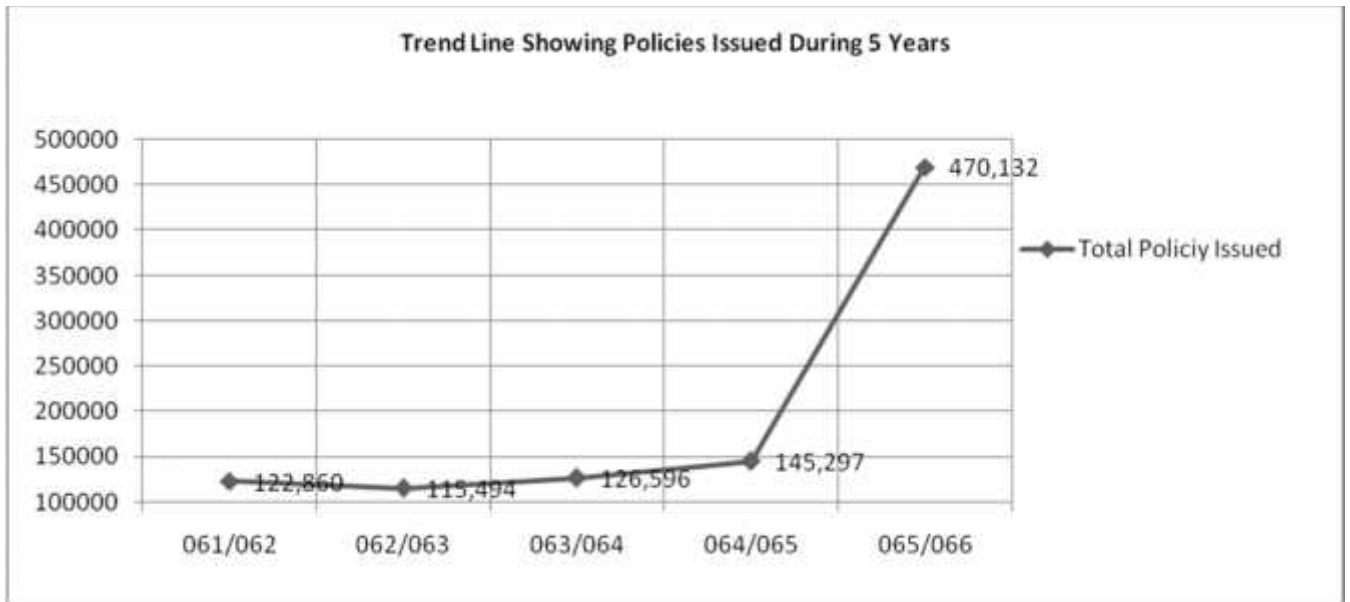
YEAR	061/062	062/063	063/064	064/065	065/066	TOTAL
TOTAL POLICY ISSUED	<i>122,860</i>	<i>115,494</i>	<i>126,596</i>	<i>145,297</i>	<i>470,132</i>	980,379
PERCENTAGE (%)	<i>0.13</i>	<i>0.12</i>	<i>0.13</i>	<i>0.15</i>	<i>0.48</i>	1.0

Source: Beema Samiti

Above table show that out of total number of policies 980,380 issued during 5years; 122,860 policies, 115,495 policies, 126,596 policies, 145,297 policies and 470,132 policies were issued in FY 061/062, 062/063, 063/064, 064/065 and 065/066 respectively by various insurance companies. Issued of policies seems to be very volatile from FY 064/065 to 065/066 than other years. This is because of increase in number of companies and their aggressive marketing strategy in that period. Four new companies commence in 2064 B.S. Data shows that 48% policies were issued only in FY 065/066 which is very high in comparison to other shown FY's. We can be clearer reviewing the trend line below in figure 4.1.

During the period of 5 years, the issue of policies seems to be in increasing trend Except in FY 062/063, in all other years sold of policies are growing gradually. Commencement of new insurance companies, their marketing strategy, their attracting products and somewhat increase in thinking of insurance need in people's mind might be the reason behind the yearly increase in issue of insurance policies in Nepal. This is very positive sign for the development of insurance industry. The figure 4.1 below also shows high possibility of insurance market in Nepal.

Figure 4. 1
Trend Line Showing Policies Issued During 5 Years



4.2.1.2 Insurance Products classification and its issue

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

Table 4. 2
Issue Of Insurance Products With Classification As Of Fy 061/602 to FY 065/066

Products	Year	061/062	062/063	063/064	064/065	065/066	TOTAL
Endowment Life Insurance		67,708	59,759	62,374	77,223	165,29	432,360

Anticipated Endowment	32,007	30,202	29,021	29,777	22,727	143,734
Juvenile Plan	19,012	21,409	20,696	25,799	47,880	134,796
Miscellaneous Life Insurance Plan	269,489	4,133	4,124	14,505	12,498	234,229
TOTAL	122,860	115,494	26,596	45,297	11470,132	980,379

Source: Beema Samiti

According to the secondary data presented above, we can assess quite positive figure during the five years. Issue of policies in each of the year seemed to be increasing. Moreover, issues of all four products are also increasing. During five years, the most sold life insurance product is Endowment life insurance. Similarly, Miscellaneous, Anticipated Endowment and Juvenile plan are sold respectively. In Nepal, Endowment life insurance is very old and popular type of plan. The main reason behind popularity is due to the simple & comprehensible features of this plan. This plan is very famous in government office of Nepal. Most of the people in government offices used to purchase this plan and most government office purchase same plan for their employee's as well. Due to simplest features of this plan, Insurance agents also feel easy to convince the customer for selling this product rather than other products. Most of the life insurance companies have Endowment plan. During 5 years, out of total 432,360 numbers of issued Endowment policies; 67,780 policies, 59,759 policies, 62,374 policies, 77,223 policies & 165,296 policies were sold in the FY 061/062, 062/063, 063/064,064/065 & 065/066 respectively. The establishment of new insurance companies said to issue much new Endowment policies during the FY 064/065 & 065/066. During these years 4 new insurance companies start their business.

Likewise, Anticipated Endowment Plan also seems to be a popular plan as per its consistent number of sales during the 5 years of study. Now a day, this sort of plans is taking a good market in Nepalese Insurance market. The prominent feature of getting money back in some regular intervals is one of the best design of this plan. As an insurance plan, it not only protects the insured but also fulfill the needs of money providing a certain percentage of sums insured during policy period. During 5 years, out of total 143,734 numbers of issued Anticipated Endowment policies; 32,007 policies, 30,202 policies, 29,021 policies, 29,777policies & 22,727 policies were sold in the FY 061/062, 062/063, 063/064,064/065 & 065/066 respectively. Though the premium rate of this plan is slightly

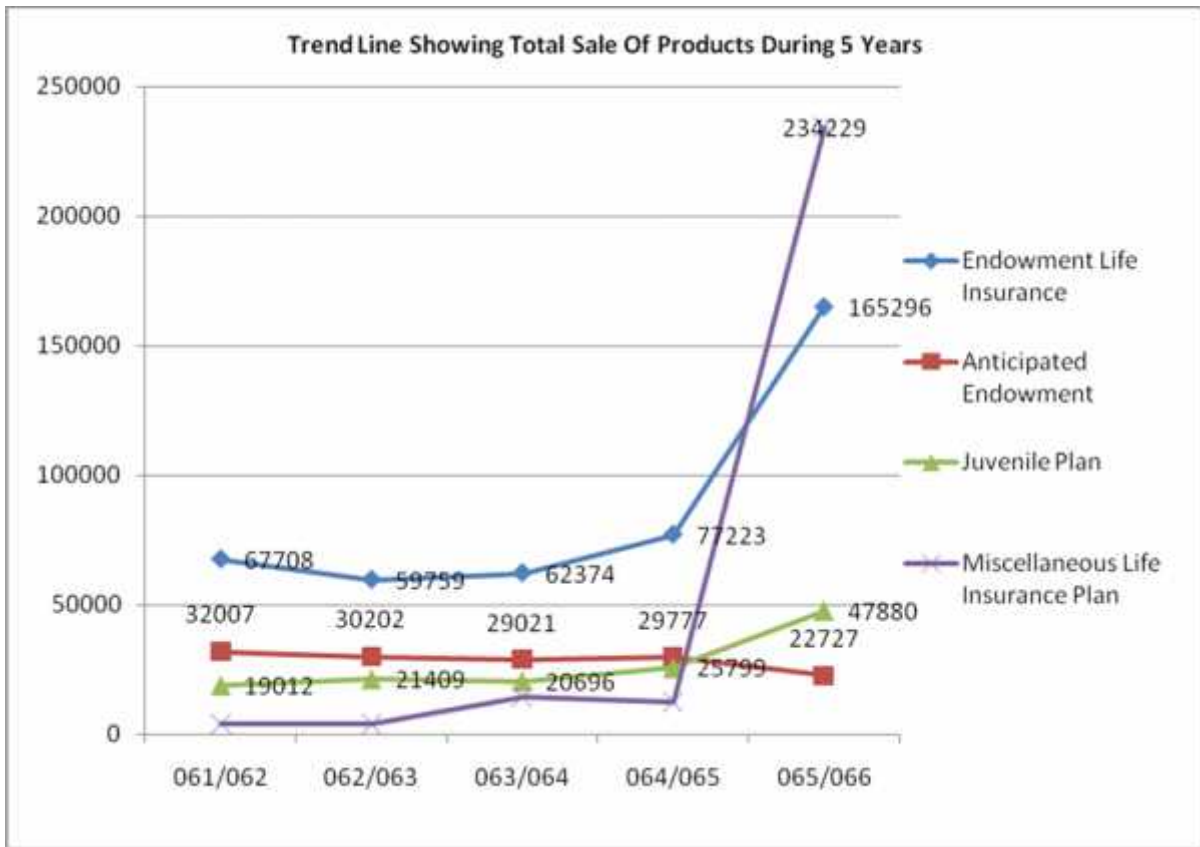
high, people today are more convinced to insured under this plan. Nevertheless, due to lack of awareness and promotional exercises by the concerned people of insurance business limits the sale of this sort of rich products despite a huge potentiality. Hence, if not now, this sort of modern plan will certainly obtain huge market in coming days.

Similarly, issue of Juvenile/Children plans are also increasing in every year which is basically designed for children. With the development of insurance market, this plan is also becoming more popular in Nepal. Most parents purchased this plan for a saving purpose of money need for their children higher education, marriage and others. Sale of Juvenile plan seems continuously increasing as per the above data. During 5 years, out of total 134,796 numbers of issued Juvenile policies; 19,012 policies, 21,409 policies, 20,696 policies, 25,799 policies & 47,880 policies were sold in the FY 061/062, 062/063, 063/064, 064/065 & 065/066 respectively.

Mostly, protection plans and non saving plans are categorized under miscellaneous plans. Term life insurance policy, Whole life insurance policy, Group life insurance policy, Expatriate insurance etc. are comes under miscellaneous plan. Insurance companies have not focused much for the sale of these products because people of Nepal hardly insured their life under saving plans rather than protection plans. As per the data, During 5 years, out of total 269,489 numbers of issued Miscellaneous policies; 4,133 policies, 4,124 policies, 14,505 policies, 12,498 policies & 234,229 policies were sold in the FY 061/062, 062/063, 063/064, 064/065 & 065/066 respectively. Besides, the FY 065/066 the sales of these products are very limited. Term life insurance is the cheapest form of life insurance where customers have to pay small amount of premium so now a days its popularity is very high in Nepal. Government policies towards the people going to aboard for foreign employment should have a compulsory insurance maintain this huge number of sales. Otherwise, very nominal numbers of policies were issued during other years. This sort of government policy needs to be regularly imposed to develop the insurance business in Nepal. Hence, the total patterns of sales during 5 years of study are presented in graphical way below to make the study more systematic.

Figure 4. 2

Trend Line Showing Total Sale Of Products During 5 Years



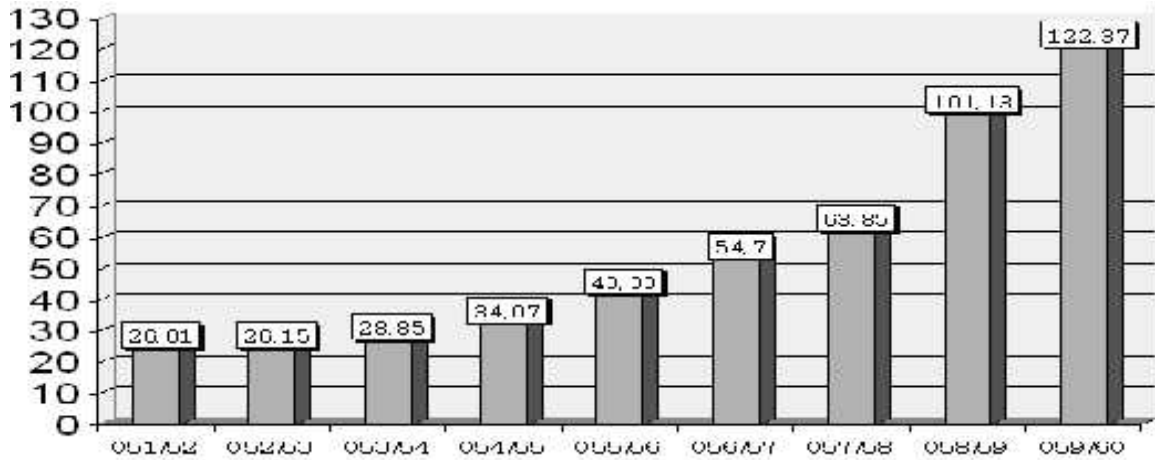
4.2.2 Premium Collections

Premium is the specified amount of money that insurer received in exchange for its promise to provide a policy benefit. Life insurance premium collection has an increasing trend in Nepal but collection is very low despite its huge potentiality.

4.2.2.1 Past Trend of Premium Collections

The growth of life insurance has been very slow even after 50 years of its formal start in Nepal. The life insurance premium Income for nine years from F.Y.2051/52 to 2059/60(Rs. in crore) was as under.

Figure 4. 3
Year wise Data on Insurance business



Source: Beema Samiti

The above data shows that the life insurance premium collections have an increasing trend over the nine years. The life insurance premium collections have risen from 26.1 crore in the fiscal year 051/52 to 122.37 crore in the year 059/60. The high possibility of growth of insurance business in Nepal is simply reflected in above graphical presentation due to which new insurance companies are in pipeline to start its operation.

4.2.2.2 Analysis of Total Premium Collections

In life insurance, two types of premium are collected i.e. New/First Year premium (FYP) and Renewal premium (RNP). Premiums collected selling new policies is said to be a new/first year premiums and the premiums paid to continue the old/existing policies is said to be renewal premiums.

Table 4. 3
Total Premium Collections

(Rs. in "000")

YEAR		061/062	062/063	063/064	064/065	065/066	TOTAL
Total Premium Received	<i>First Year</i>	831,638	762,674	882,757	836,682	2,100,512	5,414,263
	%	0.15	0.14	0.16	0.15	0.39	1.00
	<i>Renewall</i>	2,086,210	2,400,613	2,360,494	3,208,966	4,179,680	14,235,963
	%	0.15	0.17	0.17	0.23	0.29	1.00
Grand Total	FYP & RNP	2,917,848	3,163,287	3,243,251	4,045,648	6,280,192	19,650,226

Source: Beema Samiti

Above table clearly shows that the life insurance premium collection has been quite consistent and anticipatory. Both FYP & RNP have good persistency rate. Above table show that out of total FYP collections of Rs. 5,414,263 thousands during 5 years; Rs. 831,638 thousands, Rs. 762,674 thousands, Rs. 882,757thousands, Rs. 836,682 thousands and Rs. 2,100,512 thousands were collected in FY 061/062, 062/063, 063/064, 064/065 and 065/066 respectively by various insurance companies. Similarly, out of total RNP collections of Rs. 14,235,963 thousands during 5 years; Rs. 2,086,210 thousands, Rs. 2,400,613 thousands, Rs. 2,360,494 thousands, Rs. 3,208,966 thousands and Rs. 4,179,680 thousands were collected in FY 061/062, 062/063, 063/064, 064/065 and 065/066 respectively by various insurance companies. As per the study; out of total collections, 39% FYP were collected only in FY 065/066 is more than double the previous years. This is mostly because of the establishment of new life insurance companies and their promotional activities in the market. Similarly, out of total collections, 23% & 29% RNP were collected in FY 064/065 and 065/066 which are higher than the previous 3 years. The reasons behind this might be the operation of new companies in the market, continuation of insurance policies by the customers as well as the policy conservation ability of insurance companies. Hence, the total collection undoubtedly helps to develop the insurance industry and a nation as a whole. Graphical presentation below helps us more to understand and assess the premium collections transaction in a systematic pragmatic manner.

Figure 4. 4

Graphs Showing First Year & Renewal Premium Collections During 5 Year (Rs. in "000")

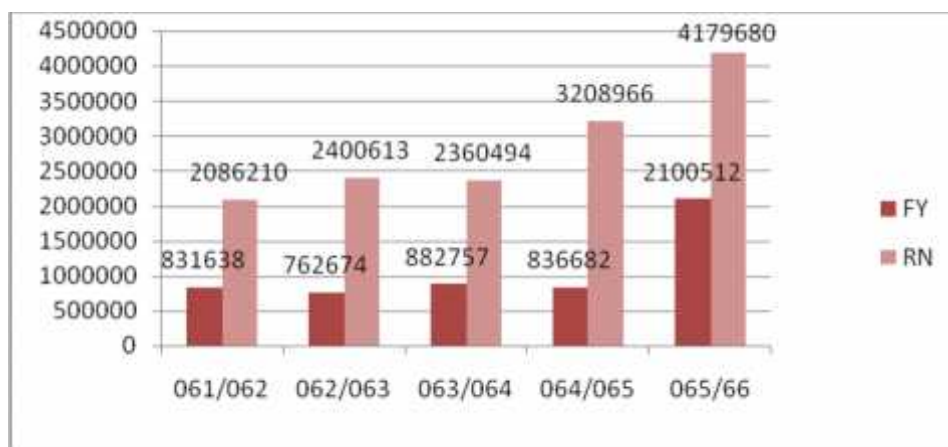


Table 4. 4
Total Premium Collections

	061/062	062/063	063/064	064/065	065/066
<i>FY</i>	831,638	762,674	882,757	836,682	2,100,512
<i>RN</i>	2,086,210	2,400,613	2,360,494	3,208,966	4,179,680

4.2.2.3 Analysis of Premium collections under various Products

As premium analysis is one of the major parts of the study in this dissertation, the study of premium collections of various products makes the research work both much descriptive and explorative. The table below reflects the premium collections transaction of life insurance products during 5 years of study.

Table 4. 5
Premium Collections Under Various Insurance Products As Of Fy 061/602 To Fy 065/066

(Rs. in "000")

YEAR PRODUCTS		061/062	062/063	063/064	064/065	065/066	Total
Endowment Life Insurance	<i>FYP</i>	414,826	334,633	423,799	505,667	1,015,379	2,694,304
	<i>RYP</i>	1,416,077	1,466,400	1,275,409	1,564,992	2,432,677	8,155,555
Anticipated Endowment	<i>FYP</i>	272,452	253,024	248,323	133,913	196,641	1,104,353
	<i>RYP</i>	459,198	647,472	742,018	875,095	1,058,281	3,782,064
Juvenile Plan	<i>FYP</i>	138,965	167,926	196,392	130,683	307,396	941,362
	<i>RYP</i>	202,454	279,672	332,989	760,150	626,981	2,202,246
Miscellaneous Life Insurance Plan	<i>FYP</i>	5,395	7,091	14,243	66,419	581,096	674,244
	<i>RYP</i>	8,481	7,069	10,078	8,729	61,741	96,098

Total	FYP	831,638	762,674	882,757	836,682	2,100,512	5,414,263
	RYP	2,086,210	2,400,613	2,360,494	3,208,966	4,179,680	14,235,963

Source: *Beema Samiti*

Table above reveals the premium collections (FYP & RNP) of various life insurance products during 5 years of study period. Out of 4 major categorized life insurance products, the premium collections (FYP) of Endowment life insurance plan is higher which means the collections is increased every year. As per the total FYP collections of Rs. 2,694,304 thousands in Endowment life insurance plan during 5 years of study; Rs. 414,826 thousands, Rs. 334,633 thousands, Rs.423,799 thousands, Rs. 505,667 thousands and Rs. 1,015,379 thousands were collected during the FY 061/062, 062/063, 063/064, 064/065 and 065/066 respectively. Premium collections are in increasing trend under this plan. Collected premium under this plan is very good for investment purpose because insurance companies have to repay the policy benefit amount only after certain maturity period. Regular good collections in endowment insurance signify still almost popular plan in Nepal despite its traditional nature. Likewise, while evaluating the Anticipated Endowment plan, out of total FYP collections of Rs.1,104,353 thousands during 5 years of study data's; Rs. 272,452 thousands, Rs.253,024 thousands, Rs. 248,323 thousands, Rs. 133,913 thousands and Rs.196,641 thousands were collected during the FY 061/062, 062/063, 063/064,064/065 and 065/066 respectively. Despite, advance features of anticipated plan its collection is not much sufficient as expected by the companies. This is because lack of products awareness in people about the benefits of various plans. Similarly, out of total FYP collections of Rs. 941,362 thousands during 5years of data; Rs. 138,965 thousands, Rs. 167,926 thousands, Rs. 196,392thousands, Rs. 130,683 thousands and Rs. 307,396 thousands were collected during the FY 061/062, 062/063, 063/064, 064/065 and 065/066 respectively. Collections of juvenile plan is increasing every year which means people are interested to insured their children's rather than insuring themselves. In the same way, out of total FYP collections of Rs. 674,244 in miscellaneous plan during 5years; Rs. 5,395 thousands, Rs. 7,091 thousands, Rs. 14,243 thousands, Rs.66,419 thousands and Rs. 581,096 thousands were collected during the FY061/062, 062/063, 063/064, 064/065 and 065/066 respectively. Due to the protection nature with nominal premium, categorized miscellaneous plans premium collections are well increased every year. Its shows that the insurance companies are focused to increase the sale of miscella-

neous plan because in one hand people can be convince to buy low premium products and in other hand insurance company can be benefited once the policy term finishes. Usually non saving plans are of few terms and the liabilities of IC ceases after a few terms. Besides, the FYP, RNP collections shown above during 5 years are in increased trend. All four products RNP collections are raising which is very positive condition for life insurance industry as a whole. RNP collection persistency seems to be very encouraging to all of the life insurance companies in Nepal. Hence, the graphical diagram below makes much clear observation to above tabular presentation.

Figure 4. 5
Trend Of First Year Premium Collection Of Products

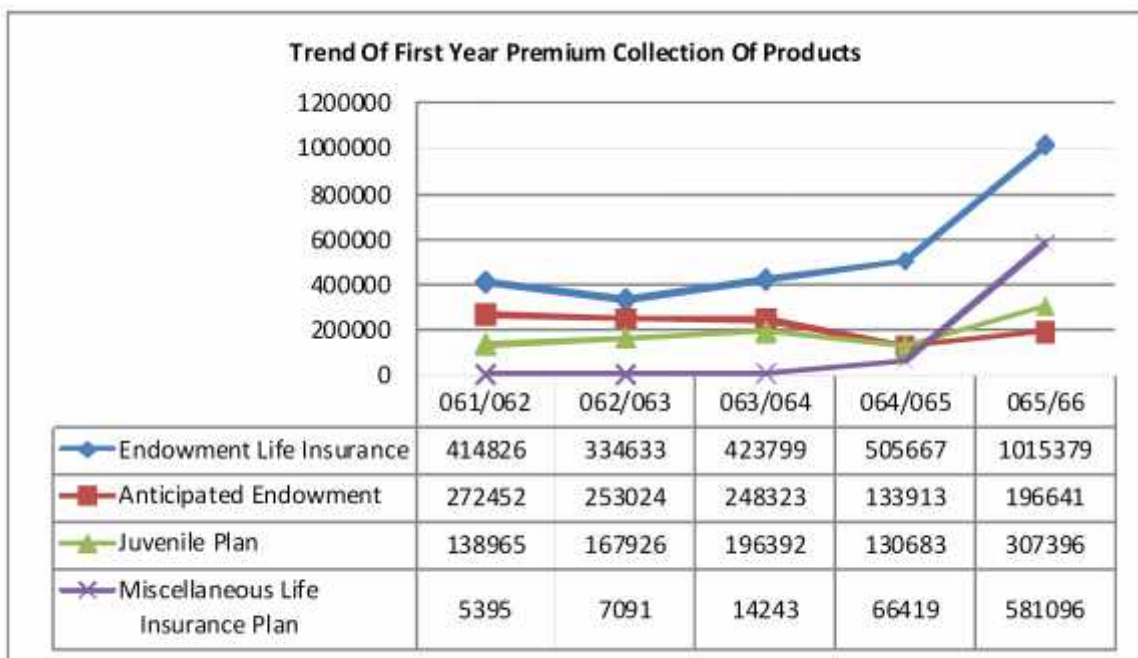
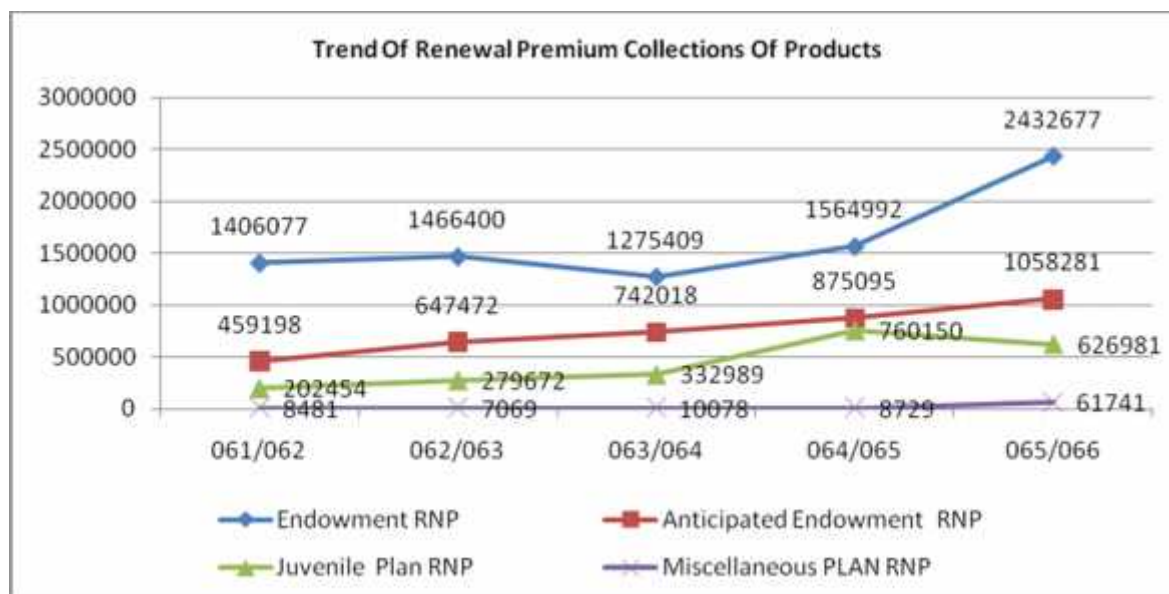


Figure 4. 6

Trend of Renewal Premium Collections Of Products



4.3 Insured Trend of Life Insurance Business

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

Table 4. 6

Insured Trend Of Life Insurance Business

YEAR	NLIC	LIC	ALICO	INDUSTRY
2004-2005	23337	22212	40988	86537
2005-2006	21468	23389	45093	89950
2006-2007	34780	29218	48325	112323
2007-2008	39859	27975	45083	112917
2008-2009	74986	52893	39641	167520
Average	38886	31137	43826	113849
Growth	39.18%	28.76%	-0.40%	19.43%
Standard Deviation	19319.29	11195.46	3130.33	28985.79
Coefficient of Variance	49.68%	35.96%	7.14%	25.46%

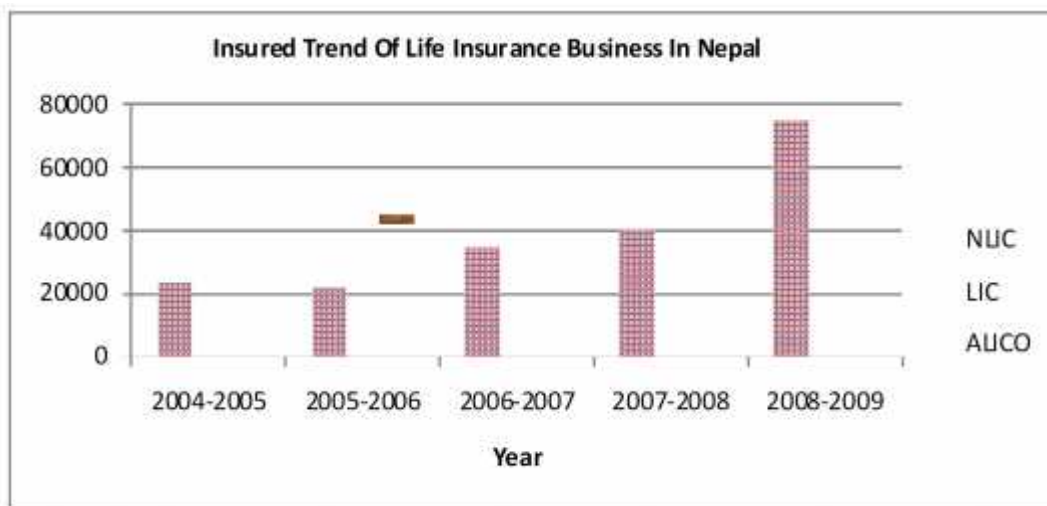
Source: Appendix III-a,b,c,d,

The above table shows the trend of Insured/Sale of Policies of NLIC, LIC, ALICO and Industry. The average insured of different insurance companies: - NLIC, LIC, ALICO and Industry are 38886, 31137, 43826, and 113849 respectively. In comparison among the three insurance companies ALICO has the highest number of total insured but NLIC

& LIC sold much policy in the latest year. Similarly annual growth rate of insurance companies NILC, LIC, ALICO and Industry are 39.18%, 28.76%, -0.40% and 19.43% respectively. NLIC has the highest growth rate among the three sample insurance companies and despite highest number of insured ALICO has the lowest growth rate but insured persistency of ALICO is high each year.

Standard deviation shows the volatility of the insured/sale of policies trend. From above data, the standard deviation of NLIC, LIC, ALICO and Industry are 19319.29, 11195.46, 3130.33, and 113849.4 respectively. While analyzing the volatility of insured trend, NLIC has the highest volatility among three samples IC but all IC have less volatility than the industry.

Figure 4. 7

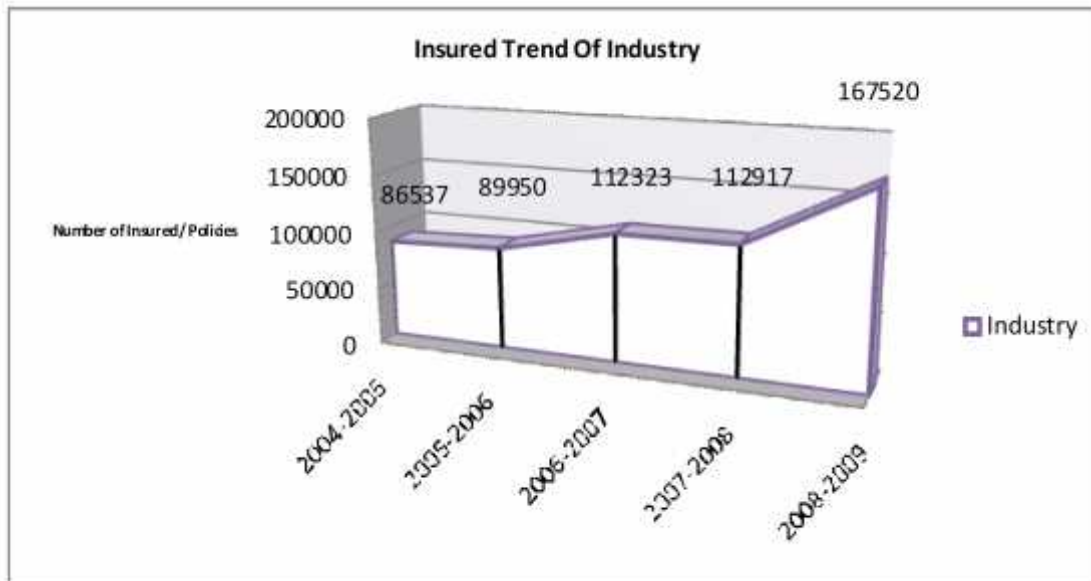


**Insured
Trend
Of Life
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ance
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The coefficient of variance measures the risk of business, higher the C.V. higher the risk, lower the C.V. lower the risk of business. From above data, the coefficient of variance of insurance companies NLIC, LIC, ALICO and Industry are 49.68%, 35.96%, 7.14% and 25.46% respectively. NLIC has the highest C.V. It shows that NLIC has higher risk than other IC. Similarly ALICO has lowest C.V. and it shows that it has lower risk.

In spite of having the highest number of insured and growth rate, NLIC has the greatest volatility and risk. ALICO has lowest growth rate but relatively lower risk. ALICO has both consistency & persistency in the number of insured which minimize the risk of business.

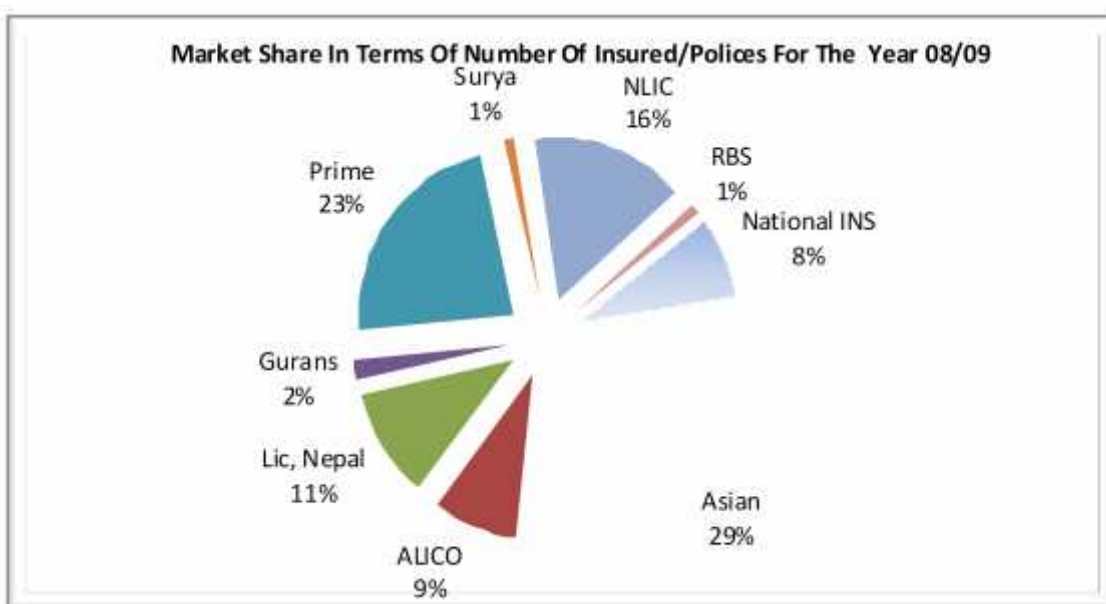
Figure 4. 8
Insured Trend Of Industry



4.4 Present Market Share Hold By Different Life Insurance Companies

At present, in Nepalese insurance market there are 9 life insurance companies in operations. Here, besides sample insurance companies, all 9 life insurance companies are considered and shown their present market share on the basis of number of insured/policies issued.

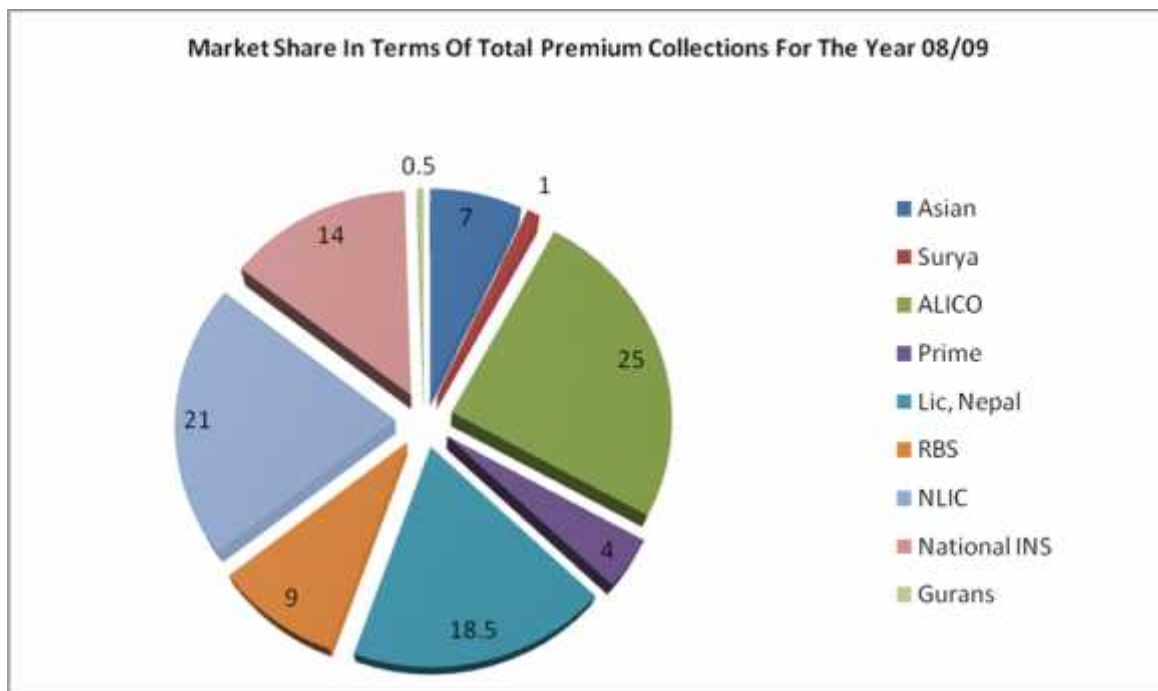
Figure 4. 9
Market Share In Terms Of Number Of Insured/Polices For The Year 08/09



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t share of different IC involved in life insurance business. In case of number of insured or policies issued in market RBS, NATIONAL life, NLIC, LIC, ALICO, ASIAN life, SURYA life, GURANS life and PRIME life insurance holds 1%, 8%, 16%, 11%, 9%, 29%, 1%, 2% and 23% respectively. ASIAN life has the highest percentage and RBS & SURYA life has the lowest percentage among 9 insurance companies regarding insured and policy issues. Considering sample insurance

Figure 4. 10
Market Share In Terms Of Total Premium Collections For The Year 08/09



Similarly, above figure shows market share in terms of total premium collection of 9 life insurance companies in life insurance industry. As per the data of total premium collections RBS, NATIONAL life, NLIC, LIC, ALICO, ASIAN life, SURYA life, GURANS life and PRIME life insurance holds 9%, 14%, 21%, 19%, 25%, 7%, 1%, 0.5% and 4% respectively. Though in terms of policy issuance ALICO seems to be lower, its share is highest in terms of premium collection which shows that ALICO has insured the life coverage with high volume and also it has retained its customers. New companies SURYA and GURANS life has lowest share in terms of premium collections. As per 3 samples

insurance companies they have good market share in terms of premium. Hence, ALICO, NLIC and LIC are 1st, 2nd and 3rd respectively.

4.5 Measuring Correlation

Correlation coefficient helps to find the relationship between variables and how they move together. In this study relationship between different insurance companies in case of number of insured/Policy issue is calculated and found as follows.

Table 4. 7
Correlation Analysis Of Nlic

TOOLS	NLIC with LIC	NLIC with ALICO	NLIC with INDUSTRY
Correlation (No. of Insured)	0.98	-0.48	0.99

Source: Appendix III-e,f,h

According to the above table the correlation between the number of insured/sale of policy NLIC with LIC, ALICO and Industry are 0.98, -0.48 and 0.99 respectively which indicate NLIC has higher and positive degree of correlation with LIC and Industry whereas NLIC has high degree of negative correlation with ALICO. This is because in Nepalese context, life insurance business is still a matter of high marketing promotion and activities. Also people hardly feel to insured their life. As per data NLIC, LIC and Industry's number of insured are proportionately increased but number of insured are decrease in ALICO which results in positive and negative correlation.

Table 4. 8
Correlation Analysis Of Lic

TOOLS	LIC with NLIC	LIC with ALICO	LIC with INDUSTRY
Correlation (No. Of Insured)	0.98	-0.50	0.99

(Source: Appendix III-e,g,i

Above table shows the relationship of LIC with NLIC, LIC with ALICO and LIC with Industry. LIC has high degree of positive correlation with NLIC and Industry. In case of LIC with ALICO, there is high degree of negative correlation between them.

Table 4. 9
Correlation Analysis Of Alico

TOOLS	ALICO with NLIC	ALICO with LIC	ALICO with INDUS- TRY
Correlation (No. Of Insured)	-0.48	-0.50	-0.41

Source: Appendix III-f,g,j

According to above table, the correlation between the numbers of insured of ALICO with NLIC, ALICO with LIC and with Industry are -0.48, -0.50 and -0.41 respectively. ALICO has high degree of negative correlation with all two companies and industry which indicates that ALICO is moving in negative direction with other companies and industry. This is because numbers of insured/issued Policy of ALICO are slightly low in recent past years whereas other company's sales are increasing to some extent.

4.6 Trend Analysis

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

Table 4. 10

Projected Values Of Different Life Insurance Companies For The Year 2009/2010

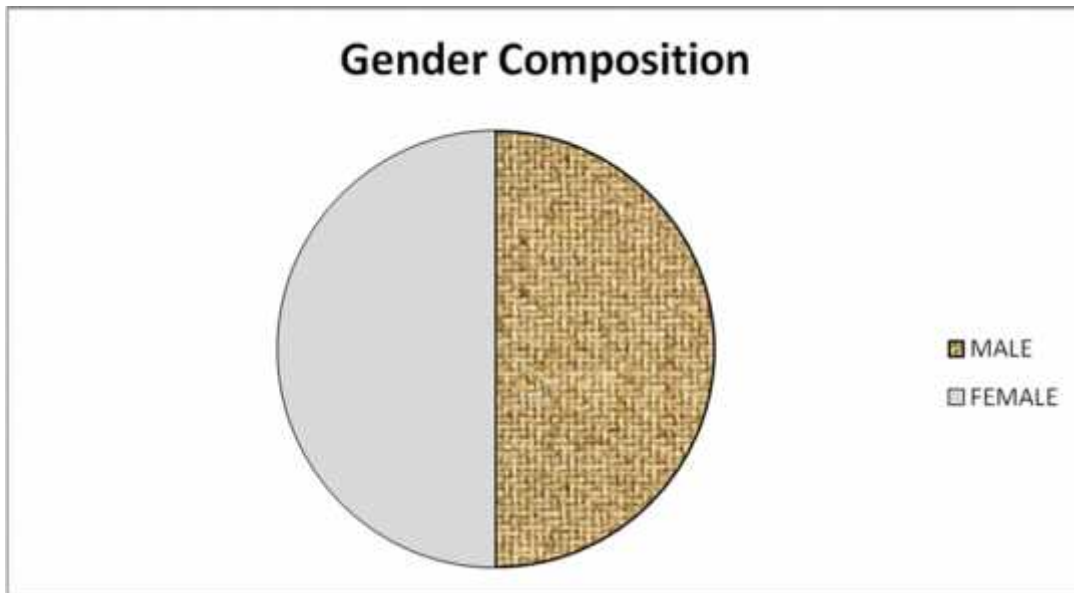
TOOLS (LEAST SQUARE)	NLIC	LIC	ALICO	INDUSTRY
NO. OF POLICIES	75393	50922	43015	169329

Source: Appendix III-k,l,m,n

Above figures show the data for year 2009/2010. According to table, the number of policies of NLIC in 2010 is 75393, LIC is 50922, ALICO is 43015 and of Industry are 169329. The projected values are just a calculation because in country like Nepal; life insurance business is still a perceived underdog business sector. Insurance companies are extremely depends upon marketing.

4.7 Result Section Of Questionnaire

Figure 4. 11
Gender Composition



As per figure 4.11 out of 100 respondents, 50% is male and 50% is female. While as per figure 4.12, out of total people who have any kind life insurance are composite with 66% male and 34% female.

Figure 4. 12
Insured composition

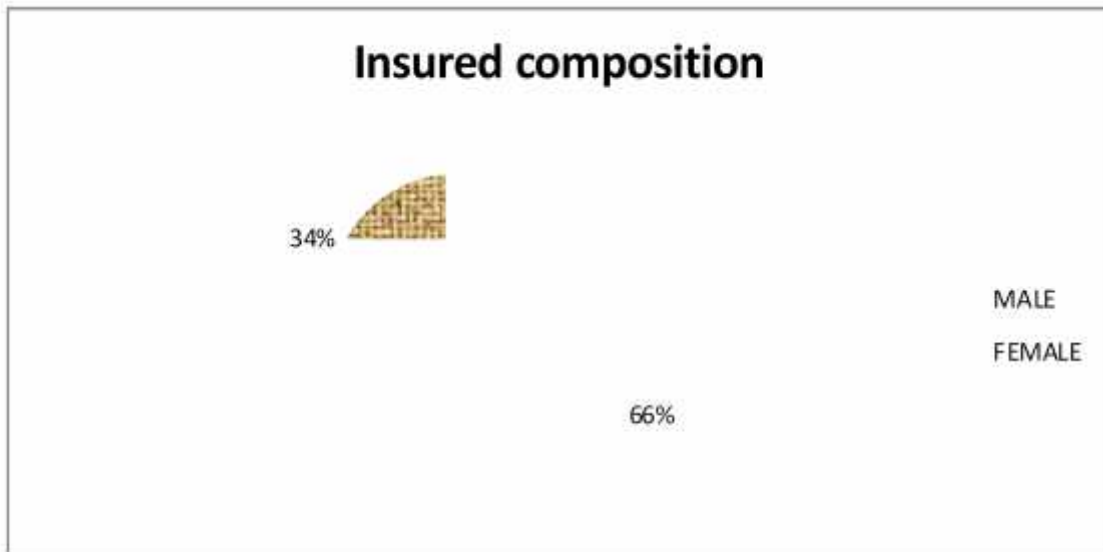
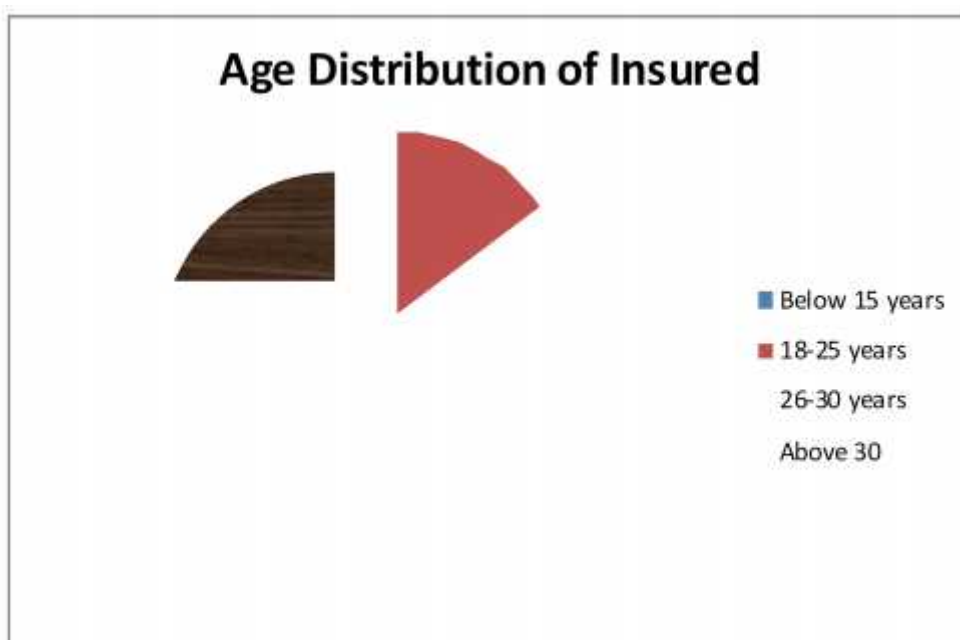
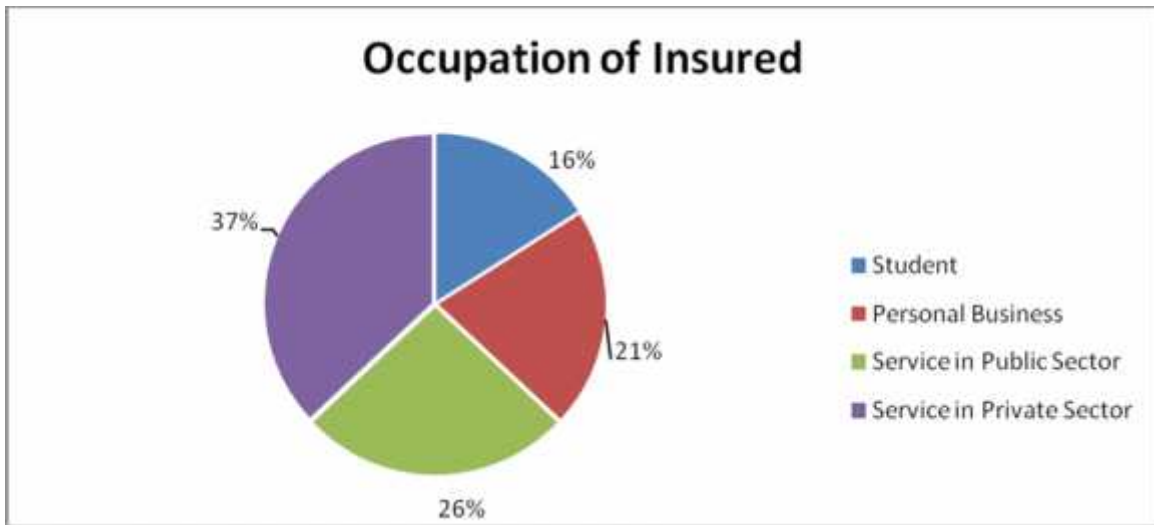


Figure 4. 13
Age Distribution Of Insured



As per figure 4.13 out of 38 people insured on the basis of age group, 50% were above 30, 15% were between age 18-25 and 35% were between 26-30 years.

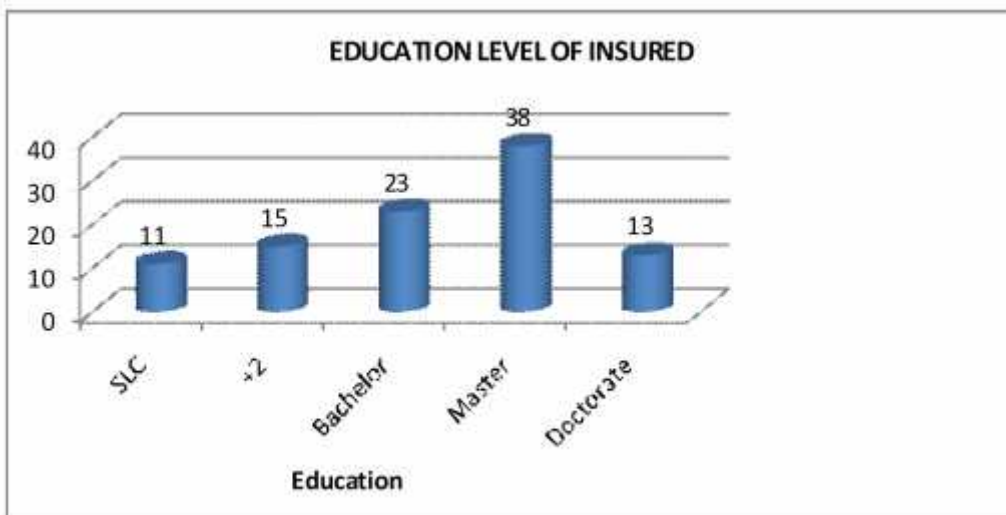
Figure 4. 14
Occupation of Insured



As per figure 4.14; majority of the respondents surveyed own works in a private sector. In fact 37% (14) works in private offices 26 % (10) worked in public sector and this was followed by personal business at 21% (8) and student 16% (6).

As per figure 4.15; out of 38 insured respondents on the basis of educational background, 10 % were of SLC, 15% had 10+2 level, 23% had Bachelor degree, 38% had master degree and the remaining 13% had doctorate degree.

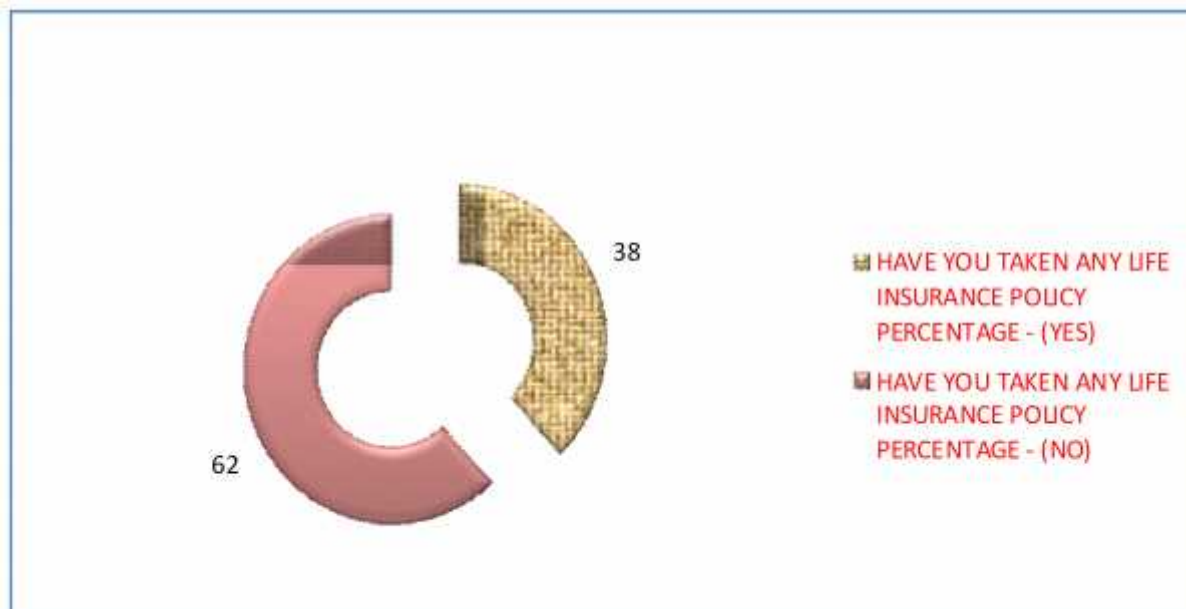
Figure 4. 15
Education Level Of Insured



As per figure 4.16; out of 100 respondents 38% have taken life insurance policy and 62% still do not have taken life insurance policy.

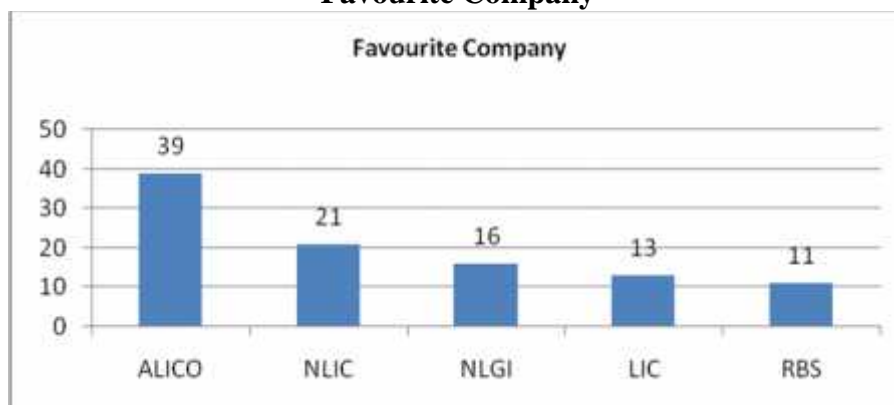
Figure 4. 16

Sales



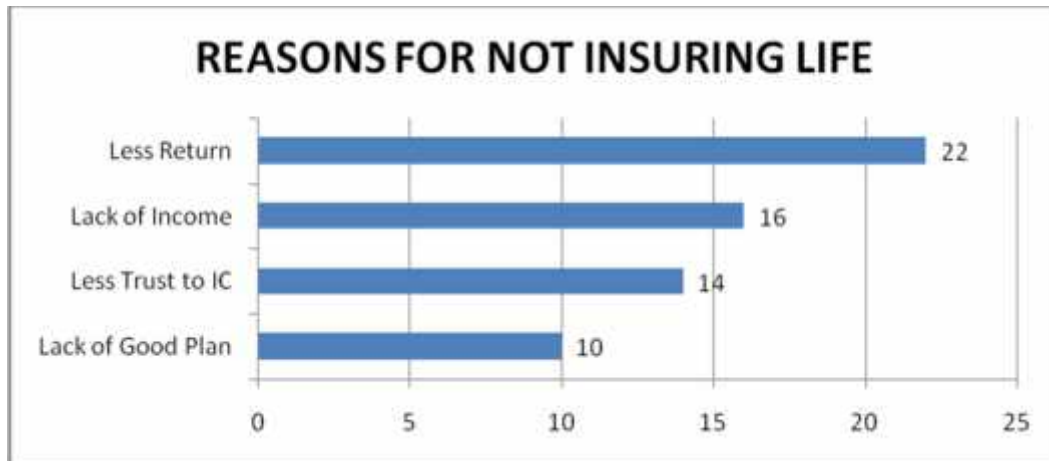
As per figure 4.17; out of 38% of insured respondents, the majority have taken life insurance plan from ALICO i.e. 39%. Similarly, 21%, 16%, 13% and 11% are taken from NLIC, National Life, LIC and RBS.

Figure 4. 17
Favourite Company



As per figure 4.17 out of 38% of insured respondents, the majority have taken life insurance plan from ALICO i.e. 39%. Similarly, 21%, 16%, 13% and 11% are taken from NLIC, National Life, LIC and RBS.

Figure 4. 18
Reasons For Not Insuring Life



As per figure 4.18; out of total percent that do not have life insurance during research gave reason 35%(22) were not interested due to less return, 26%(16) did not insured because of less income, 23%(14) said they don't trust IC and 16%(10) find lack of Good plans.

During research work researcher tried to find out whether or not people know what insurance is all about? Out of 100 respondents 40% replied they do not know about it, 30% revealed it is for getting double the money paid, 16% said it for saving, 8% assumes it's for financial protection of family and 6% defined insurance as risk coverage which is shown in figure 4.19

Figure 4. 19
Perception Towards Life Insurance

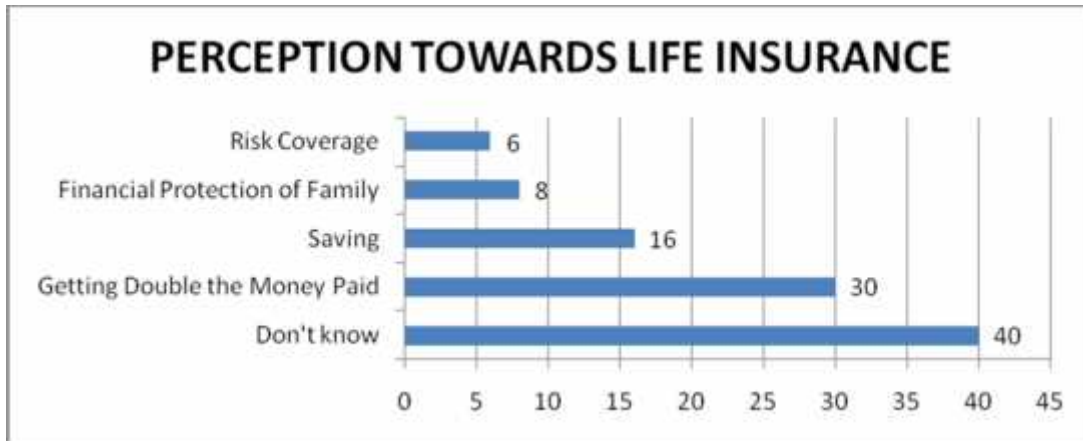
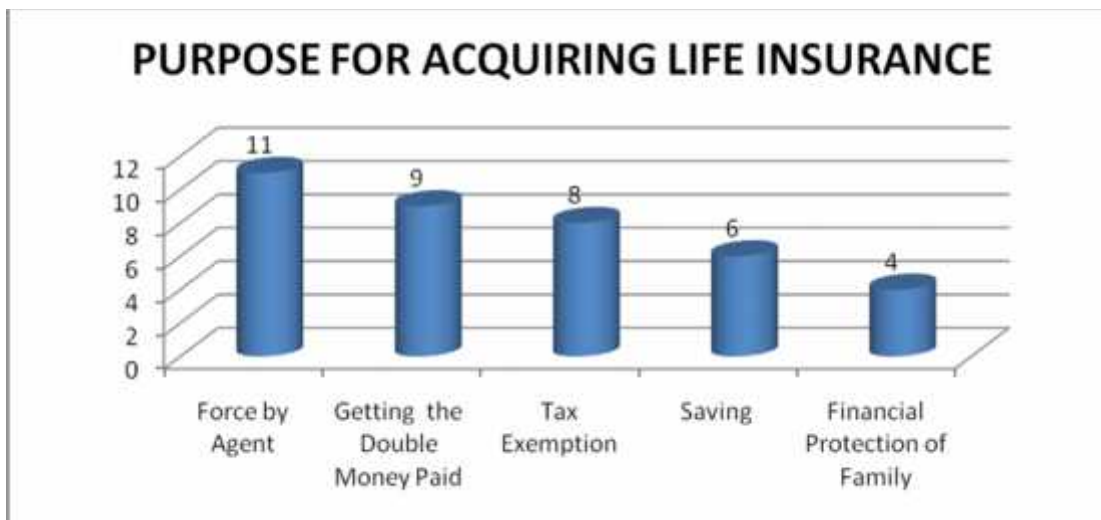


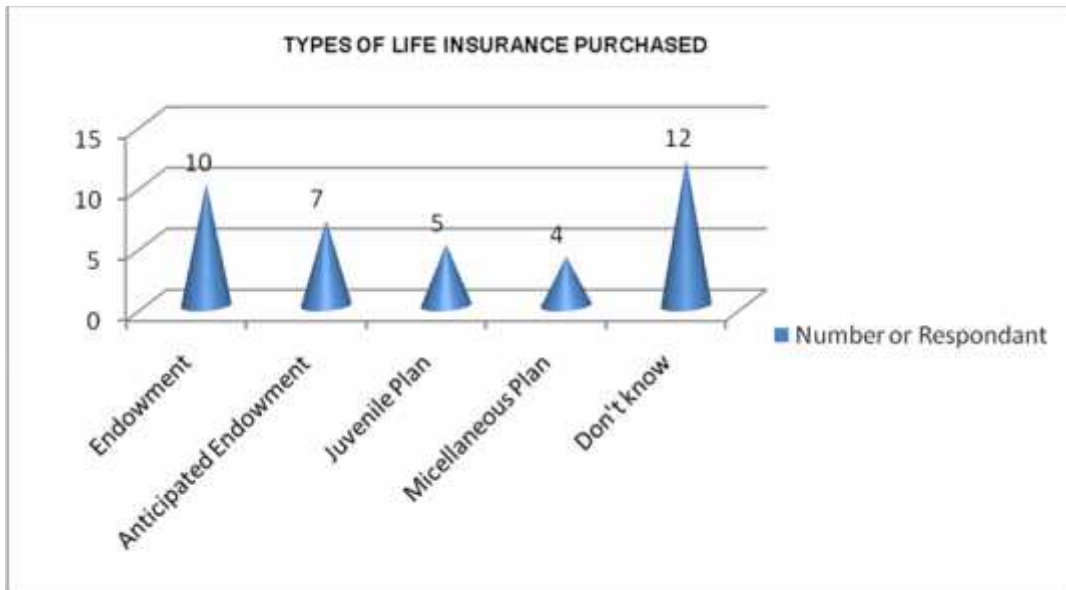
Figure 4. 20

Purpose For Acquiring Life Insurance



As per figure 4.20; researcher tries to find out the reason, why people acquire life insurance? Almost 29%(11) acquire life insurance due to force by agent. Similarly, around 24%(9), 21(8)%, 16%(6) and 11%(4) purchased it for getting double the money paid, for tax exemption, for saving and for financial protection of family respectively.

Figure 4. 21
Types Of Life Insurance Purchased



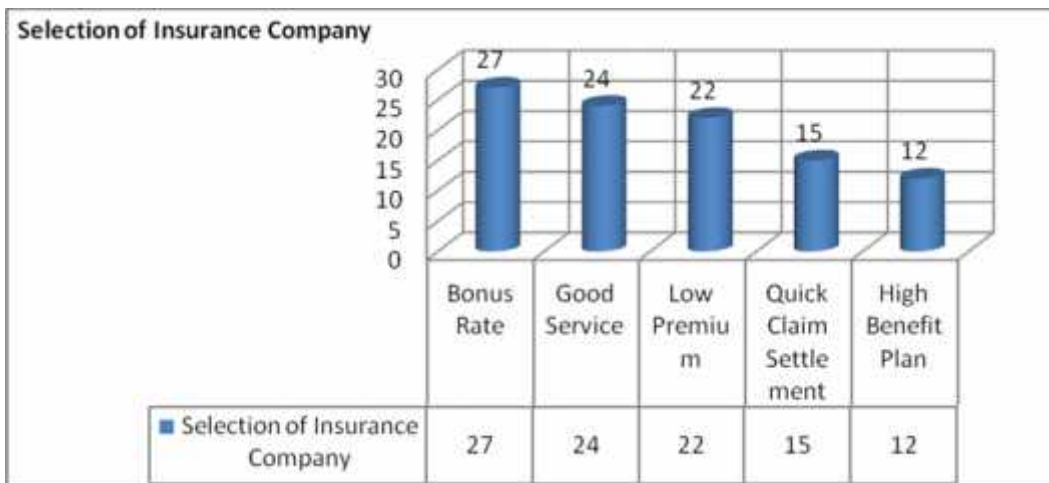
As per figure 4.21; from the questionnaire collected, highest percentage i.e. 32% doesn't know the name of the insurance plan. Besides, 26% said they have buy Endowment plan, 18% have Anticipated Endowment, and 13% have Juvenile plan and 11% insured under Miscellaneous plan.

Figure 4. 22
Knowledge of Life Insurance



As per figure 4.22; to know whether the people who have life insurance familiar with product knowledge, asked a question, “Have you understand the benefits and terms & conditions of your insurance plan?” 74% responded “No” and 26% replied “Yes”.

Figure 4. 23
Selection of Insurance Company



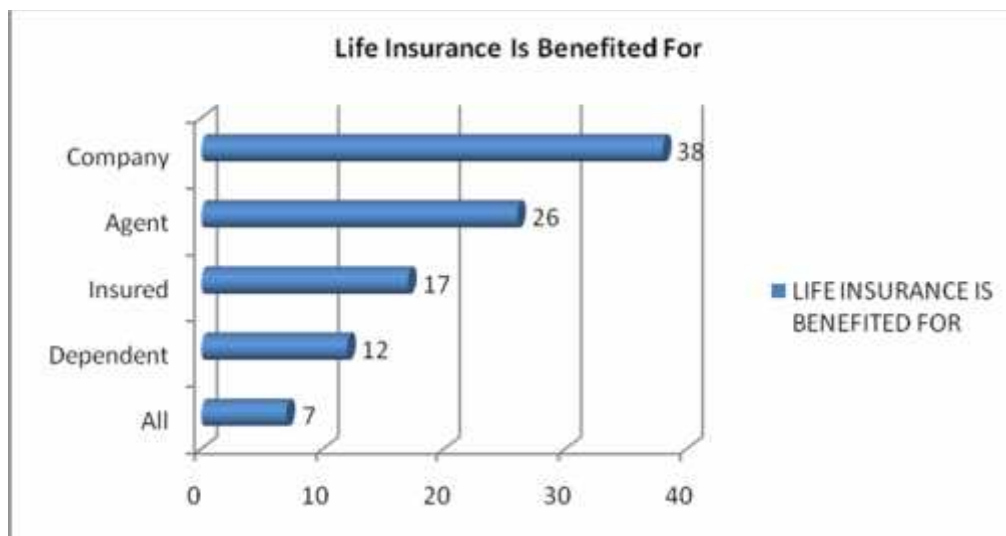
As per figure 4.23; almost 27% selects insurance company in terms of Bonus Rate. While 24%, 22%, 15% and 12% selects in terms of Good Service, Low Premium, Quick Claim Settlement and high benefit Plans respectively.

Figure 4. 24
Current Bonus Rate



As per figure 4.24; 15% were satisfied with insurance company's bonus rate. While 30% were unsatisfied and 55% said bonus rate should be increased.

Figure 4. 25
Life Insurance Is Benefited For



As per figure 4.25; a question was asked, who are benefited by life insurance? The responses are, almost 38% said Company gets benefit from it. While 26%, 17%, 12% and 7% responses for Agent, Insured, and Dependent and for all respectively.

To know the respondent views, a question asked on the importance of life insurance actually they perceive for; 40% said it is important for all. 26% said it is best for employee while 18% go for children and 16% for parents which are charted in figure 4.26 below.

Figure 4. 26
Necessary of Life Insurance Plan

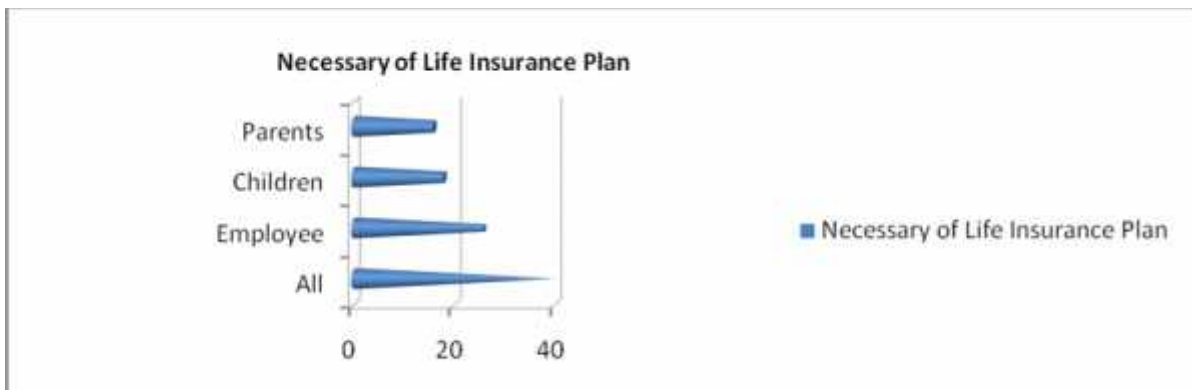
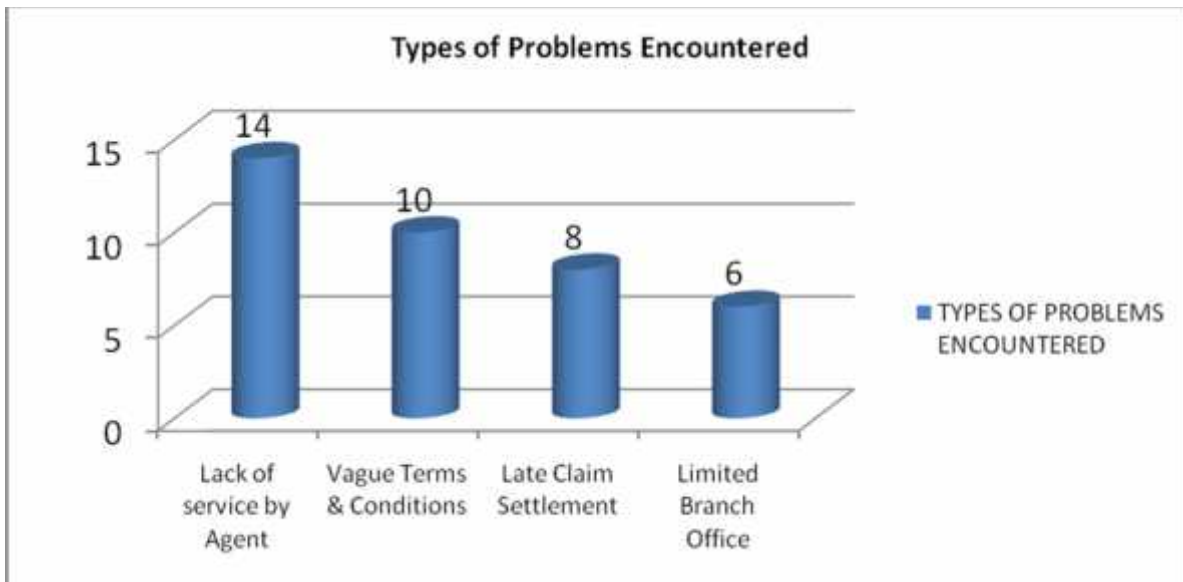
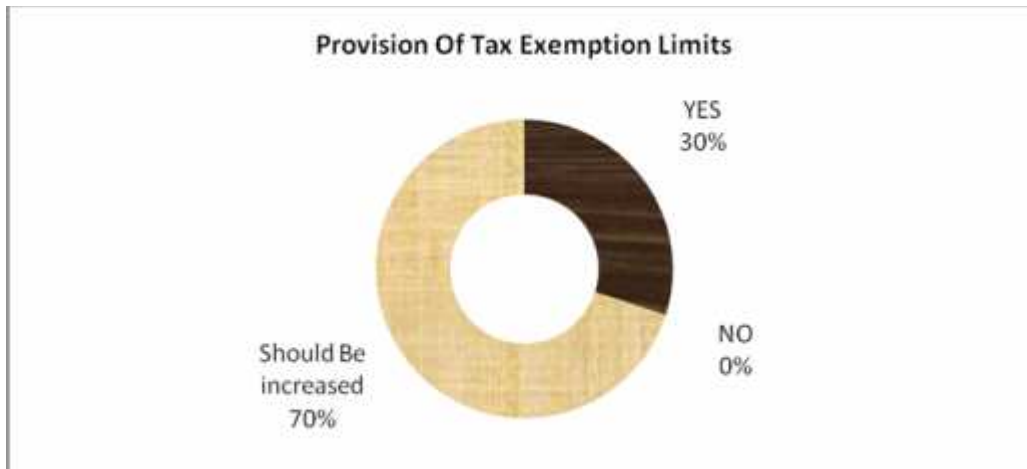


Figure 4. 27
Types of Problems Encountered



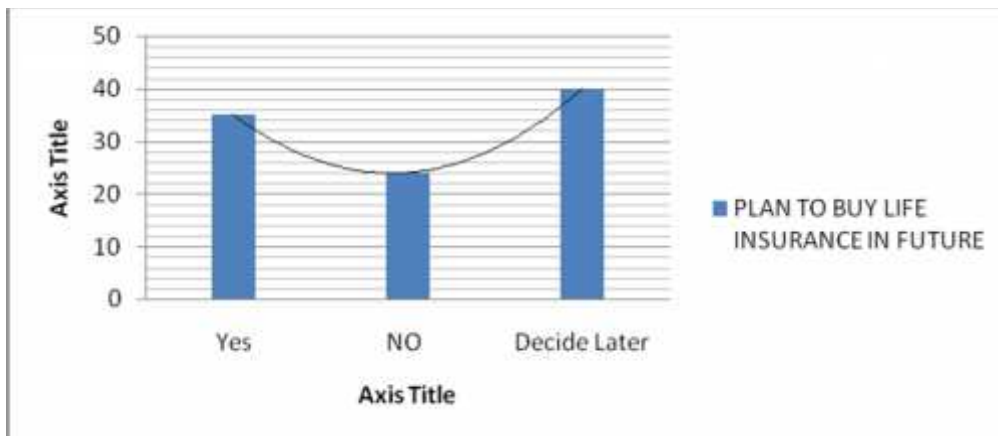
As per figure 4.27; out to total 38 people who have life insurance policy, 14(37%) insured faced lack of service by agent, 10(26%) insured were not cleared with terms & condition of policy wordings while 8(21%) insured experiences late claim settlement and 6(16%) insured question on limited branch offices.

Figure 4. 28
Provision Of Tax Exemption Limits



As per figure 4.28; about 30% said that they were not satisfied with the tax exemption limits arranged by government while almost 70% felt it should be increase to increase the habit of people and to develop the insurance sector as well.

Figure 4. 29
Plan To Buy Life Insurance In Future



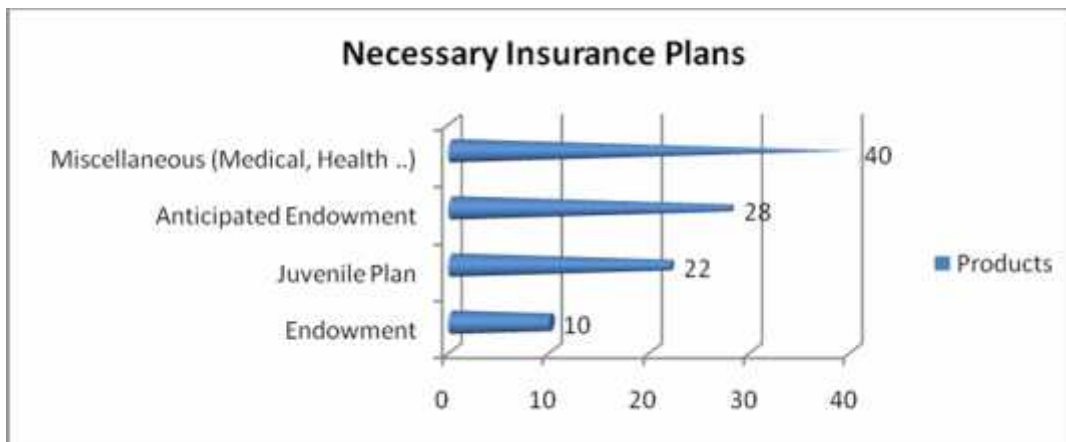
As per figure 4.29; out 62% respondents who haven't insured their life, 35% wishes to buy life insurance in future, 24% were still against it while 40% gave neutral response i.e. they still wants it to decide later

Figure 4. 30
Preference Sector Saving



As per figure 4.30; in order to know the first choice sector for saving the next question was asked “In which sector do you give preference for saving your income? The responses were 40% for banks, 28% for finance companies, 18% for cooperative and 14% for insurance.

Figure 4. 31
Necessary Insurance Plans



As per figure 4.32; majority people desire to have Medical & Health Insurance plan (Miscellaneous plan) which is almost 40% as per the research data. 28% likes Anticipated Endowment plans while 22% and 10% wish to have Juvenile and Endowment plans respectively.

As per figure 4.32; out of total 100 respondent's majority (38%) feels Agents are the major parties for development as well as improvement of insurance industry. While 32% raised question against Insurance Board, 15% perceive companies itself takes major role,

10% gives mixed answer i.e. they go for all and 5% charges government for smooth operations.

4.8 Major Findings of the Study

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

- Despite a long back inception of life insurance business in Nepal, it still needs immense and collective effort for its abundant growth and development. Hence, as per informal study; out of total population only around 4 to 5% people have taken life insurance plans knowingly or knowingly.
- Even after more than 30 years of formal start of life insurance business in Nepal, the growth of life insurance sector today is less than what it was perceived to be. Further, the established insurance companies and its associates have less achieved to make people felt significance of life insurance in their life. Meantime, it is more commercialized rather than socialized.
- As old as insurance industry in Nepal, most of the companies have same types of traditional products. Due to lack of awareness among the people, insurance companies are forced to rely on traditional products to attract the people. Hence, the available products in Nepalese insurance industry are all traditional type in comparison to other country.
- As per Insurance Regulation 2049, it permits insurers to issue three major divisions of policies in Nepal, i.e. Whole Life, Endowment and Term Life Insurance Policies. Under these three categories there are further sub categories of life insurance policies. Although there are 43 life insurance policies registered in the Beema Samiti by various life insurance companies in the Nepalese market. However, most of the policies have the same nature& features but have different names as they are registered by different companies. Therefore, Beema Samiti maintains its record by categorizing life insurance policies into four major types, i.e. Endowment, Anticipated Endowment, Children and Other policies. Similarly all products/policies are varied in terms of payment of premium (i.e. single, regular or limited), lives covered (i.e. single of joint life policy), and participation of profit (i.e. participating or none participating) and payment of claim (i.e. installment or lump sum payment of claim)
- The issue of policies and premium collection (New/Renewal) trend are increasing every year as per the data which shows immense possibility of insurance industry in Nep-

al. Although, the issues & collections trend are increasing, the main challenge of insurance companies is to conserve the policies till the maturity. The renewal premium doesn't seemed to be huge as per first year premium i.e. surrender trend is still prevailing.

➤ As per the study, life insurance business is still in early middle phase in Nepalese market. Hence the insured are subsequently low. Among the three sample insurance companies, ALICO has the highest number of total insured but NLIC & LIC have highest numbers of insured in the latest year than ALICO while LIC has lowest numbers of insured. Similarly, NLIC has the highest growth rate of insured and ALICO has lowest growth rate of insured among three sample companies. In spite of having highest numbers of insured ALICO has lowest growth rate because insured persistency is very high of ALICO.

➤ As per the data, NLIC has the greatest volatility and risk among the three sample insurance companies. ALICO has lowest risk. Similarly, NLIC has highest C.V. which means NLIC has higher risk than other insurance companies while ALICO has lowest C.V. which shows that it has lower risk. In spite of having the highest number of insured and growth rate, NLIC has the greatest volatility and risk. ALICO has lowest growth rate but relatively lower risk. ALICO has both consistency & persistency in the number of insured which minimize the risk of business.

➤ In terms of policies issuance, NLIC has highest market share as per FY065/066 among the sample companies and ALICO has lowest market share while LIC is second among three companies. But as per total 9 insurance companies, ASIAN life insurance has sold most policies (29%) during the latest year.

➤ In terms of total premium collections, ALICO has highest market share(25%) as per FY 065/066 among the sample companies as well as among the all 9 companies in operation. Similarly, LIC has lowest share while NLIC is second in the row as per sample companies.

➤ As per the study, Endowment life insurance seems most sold among the various life insurance products while Anticipated Endowment and Juvenile products are becoming more popular now a days. Similarly, Product categorized under miscellaneous plans has bright market in coming days.

➤ While measuring correlation between sample companies, NLIC has higher and positive degree of correlation with LIC but it has high degree of negative correlation with

ALICO. Similarly, LIC has high degree of positive correlation with NLIC but there is high degree of negative correlation with ALICO. This is because in Nepalese context, life insurance business is still a matter of high marketing promotion and activities. Also people hardly feel to insured their life. As per data NLIC, LIC and Industry's number of insured are proportionately increased but number of insured are decrease in ALICO which results in positive and negative correlation.

- From the study it was found that most of the insured responded are engaged in private sector, followed by services in public sector, personal business and student which means people who have enough income tends to have purchased life insurance.
- Majority of insured respondents were well educated as per the study. But in the country like Nepal where majority are illiterate needs all of them to be insured. Hence, life insurance is for all people regardless of education.
- During the research work, out of total questionnaire responded, majority do not have life insurance policy while only a minority percentage has life insurance policy. Similarly, the majority percentage has taken life insurance plans from ALICO. So, we can say ALICO is more superior and favorite among life insurance companies.
- As per study, various people gave various reasons for not buying life insurance plans. Among the reasons, majority reveal they are not interested in life insurance due to less return. Majority also said they do not have income to pay premium which means neither people were aware of insurance nor insurance associate and the companies able to make people understand about significance of life insurance. Actually life insurance is not for financial gain it's for financial protection. At least people can insured their life with protection plan which requires nominal premium.
- The main point is that majority people what life insurance is all about? Moreover, people buy insurance policy in expect of financial gain. Very few people purchase life insurance knowing it is for risk coverage i.e. what insurance is all about!
- Minority people acquired life insurance for protection purpose. As per study, majority insured are forced and lured by agent for life insurance.
- From the study, it was found that majority people do not know even the name of their insurance plan. Nevertheless, highest people said they have Endowment plans. Besides, very few have knowledge about the terms and conditions of insurance plan.

- As per study, it was found that majority people select insurance company on the basis of bonus rate accompanied by good services. This shows people today are more commercialize and service oriented.
- Level of satisfaction with insurance bonus rate is very low. Majority reveal bonus rate should be increase.
- Majority people felt life insurance is benefit for company itself. Fewer responses were for insured. But majority percent said essential for all which is very positive sign for life insurance business.
- Most of the insured faces different problems while insuring their life. Among those encountered problems, most are facing problem of lack of services by agent while some are unclear about terms and conditions of their policy.
- Majority people are not satisfied with provision of tax exemption limits by HMG and said that should be increase which also shows people insure their life for some benefits only.
- Most of the people still like to decide later to purchase life insurance but majority of willing to take life insurance is high than who do not want to take.
- Minority percentage of people gave preference for saving in insurance companies. People are more attracted in banks and finance companies.
- In Nepal, most people seek to get Medical and Health insurance plans from insurance company. But these plans are yet to be fully developed by Life Insurance Company. Similarly, Anticipated Endowment (Money Back) plans are more liked by people as this plan provides certain percentage of sum assured at pre-determined interval before the maturity.
- There are various parties for the development of life insurance industry in Nepal. As life insurance is agent based business, majority said agent's plays crucial role for development of life insurance While some majority are also focused for only regularity authority of insurance IB for its development.

Hence, whether all major parties agent/company/insurance board/government, all plays significance role for effective development of life insurance business in Nepal.

CHAPTER V

Summary, Conclusion and Recommendations

5.1 Summary

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

Insurance has been introduced to safeguard the interest of people from uncertainties by providing certainty of payment at a given contingency. In modern society and 21st century's business age it plays vital role through risk bearing and providing certainty. Therefore, insurance is an assist of a world's economy. It is a contract by which one party for a compensation called premium assumes particular risk of the other party & promises to pay him or his nominees a certain sum of money on a specified contingency. The terminology used for taking risk of assuring to cover loss is known as insurance. There are two types of insurance business i.e. life & non life insurance business.

Life insurance is a method by which a group of people may cooperate to ease the loss resulting from the premature death of members of the group. In general, life insurance is the contract under which the insurer undertakes the responsibility to pay a certain sum of money either on the death of the insured or on the expiry of fixed period in consideration of premium. Life insurance is means for security & investment. The other insurance, other than life insurance is called non-life or general insurance which is means of economic security, for e.g. Marine insurance, fire insurance, vehicle insurance, aviation insurance etc.

Insurance plays a vital role in any society and Nepali society is not an exception. Life Insurance on one hand provides economic protection to the insured as well as his/her nominees on the other hand it promotes saving and acts like an investment. Due to life insurance the dependants of a person don't have to suffer much financially if the person insured dies. So, if a person has done insurance he/she can maintain the same standard of living after his/her retirement from job or his/her dependent can maintain the same standard of living in case he dies before the retirement of the policy. In Nepal insurance com-

panies have played a vital role in providing employment opportunities to the people. The insurance companies provide employment as either staffs or as agents. The agents are not staffs of the company, but work on company's behalf to sell the insurance policy and receive lucrative commission if they are able to sale the insurance policy, i.e. get a person insured from a life insurance company.

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

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

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

Out of total number of policies 980,380 issued during 5 years; 122,860 policies, 115,495 policies, 126,596 policies, 145,297 policies and 470,132 policies were issued in FY 061/062, 062/063, 063/064, 064/065 and 065/066 respectively by various insurance companies. Issued of policies seems to be very volatile from FY 064/065 to 065/066 than oth-

er years. This is because of increase in number of companies and their aggressive marketing strategy in that period. Four new companies commence in 2064 B.S. Data shows that 48% policies were issued only in FY 065/066 which is very high in comparison to other shown FY's. During the period of 5 years, the issue of policies seems to be in increasing trend. Except in FY 062/063, in all other years sold of policies are growing gradually. Commencement of new insurance companies, their marketing strategy, their attracting products and somewhat increase in thinking of insurance need in people's mind might be the reason behind the yearly increase in issue of insurance policies in Nepal. This is very positive sign for the development of insurance industry.

Similarly, issues of all four products are also increasing. During five years, the most sold life insurance product is Endowment life insurance. Similarly, Miscellaneous, Anticipated Endowment and Juvenile plan are also taking market gradually. In Nepal, Endowment life insurance is very old and popular type of plan. The main reason behind popularity is due to the simple & comprehensible features of this plan where the life insured gets the money back as a maturity benefit and the family gets the death benefits in the event of an eventuality. Most of the life insurance companies have Endowment plan. During 5 years, out of total 432,360 numbers of issued Endowment policies; 67,780 policies, 59,759 policies, 62,374 policies, 77,223 policies & 165,296 policies were sold in the FY061/062, 062/063, 063/064, 064/065 & 065/066 respectively.

Likewise, Anticipated Endowment Plan also seems to be a popular plan as per its consistent number of sales during the 5 years of study. Now a day, this sort of plans is taking a good market in Nepalese Insurance market. The prominent feature of getting money back in some regular intervals is one of the best designs of this plan. During 5 years, out of total 143,734 numbers of issued Anticipated Endowment policies; 32,007 policies, 30,202 policies, 29,021 policies, 29,777 policies & 22,727 policies were sold in the FY 061/062, 062/063, 063/064, 064/065 & 065/066 respectively.

Similarly, issue of Juvenile/Children plans are also increasing in every year which is basically designed for children. With the development of insurance market, this plan is also becoming more popular in Nepal. Most parents purchased this plan for a saving purpose of money need for their children higher education, marriage and others. Sale of Juvenile plan seems continuously increasing as per the above data. During 5 years, out of total 134,796 numbers of issued Juvenile policies; 19,012 policies, 21,409 policies, 20,696 pol-

icies, 25,799 policies & 47,880 policies were sold in the FY 061/062, 062/063, 063/064, 064/065 & 065/066 respectively. Mostly, protection plans and non saving plans are categorized under miscellaneous plans. Term life insurance policy, Whole life insurance policy, Group life insurance policy, Expatriate insurance etc. are comes under miscellaneous plan. Insurance companies have not focused much for the sale of these products because people of Nepal hardly insured their life under saving plans rather than protection plans. As per the data, During 5 years, out of total 269,489 numbers of issued Miscellaneous policies; 4,133 policies, 4,124 policies, 14,505 policies, 12,498 policies & 234,229 policies were sold in the FY 061/062, 062/063, 063/064, 064/065 & 065/066 respectively. Besides, the FY 065/066 the sales of these products are very limited. Term life insurance is the cheapest form of life insurance where customers have to pay small amount of premium so now a day's its popularity is very high in Nepal. Government policies towards the people going to aboard for foreign employment should have a compulsory insurance maintain this huge number of sales. Otherwise, very nominal numbers of policies were issued during other years. This sort of government policy needs to be regularly imposed to develop the insurance business in Nepal.

Life insurance premium collection has also been quite consistent and anticipatory. Both FYP & RNP have good persistency rate. Out of total FYP collections of Rs. 5,414,263 thousands during 5 years; Rs. 831,638 thousands, Rs. 762,674 thousands, Rs. 882,757 thousands, Rs. 836,682 thousands and Rs. 2,100,512 thousands were collected in FY 061/062, 062/063, 063/064, 064/065 and 065/066 respectively by various insurance companies. Similarly, out of total RNP collections of Rs. 14,235,963 thousands during 5 years; Rs. 2,086,210 thousands, Rs. 2,400,613 thousands, Rs. 2,360,494 thousands, Rs. 3,208,966 thousands and Rs. 4,179,680 thousands were collected in FY 061/062, 062/063, 063/064, 064/065 and 065/066 respectively by various insurance companies. As per the study; out of total collections, 39% FYP were collected only in FY 065/066 which is more than double the previous years. This is mostly because of the establishment of new life insurance companies and their promotional activities in the market. Similarly, out of total collections, 23% & 29% RNP were collected in FY 064/065 and 065/066 which are higher than the previous 3 years.

Out of 4 major categorized life insurance products, the premium collections (FYP) of Endowment life insurance plan is higher which means the collections is increased every

year. As per the total FYP collections of Rs. 2,694,304 thousands in Endowment life insurance plan during 5 years of study; Rs. 414,826 thousands, Rs. 334,633 thousands, Rs. 423,799 thousands, Rs. 505,667 thousands and Rs. 1,015,379 thousands were collected during the FY 061/062, 062/063, 063/064, 064/065 and 065/066 respectively. Premium collections are in increasing trend under this plan. Regular good collections in endowment insurance signify still a most popular plan in Nepal despite its traditional nature. Likewise, while evaluating the Anticipated Endowment plan, out of total FYP collections of Rs. 1,104,353 thousands during 5 years of study data's; Rs. 272,452 thousands, Rs. 253,024 thousands, Rs. 248,323 thousands, Rs. 133,913 thousands and Rs. 196,641 thousands were collected during the FY 061/062, 062/063, 063/064, 064/065 and 065/066 respectively. Despite, advance features of anticipated plan its collection is not much sufficient as expected by the companies. This is because lack of products awareness in people about the benefits of various plans. Similarly, out of total FYP collections of Rs. 941,362 thousands during 5 years of data; Rs. 138,965 thousands, Rs. 167,926 thousands, Rs. 196,392 thousands, Rs. 130,683 thousands and Rs. 307,396 thousands were collected during the FY 061/062, 062/063, 063/064, 064/065 and 065/066 respectively. Collections of juvenile plan is increasing every year which means people are interested to insure their children's rather than insuring themselves. In the same way, out of total FYP collections of Rs. 674,244 in miscellaneous plan during 5 years; Rs. 5,395 thousands, Rs. 7,091 thousands, Rs. 14,243 thousands, Rs. 66,419 thousands and Rs. 581,096 thousands were collected during the FY 061/062, 062/063, 063/064, 064/065 and 065/066 respectively. Due to the protection nature with nominal premium, categorized miscellaneous plans premium collections are well increased every year.

All four products RNP collections are rising which is very positive condition for life insurance industry as a whole. RNP collection persistency seems to be very encouraging to all of the life insurance companies in Nepal. ASIAN life has the highest percentage market share and RBS & SURYA life has the lowest percentage among 9 insurance companies regarding insured and policy issues during FY 065/66. Considering sample insurance companies NLIC, LIC and ALICO are 1st, 2nd and 3rd respectively. Though in terms of policy issuance ALICO seems to be lower, its share is highest in terms of total premium collection which shows that ALICO has insured the life coverage with high volume and also it has retained its customers. As per 3 samples insurance companies they have good

market share in terms of premium. Hence, ALICO, NLIC and LIC are 1st, 2nd and 3rd respectively.

Basically, the entire research work has focused on the general scenario of life insurance, its products and market share of insurance companies. Hence, for this study, general available products, market share in terms of policy issues & premium collections are analyzed and evaluate the current status of life insurance industry in Nepal. Besides, to give the research with statistical touch standard deviation, coefficient of variation, correlation tools have been used to examine and to extract abundant information of life insurance business in Nepal. Also, will the life insurance market keep up with good business or not is predicted through time series analysis by using least square method which results to be quite optimistic. Despite early inception of life insurance business in Nepal, the industry has not able to fully penetrate the market. Life insurance business is niche area in finance industry which is still to be managed properly. Hence, it's time for discussion to promote and to develop the life insurance sector by understanding the people in the market first and making the people understand what life insurance all about is and how significance it is in their lives. Similarly, the recent market growth of life insurance and the recent influx of insurance companies, the increased insurance practice in people and the increased competition to provide excellence in insurance points out the bright and prospect side of insurance industry in future. Hence, the development of life insurance business seems to be very slow, it is area to be quite optimistic and the companies are doing best effort to develop this business in the coming days to come.

5.2 Conclusion

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

played a vital role for the socio-economic development of the nation either by providing financial security against risk or collection of capital from scattered resources.

Among the various needs of the modern society, the life insurance today is developing as inevitable sector for the both people and the nation. Despite the early inception and the crucial facts that life insurance is indeed is in need of today's world, the sector has not gained its momentum as it has in other countries. Similarly our economy is not being able to generate enough business, due to these banking and financial sector seems less expanded at the moment while life insurance sector is struggling though the future looks promising. So, it's time to strengthen the life insurance industry to protect each and every people, to upgrade their standard and to develop the economy as a whole.

As the study aims to analyze and evaluate the current scenario of life insurance business in Nepal, in fact the business is still not properly developed which is matter of humiliation for both the people who even are not only aware of it in 21st century but also not even try to understand its significance. Moreover, even the prevailing companies fail to make people understand about the very dominant benefits of life insurance.

By and large, proper marketing plans, better strategy and smooth implementation are the basic ingredients in any successful business. But till now insurance companies and its associates seems doing merely marketing activities and strategies rather than making aware people about the significance of life insurance in their lives. As life insurance is agent based business, insurance companies are yet to focus their activities in how agents bring the business and whether the people are aware of the plans or not. Primary and Secondary data obtained during research work highly conclude that the life insurance in Nepal have enormous potential but still it is the matter of give and take between agents and the companies. Neither insurance companies nor agents are able to make-believe about the very prominent benefits of life insurance to the people and to the nation as well. As per the statistical analysis used in the research work, there is huge volatility of insured between the sample companies. In spite of having the highest number of insured and growth rate, NLIC has the greatest volatility and risk. ALICO has lowest growth rate but relatively lower risk. Similarly, there is less correlation between the numbers of insured of life insurance companies as per the statistical findings because in Nepalese insurance market life insurance business is still a matter of high marketing promotion and activities. The company who uses more marketing tools gets more business and who uses less marketing

tools gets low business. Such trend should be discouraged promptly to establish the sound competition between the companies and to avoid the misapprehension among the people regarding life insurance business.

Hence, life insurance companies do play a critical role in the people's life and in the economic development of the country. Like banks and financial institutions, life insurance companies help immensely in mobilizing and channelizing the funds towards productive investment, which in turn contributes immensely to the overall development of the economy. Life insurance provides protection, safety of wealth, reasonable return and tax benefits. If one compares life insurance with banks deposits, besides safety of funds and reasonable returns, it provides two additional benefits in terms of compensation against loss of life and tax benefits.

Last but not least, today the insurance industry is perceived to be an underdog sector in the finance industry. However, it is certain that this industry is going to emerge as one of the strongest pillars in the overall economic development of the country. Only the thing is that everybody should endeavor, support and comply with the compliance to improve and build up the sector.

5.3 Recommendations

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

On the basis of study, following recommendations are suggested.

- Despite a couple of decade, since insurance sector liberalization in Nepal, "consumer awareness", "consumer education" and "consumer protection" are the topics on which a lot is talked but little is done and less achieved. Hence, for the proper development and improvements of life insurance, Beema Samiti, the only Insurance Regulatory Authority of Nepal, should launch the awareness programs about life insurance in coordination with insurance companies.
- The Insurance Act, 2049 and the Insurance Regulation 2049 should be followed by all the life insurance companies strictly to be in compliance and for better market conduct.
- Although the Insurance Act and Regulation are as old as Insurance industry in Nepal, they are not properly followed by the insurance companies so; Beema Samiti should make sure that all the rules and regulations are abided by all the companies. Besides, Beema Samiti should also mention the proper guideline for the agents which should be strictly followed if not then proper action should be taken.
- The Insurance companies should involve in fair competition with each other rather than making false advertisement or spreading false rumors about their competitors and life insurance itself.
- Few companies are competing by giving extra incentives on top of the regular business commissions to the agents rather than coming up with attractive products. This has created an unsound environment wherein agents could be manipulated. It has put undue pressure on companies that focus on distributing the benefits to clients rather than siphoning earnings on other areas. It will adversely affect the industry as a whole. So this sort of activities should be stop and still no need to compete with each other as there is a huge untapped market waiting for help.
- As life insurance business is agent based business, the life insurance salesman or agent, therefore, must acquire a clear perception about his role, which is very different from that of other salesman. The salesman's responsibility is therefore, unusually high and this situation is unique to life insurance, Commitment to the very objectives to selling life insurance is therefore, very important for the agent. A good agent becomes a part of the policy holder family and he commits himself to the family's welfare in all circumstances. They should merely not offer the products but also have to suggest choosing the

appropriate plan, coverage amount, duration, terms & condition according to their needs and capacity. Hence, agents have a big hand to develop the life insurance business and the company should always try to develop and search for the committed agents.

➤ There should be proper coordination between life insurance companies and their respective trade unions. If any problem exists then it should be solved within the organization. As customers are considered as a God, they should not be in trouble due to their internal relationships.

➤ The insurance companies or their agents should not create is information regarding life insurance proceeds that is receivable at death or maturity which in fact is not happening. Most people think that they will receive double of the money at the end of their life insurance contract which is neither in the hand of agents nor the company.

➤ Life insurance is a long term contract, which requires the company to make investment over a long term with guaranteed returns. Such avenues are very limited in present day in Nepal which is the major problem for the company right now. The limited specified investment sector by IB should be re think. Hence, the regulatory must think seriously towards widening the investment area for the companies.

➤ Raising the level of insurance awareness among people is still the foremost challenge facing by the companies. People's perception is not much positive towards the business, as it is related with death and posthumous social security. Whatever insurance companies have obtained, they have created through their individual efforts. This has not proved enough to reap the market easily. Hence, the government, regulators and companies must launch joint campaigns to make people realize the real benefits of life insurance.

➤ Life insurance companies in Nepal have falling short of innovative product designs and good product mix. Industry is still depends on the traditional products which is insufficient to improvise the development of life insurance business. Hence, for this company should timely research the market to produce the appropriate plan according to the need and desire of the people.

➤ I think attaining the trust among the people is another major challenge of the industry. Good customer service, prompt claim settlement and authentic returns are the main issue to earn the better market share by the companies. Therefore, they should always try to win the customer value to sustain in the market.

- The agent training organized by the insurance companies before applying for license is insufficient for them to understand thoroughly and for them to do business. To mobilize and to build them strong insurance representative refreshment training with different issues should be organized by the companies which are lacking.
- The government is presently imposing tax on death claims and final insurance receipts of the clients. This does not match with insurance norms and must be scrapped. Besides, tax exemption limit up to Rs.20, 000/- on payment of premium should be increase up to Rs. 50,000/-which will increase people insuring their life that supports the life insurance industry to grow.
- Reinsurance Company if established can save a large amount of capital flow. Reinsurance is done for to minimize risk or transfer of risk from one company to another. Nepal pays around 65 to 70 crore rupees to foreign reinsurance company annually. But IB has not decided yet for establishment though it is inevitable in present stage. So, proper steps should be taken by the concerned parties.

APPENDIX I

Questionnaire

This is the set of questionnaires prepared to accomplish information for a research report on “**An overview of Life Insurance Products and its market distribution in Nepal**”, as per the partial fulfillment of the requirement for the degree of Masters of Business Studies. The information obtained via this questionnaire will be kept confidential and will be used for this research purpose only. I'll be very grateful if you could kindly respond to this questionnaire. Your kind co-operation in this regard will be highly appreciable. Please fill up the following (Your personal details will be kept highly confidential and the information provided will be used for research purpose only)

NAME: _____

ADDRESS: _____

Please “Tick” the answer you feel better. (Can be tick more than one)

1) Gender: Male [] Female []

2) Age:

Below 21 [] 21-25 [] 26 -30 [] above 30 []

3) Level of Education:

SLC [] +2 [] Bachelor []
Master [] Doctorate []

4) Personal Monthly Income:

<10,000 [] 10,000-20,000 []
20,000-40,000 [] >40,000 []

5) Occupation

Student [] Personal Business []
Service in Public Sector [] Service in Private Sector []
Others (Specify) []

6) What do you understand by Life Insurance?

Risk Coverage [] Getting Double the Money Paid []
Saving [] Financial Protection of Family []
Don't know []

7) Do you have taken any Life Insurance Policy?

Yes [] No []

8) If “Yes” then mention the name of the company.

.....
9) If “No” then choose the following options;

- Lack of good plan []
- Less trust to Insurance Companies []
- Lack of Income []
- Less Return []

10) Why do you purchase Life Insurance Policy?

- Force by Agent []
- Getting double the money paid []
- Tax Exemption []
- Saving []
- Financial Protection of Family []

11) Do you have understood the benefit and terms & conditions of your insurance plan? (Question for one who have acquire insurance plan).

- Yes [] No []

12) Do you think Life Insurance is necessary for all the people?

- Yes [] No []

13. Which Insurance plan do you have purchased?

- Endowment []
- Juvenile Plan []
- Anticipated Plan []
- Miscellaneous Plan []
- Don't know []

14) What are the most important things of Insurance Company that attracts you while purchasing Life Insurance plan?

- Good Services []
- Low Premium []
- High benefits Plan []
- High bonus rate []
- Quick claim settlement []

15) Are you satisfied with the bonus rate provided by Life Insurance Company?

- Satisfied [] Unsatisfied []
Should be increased []

16) Who are benefited by Life Insurance?

- Insured [] Dependent [] Agents []
- Company [] All []

17) Whom do you think purchase of Life Insurance plans is essential for?

Parents	[]	Employee	[]
Children	[]	All	[]

18) What are the most dissatisfying problems, people facing in Life Insurance?

Lack of service by agent	[]
Late claim settlement	[]
Limited branch office	[]
Vague terms & conditions	[]

19) Are you satisfied with the provision of Tax exemption limit in taxable income through insurance premium made by government?

Yes [] No [] should be increase []

21. Do you intend to buy Life Insurance in future?

Yes [] No [] Decide later []

22) In which sector do you give preference for saving your income?

Banks	[]	Insurance	[]
Cooperatives	[]	Finance Companies	[]

23. In your opinion, what types of insurance plans insurance companies should have?

Endowment	[]	Anticipated Endowment	[]
Children Plan	[]	Medical & Health Plan	[]

24. Whom do you think plays the most important role for the development of Life Insurance business in Nepal?

Company	[]	Agents	[]	Government	[]
Insurance Board	[]	All	[]		

APPENDIX II

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APPENDIX – III

a) Calculation of Standard Deviation and C.V. of Nepal Life Insurance Co.

Year	No. of Insured(X)	$X - \bar{X}$	$(X - \bar{X})^2$
2004-2005	23337	-15549	241771401
2005-2006	21468	-17418	303386724
2006-2007	34780	-4106	16859236
2007-2008	39859	973	946729
2008-2009	74986	36100	1303210000
	$\Sigma X=194430$		$(X - \bar{X})^2=1866174090$

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

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

$$\text{Coefficient variance (CV)} = \frac{\sigma}{\bar{X}} = \frac{19319.29}{38886} = 0.4968 = 49.68 \%$$

b) Calculation of Standard Deviation and C.V. of Life Insurance Corp. Nepal.

Year No. of	Insured(X)	$X - \bar{X}$	$(X - \bar{X})^2$
2004-2005	22212	-8925.4	79662765.16
2005-2006	23389	-7748.4	60037702.56
2006-2007	29218	-1919.4	3684096.36
2007-2008	27975	-3162.4	10000773.76
2008-2009	52893	21755.6	473306131.4
	$\Sigma X=155687$		$(X - \bar{X})^2=626691469.2$

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

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

$$\text{Coefficient variance(CV)} = \frac{\sigma}{\bar{X}} = \frac{11195.46}{31137.4} = 0.3596 = 35.96 \%$$

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

Year	No. of Insured(X)	$X - \bar{X}$	$(X - \bar{X})^2$
2004-2005	40988	-2838	8054244
2005-2006	45093	1267	1605289
2006-2007	48325	4499	20241001
2007-2008	45083	1257	1580049
2008-2009	39641	-4185	17514225
	$\sum X=219130$		$(X - \bar{X})^2=48994808$

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

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

$$\text{Coefficient variance(CV)} = \frac{\sigma}{\bar{X}} = \frac{3130.33}{43826} = 0.0714 = 7.14\%$$

d) Calculation of Standard Deviation and C.V. of Industry (Policy Holders)

Year	No Of. Insured(X)	$X - \bar{X}$	$(X - \bar{X})^2$
2004-2005	86537	-27312.4	745967193.8
2005-2006	89950	-23899.4	571181320.4
2006-2007	112323	-1526.4	2329896.96
2007-2008	112917	-932.4	869369.76
2008-2009	167520	53670.6	2880533304
	$\Sigma x=569247$		$(X - \bar{X})^2=4200881085$

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

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

$$\text{Coefficient variance (CV)} = \frac{\sigma}{\bar{X}} = \frac{28985.79}{113849.4} = 0.2546 = 25.46\%$$

e) Calculation of correlation between NLIC and LIC (Insured)

Year	NLIC (X)	LIC (Y)	$X - \bar{X}$	$Y - \bar{Y}$	$(X - \bar{X})^2$	$(Y - \bar{Y})^2$	$(X - \bar{X})$ $(Y - \bar{Y})$
2004-2005	23337	22212	-15549	-8925.4	241771401	79662765.16	138781045
2005-2006	21468	23389	-17418	-7748.4	303386724	60037702.56	134961631
2006-2007	34780	29218	-4106	-1919.4	16859236	3684096.36	7881056
2007-2008	39859	27975	973	3162.4	946729	10000773.76	-3077015
2008-2009	74986	52893	36100	21755.6	1303210000	473306131.4	785377160
					$(X - \bar{X})^2 =$ 1866174090	$\Sigma(Y - \bar{Y})^2 =$ 626691469	$(X - \bar{X})$ $(Y - \bar{Y}) =$ 1063923877

$$\text{Correlation coefficient}(r) = \frac{\sum(x - \bar{x})(y - \bar{y})}{\sqrt{\sum(x - \bar{x})^2 \sum(y - \bar{y})^2}} = \frac{1063923877}{\sqrt{1866174090 \times 626691469}} = 0.98$$

f) Calculation of correlation between NLIC and ALICO (Insured).

Year	NLIC (X)	ALICO (Y)	$X - \bar{X}$	$Y - \bar{Y}$	$(X - \bar{X})^2$	$(Y - \bar{Y})^2$	$(X - \bar{X})$ $(Y - \bar{Y})$
2004-2005	23337	40988	-15549	-2838	241771401	8054244	44128062
2005-2006	21468	45093	-17418	1267	303386724	1605289	-220686
2006-2007	34780	48325	-4106	4499	16859236	20241001	-18472894
2007-2008	39859	45083	973	1257	946729	1580049	1223061
2008-2009	74986	39641	36100	-4185	1303210000	17514225	-151078500
					$(X - \bar{X})^2 =$ 1866174090	$\Sigma(Y - \bar{Y})^2 =$ 48994808	$(X - \bar{X})$ $(Y - \bar{Y}) =$ 146268877

$$\text{Correlation coefficient}(r) = \frac{\sum(x - \bar{x})(y - \bar{y})}{\sqrt{\sum(x - \bar{x})^2 \sum(y - \bar{y})^2}} = \frac{146268877}{\sqrt{186617490 \times 48994808}} = -0.48$$

g) Calculation of correlation between LIC and ALICO (Insured)

Year	LIC (X)	ALICO (Y)	$X - \bar{X}$	$Y - \bar{Y}$	$(X - \bar{X})^2$	$(Y - \bar{Y})^2$	$(X - \bar{X})$ $(Y - \bar{Y})$
2004- 2005	22212	40988	- 8925.4	-2838	7966276 5.16	8054244	25330285
2005- 2006	23389	45093	- 7748.4	1267	6003770 2.56	1605289	-9817223
2006- 2007	29218	48325	- 1919.4	4499	3684096. 36	2024100 1	-8635381
2007- 2008	27975	45083	- 3162.4	1257	1000077 3.76	1580049	-3975137
2008- 2009	52893	39641	21755. 6	-4185	4733061 31.4	1751422 5	- 91047186
					$(X - \bar{X})^2 =$ 626691 469	$\Sigma(Y - \bar{Y})^2 =$ 489948 08	$(X - \bar{X})$ $(Y - \bar{Y}) =$ - 88144642

$$\text{Correlation coefficient}(r) = \frac{\sum(x - \bar{x})(y - \bar{y})}{\sqrt{\sum(x - \bar{x})^2 \sum(y - \bar{y})^2}} = \frac{88144642}{\sqrt{626691469 \times 48994808}} = -0.50$$

h) Calculation of correlation coefficient of NLIC with Industry (Insured)

Year	NO of Insured NLIC (X)	No. of Insured Industry (A)	$(X - \bar{X})$	$(A - \bar{A})$	$(X - \bar{X})^2$	$(A - \bar{A})^2$	$(X - \bar{X})(A - \bar{A})$
2004-2005	23337	86537	-15549	-27312	241771401	745967194	424674288
2005-2006	21468	89950	-17418	-23889	303386724	571181320	416098602
2006-2007	34780	112323	-4106	-1526	16859236	2329897	6265756
2007-2008	39859	112917	973	-932	946729	869370	-906836
2008-2009	74986	167520	36100	53671	130321000	2880533304	1937523100
					$(X - \bar{X})^2 = 1866174090$	$\sum(A - \bar{A})^2 = 4200881085$	$(X - \bar{X})(A - \bar{A}) = 2783654910$

$$\text{Correlation coefficient}(r) = \frac{\sum(x - \bar{x})(A - \bar{A})}{\sqrt{\sum(x - \bar{x})^2 \sum(A - \bar{A})^2}} = \frac{2783654910}{\sqrt{1866174090 \times 4200881085}} = 0.99$$

i) Calculation of correlation coefficient of LIC with Industry (Insured).

Year	NO of Insured LIC (X)	No. of Insured Industry (A)	$(X - \bar{X})$	$(A - \bar{A})$	$(X - \bar{X})^2$	$(A - \bar{A})^2$	$(X - \bar{X})(A - \bar{A})$
2004-2005	22212	86537	-8925.4	-27312	79662765.16	745967194	243770525
2005-2006	23389	89950	-7748.4	-23889	60037702.56	571181320	185101528
2006-2007	29218	112323	-1919.4	-1526	3684096.36	2329897	2929004
2007-2008	27975	112917	-3162.4	-932	10000773.76	869370	2947357
2008-2009	528932	167520	1755.6	53671	473306131.4	2880533304	1167644808
					$(X - \bar{X})^2 = 626691469$	$\sum(A - \bar{A})^2 = 4200881085$	$(X - \bar{X})(A - \bar{A}) = 1602393221$

$$\text{Correlation coefficient}(r) = \frac{\sum(x-\bar{x})(A-\bar{A})}{\sqrt{\sum(x-\bar{x})^2 \sum(A-\bar{A})^2}} = \frac{1602393221}{\sqrt{626691469 \times 4200881085}} = 0.99$$

j) Calculation of correlation coefficient of ALICO with Industry (Insured).

Year	NO of Insured ALICO (X)	No. of Insured Industry (A)	$(X - \bar{X})$	$(A - \bar{A})$	$(X - \bar{X})^2$	$(A - \bar{A})^2$	$(X - \bar{X})(A - \bar{A})$
2004-2005	40988	86537	-2838	-27312	805424	7459671	77511456
2005-2006	45093	89950	1267	-23889	160528	5711813	-30267363
2006-2007	48325	112323	4499	-1526	202410	2329897	-6865474
2007-2008	45083	112917	1257	-932	158004	869370	-1171524
2008-2009	39641	167520	-4185	53671	175142	2880533	-224613135
					$(X - \bar{X})^2 = 48994808$	$\sum(A - \bar{A})^2 = 4200881085$	$(X - \bar{X})(A - \bar{A}) = -185406040$

$$\text{Correlation coefficient}(r) = \frac{\sum(x - \bar{x})(A - \bar{A})}{\sqrt{\sum(x - \bar{x})^2 \sum(A - \bar{A})^2}} = \frac{-185406040}{\sqrt{48994808 \times 4200881085}} = -0.41$$

Calculation of Projected values of the Insured/Policies for the different Insurance Companies.

k) Calculation of Projected value of Policies for NLIC

Year (X)	No. of Policies(y)	x = X-2007	x ²	xy
2005	23337	-2	4	-46674
2006	21468	-1	1	-21468
2007	34780	0	0	0
2008	39859	1	1	39859
2009	74986	2	4	149972
	$\sum Y=194430$	$\sum x =0$	$\sum x =10$	$\sum xy =121689$

$$\text{Since } \sum x=0, \text{ now } a = \frac{\sum y}{n} = \frac{194430}{5} = 38886$$

$$\text{And } b = \frac{\sum xy}{\sum x^2} = \frac{121689}{10} = 12168.9$$

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

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

When X=2010, then x=X-2007=3

$$Y \text{ for } 2010 = 38886 + 12169 \times 3 = 75393$$

Hence the projected value for 2010 of NLIC is 75393

I) Calculation of projected value of Policies for LIC, Nepal

Year (X)	No. of Policies(y)	x = X-2007	x ²	xy
2005	22212	-2	4	-44424
2006	23389	-1	1	-23389
2007	29218	0	0	0
2008	27975	1	1	27975
2009	52893	2	4	105786
	$\sum Y=155687$	$\sum x =0$	$\sum x^2=10$	$\sum xy =65948$

Since $\sum x =0$, Now $a = \frac{\sum y}{n} = \frac{155687}{5} = 31137.4$

and $b = \frac{\sum xy}{\sum x^2} = \frac{65948}{10} = 6594.8$

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

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

When $X=2010$, then $x=X-2007=3$

$Y \text{ for } 2010 = 31137.4 + 6594.8 \times 3 = 50921.8 \text{ or } 50922$

Hence the projected value for 2010 of LIC, Nepal is 50922

m) Calculation of Projected value of Policies for ALICO, Nepal

Year (X)	No. of Policies(y)	x = X-2007	x ²	xy
2005	40988	-2	4	-81976
2006	45093	-1	1	-45093
2007	48325	0	0	0
2008	45083	1	1	45083
2009	39641	2	4	79282
	$\sum Y=219130$	$\sum x =0$	$\sum x^2=10$	$\sum xy =-2704$

Since $\sum x =0$, Now $a = \frac{\sum y}{n} = \frac{21930}{5} = 43860$

and $b = \frac{\sum xy}{\sum x^2} = \frac{-2704}{10} = -270.4$

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

$$Y = a + bx = 43860 + (-270.4)x$$

When X=2010, then x=X-2007=3

$$Y \text{ for } 2010 = 43860 + (-270.4) \cdot 3 = 43014.8 \text{ or } 43015$$

Hence the projected value for 2010 of ALICO, Nepal is 43015

n) Calculation of Projected value of Industry (Policy Holders)

Year (X)	No. of Policies(y)	x = X-2007	x ²	xy
2005	86537	-2	4	-173074
2006	89950	-1	1	-89950
2007	112323	0	0	0
2008	112917	1	1	112917
2009	167520	2	4	335040
	$\sum Y=569247$	$\sum x =0$	$\sum x =10$	$\sum xy =184933$

Since $\sum x = 0$, Now $a = \frac{\sum y}{n} = \frac{569247}{5} = 113849.4$

and $b = \frac{\sum xy}{\sum x^2} = \frac{184933}{10} = 18493.3$

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

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

When X=2010, then x=X-2007=3

$$Y \text{ for } 2010 = 113849.4 + 18493.3 \times 3 = 169329.3 \text{ or } 169329$$

Hence the projected value for 2010 of Industry (Policy Holders) is 169329