PREMIUM COLLECTION AND INVESTMENT POSITION OF INSURANCE COMPANIES OF NEPAL

A THESIS

Submitted by:
Parbati Shakya
Nepal Commerce Campus
Roll No: 274/062
T.U. Regd. No: 7-1-38-1686-97
Exam Roll No: 4457

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RECOMMENDATION

This is certify that the thesis

Submitted by

Parbati Shakya

Entitled

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

-- --------------------------------(Prof.

Dr. Bihari Binod Pokharel) (Umesh Kumar Koirala)

Thesis Supervisor and Thesis Supervisor

Head of Research Department

……………………………..

(Diwakar Pokhrel)

Campus Chief

Date: ………………….

VIVA-VOCE SHEET

We have conducted the viva-voce examination of the thesis

Submitted by:
Parbati Shakya

Entitled

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

Chairperson, Research Committee : …………………………….

Member (Thesis Supervisor) : …………………………….

Member (Thesis Supervisor) :…………………………….

Member (External Expert) : …………………………….

Date: ……………

DECLARATION

I hereby declare that the work reported in this entitled “Premium Collection and investment position of Insurance Companies of Nepal, submitted to Nepal Commerce Campus, Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillment of the requirement for the Masters Degree in Business Studies (MBS) under the supervision of Prof. Dr. Bihari Binod Pokhrel and Mr. Umesh Kumar Koirala, Nepal Commerce Campus.

……………………

Parbati Shakya

Researcher

Nepal Commerce Campus

Roll No. : 274/062

Date: ……..

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Parbati Shakya

Date: …………

ABBREVIATION

BBD	=	Bank Fixed Deposits
B.C	=	Bikram Sambat
Co.Ltd.	=	Company Limited
Cor. Secu.	=	Corporate Securities
C.V.	=	Coefficient of Variance
DPS	=	Dividend per share
EICL	=	Everest Insurance Company Ltd.
e.g.	=	Example
EPS	=	Earning per share
Est.	=	Establishment
F.D	=	Fixed Deposit
FY	=	Fiscal Year
GSB	=	Government Saving Bonds
Govt.	=	Government
HGICL	=	Himalayan General Insurance Company Ltd.
i.e.	=	that is
inv	=	Investment
Misc.	=	Miscellaneous
NIC	=	Nepal Insurance Company Ltd.
NICL	=	Neco Insurance Company Ltd
NP	=	Net Profit
No	=	Number
NRB	=	Nepal Rastriya Bank
P.E	=	Probable Error
PICL	=	Premier Insurance Company Ltd.
Pvt.	=	Private
RBS	=	Rastriya Beema Sansthan
S.D.	=	Standard Deviation
SDC	=	Shanker Dev Campus
UGI	=	United Insurance Company Ltd.

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CHAPTER - I

INTRODUCTION

1.1 Background of the Study

The world is full of risk. Future is always uncertain and that uncertainty gives a birth of risk. No job and activities is free from risk in human life. Before conducting any activities, every person must play with risk because that activities may be fail or unsuccessful in future. Being a rational animal human being is always afraid of risk and they always wish to be safe and secured his present as well as future life. The development of consciousness in human being introduced ways and system for safety against future risk and uncertainty. One of the ways is the insurance. As the dawning of each new day brings different uncertainties, one needs to be more than prepared to handle the thorny patches in life. Insurance has the stability and resources to shield you from the volatile risks in everyday life. For the development of a country, the existence of financial market and capital market is regarded as an essence. The government and individuals firms are playing vital role in financial and capital market through investing the collected resources within the recognized reasonable benefits themselves.

Among such financial institutions and intermediaries, insurance companies are also the major ones. Integrated and speedy development of the country is possible only when a competitive insurance service reaches nooks and corners of the country. Insurance companies occupy quite an important place in the framework of every economy because it provides certainly to the industry, because and capital for the development of industry, trade and business investing the fund collected as premium. Insurance companies are capable of providing industrial finance, governance finance or even personal finance. They provide different finance through their own investment policy pattern based upon their own corporate objectives and nature of the line of insurance business.

Insurance contributes to society by favorably affecting the appointment of the factors of production, engaging in loss prevention activities, identifying losses serving as a basis of the credit structure, eliminating worry and providing a channel for investible fund. Robbert I. Mehr and Enerson Commack outline the insurance as, "Insurance policies are written by business organizations called 'insurer'. In order to function properly, these insurers must have large number policymakers who are obtained either by directly representatives or through agents." (Mehr and Emerson, 1972:5), He again stated, "Insurance is a technical business involving the skills of statistician, financial analysis. Engineers, physicians, economists, layers and others. Contracts must have been carefully drafted, underwriting restriction must be determined, rates must be established equitable by analysis all the factors including public interest.

Insurance distributes the cost of the risk over a large group of individual subject to the same risk, in order to reimburse the few who actually suffer from the risk. It is a social service whereby one party, the insurer or insurance company, agrees to meet certain stated risk return for a money consideration paid by number of other parties, the insured; the money consideration is called the premium. A fire insurance company, for example, will in consideration of payment of a premium, issue a contract called a policy, in which the insurance agrees to reimburse the insured for a fire loss, but not is excess of amount stated in the policy and with the provision that the loss occurs during the period for which the policy runs," The essence of the insurance scheme is that, it is a social device, that it involves the accumulation of funds, that it involves a group of risks, and that each person of firm who becomes a members of the group transfers his risk to the whole group." (Athearn, 1986:3) The purpose of insurance is to reduce the uncertainty and worry caused when it becomes aware of the possibility of loss. It does this by spreading the economic burden of losses among members of group. Insurance does not prevent loss but it relives the financial burden.

In the context of Nepalese, Insurance companies, they provide various insurance policies and charge premium under insured risk and nature. Insurance companies collect fund through various clients (People and organization) as premium and invest on various sectors. So, all the insurance companies are responsible for their client's interest. This study looks and analyses different insurance company's premium collection and investment situation and sector.

1.2 Focus of the study

Collection of fund is the function of financial institution. Insurance companies are one of such financial institutions. Which collect their fund from premium. Premium means a certain charged amount, which is paid by the insured to the insurer for bearing risk and uncertainty. There are two types of premium: - Gross premium and Net premium. These two premiums further subdivided into two parts. They are single premium and level premium usually the insurance companies follow only one types of premium with accordance to their-nature and corporate objectives.

As significant differences in the nature of insurance, mainly there are two types of insurance life and non-life. Life and non-life premium is non-refundable. For life insurance companies, they have to refund the premium that collected to insured with bonds. However, general insurance doesn't have such burden. That is why the premium collection of both businesses dealt in different headlines.

Investment is one of the major parts of all financial institutions. All financial companies invest their excess fund to the desirable sector with profit motive. Investment means to out-flow of the fund at adjustable return. For Investing, investment pattern is the formulation of the investment strategy based upon the organizational and financial character of the particulars firm itself. Investment policy will be the preliminary decision of selecting the proper investment sector based upon single or joint consideration of safety, liquidity, marketability, profitability and stability or else. Usually, such investment pattern aims at arriving to the optimized or agreed mix of risk-return from the investment. Investment fund for the insurance companies are the excess amount after claims paid and managerial expenses.

i.e. Investment Fund = Premium Collection **–** (Claim Paid + Managerial Expenses)

The investment fund should be used in such sector that they could maximum return. But insurance company's investment portfolios are regulating by the Insurance Board of Nepal.

Under the rules and regulation, every insurance company must invest their 75% investible fund declared as compulsory sectors and rest 25% in other sectors.

Composition of Investment regulated by Insurance Board

Sectors	Percentage
Compulsory Sectors	
Government Securities & bonds	75%
Bank Fixed	
Others Sectors	
Finance Fixed Deposits	
Corporate Securities	25%
Policy loans (for Life Insurer)	
Others	

Premium collection and investment are the major tasks for every insurance company. So, success and failure of insurance companies depends upon these tasks. More premium collection means more income and more investment means more return. Therefore, this study is concentrate on the premium collection and investment position and pattern of insurances industry in Nepal. Companies are aimed at evaluating and analyzing the premium collection trend, investment sectors and ratio.

1.3 Introduction of Companies under Study

To fulfill the purpose of achieving the result according to the determine objectives, five insurance companies are selected randomly as sample in this study. These are: United Insurance, Everest Insurance, Premier Insurance, Neco Insurance and Himalayan General Insurance Company Ltd.

United Insurance Company Ltd. (UICL)

United insurance company is native operating in the field of non-life insurance activities. It was a joint venture with pragmatics insurance of Bangaladesh. Although, it was established in the year 2049 B.S. but started its insurance activities in 2050 B.S. its authorized capital was Rs. 150 million out of which Rs. 60 million have been subscribed. It's paid of capital is 100 million. It is an ISO 9001:200 certified insurance company.

Everest Insurance Company Ltd. (EICL)

Another non-life insurance company is Everest Insurance company ltd, which is established in 2051 B.S. to develop the insurance activities in country. Presently, it has five full branches and three liaison offices. Its authorized capital was Rs. 10 Million and the issued capital was Rs. 30 million was fully paid up.

As we know that it is involved into non-life business, which included fire insurance, Household insurance, Fidelity, Guarantee, public Liability, Engineering, Contractors, All risks insurance, Aviation insurance and Medical insurance.

Premier Insurance Company Ltd. (PICL)

It is native insurer in the field of non-life insurance business that is established in 2051 B.S. Its authorized capital was Rs. 100 million and the issued capital was 600 million including Rs. 30 million paid of capital. It has five branches and two sub-branches by ISO 9001:2000.

As we know that it is involved into non-life business, which included fire insurance, Household insurance, Marine insurance, Motor insurance, Personal insurance, Burglary, Money, Fidelity, Guarantee, public Liability, Engineering, Contractors, All risks insurance, Aviation insurance and Medical insurance.

Neco Insurance Company Ltd. (NICL)

Neco insurance company is a native operating in the field of non-life insurance activities. It is organized as on the year 2051 B.S. but started its operation 2 years later in the year 2053. Its authorized capital was 200 Million and issued capital was Rs. 50 million was fully paid up capital. Presently, all together nine regional, branch, sub-branch and contact offices all over the country.

The services provided by this company are as follow: Engineering insurance. Personal insurance, Group Accident insurance, Fire insurance, Motor, Aviation, Marine, Cash in Transit, Travel medical insurance. Domestic medical, Burglary and house breaking, Fidelity, Guarantee, Public Liability, workman compaction, Medical scheme, Total risk, Bankers insurance, Insurance of Electronic, Equipment etc.

Himalayan General Insurance Company Ltd.

It was registered by Himalayan life insurance and general insurance company at the company register's office on 2045 B.S. with a view to provided quality life and general insurance service to the people of Nepal. But the insurance board didn't give permission to transact life insurance. So, its name changed to the Himalayan general insurance co. Ltd. on 2050 B.S. Formally, it started its insurance activities on 2050/08/16. At present it has it has an authorized capital of Rs. 18 million and the issued capital was Rs 160 million including paid up capital of Rs. 30 million. Sixty percent comes from the promoters and the balance forty percent from the public shareholders.

The insurance services provided by this company are as follow: Fire insurance, Household insurance, Marine insurance, Motor insurance, Personal insurance, Burglary, Money, Fidelity, Guarantee, Public Liability, Engineering, Contractors, All risks insurance, Aviation insurance and Medical insurance, Overseas medical insurance and Hospitalization insurance etc.

1.4 Statement of the Problem

Today, though insurance business has been a part and parcel in the advanced modern world, Nepal is still crawling because the insurance business is relatively new and competition is very minimal hence the extent of business coverage is very low. A successful business depends to a greater extent on the proper designing and execution of marketing policies and programs. Only through the effective marketing policies, a business can expect to survive and grow. The insurance companies of Nepal do not seem to have attended properly in this respect and the reason behind this is; lack of knowledge, and poverty. Nepalese insurance companies try to advance the insurance business activities with different sort of obligations facing different kinds of problems and prospects. All the insurance companies are not enjoying full benefits due to the following reasons:

Though Premium is the backbone of Insurance Companies, there is no any attractive premium collection scheme by providing discount and incentives to the policyholders to encourage paying premium in time. Insurance Agents and Development officers don't show any responsibilities in premium collection despite receiving huge amount of insurance commission.

Limited sectors are declared for investment by the Insurance board for the collected fund. There is no doubt that efficient management of investment improves the financial position but there is lack of proper evaluation of investment sector before investing funds.

To survive and grow in the competition market, new insurance policies and schemes must be introduced as per the demand of time and people. But only traditional insurance policies and schemes are in practiced. Time consuming procedure in accepting, issuing, dispatching policy and approving policy loans & claims.

Nepal is an underdeveloped country and most of people live in rural area are illiterate also. Like this, the geographical situation is not favors for the expansion of insurance business. Most of the Nepalese are not familiar with insurance. Even educated people are confused about insurance. Hence, lack of knowledge about insurance is one of the crucial problems in insurance business and People of Nepal do not have the habit of insuring and mostly they buy insurance policies only if compulsory.

To overcome the above difficulties the researcher forwarded the study to provide the appropriate suggestion for the major difficulties on which the study was conducted.

1.5 Objectives of the Study

Every study has their own objectives. There are so many objectives of this study, but the main is to find out the current situation of premium collection and investment position insurance companies. The specific objectives of this study are spelled out as:

- To find out the trend of premium collection and compare with investment pattern of selected insurance companies in Nepal.
- To identify and analyze the role and growth of insurance company in the Nepalese economy on the reference of premium collection and investment pattern.
- To identify major problems facing by the insurance company related to the premium collection and investment aspect.
- To suggest and recommend probable corrective measure for the improvement based on finding of the study.

1.6 Significances of the Study

Insurance is one of the most flourishing services even in the developing country like Nepal. There are 25 insurance companies existing in Nepal. In which, 16 insurance companies are general (non-life) insurance and 9 are life insurance General insurance companies are permitted to underwrite general insurance business and other industrialists are looking to get permission to open Life insurance Company, though 99% of life insurance market remains untouched by life insurance companies. The experts said that the life insurance companies could easily collect more than one thousand million without suffering any difficulties. That is why foreign life companies had also opened their branches in Nepal. On the other hand, in small developing country like Nepal, there are 25 insurance companies including 2 insurance companies underwrite both life & general business. They are capturing each other's market and do not try to issue new policy and create new market. They are satisfied with the existing position. And they do not get suitable and steady sectors to invest their fund for more return. Now, they invest their fund in traditional sectors. So, a new study is required on the topic of premium collection and investment.

Premium collection and investment are the vital activities of insurance company. Success and failure of any insurance company depends upon these activities. As the topic of this study is 'A Comparative study of premium collection and investment position of different non-life Insurance Co. Ltd.', deals with the existing premium collection and investment of insurance companies. This study helps to outline the trend of premium collection and investment of concerned companies. That helps the management aware with the premium collection situation and investment position. That assists the management of concerned companies to take right decision regarding premium collection and investment.

The foreign insurance company can know about the current situation of insurance companies in Nepal. That helps them to take decision to open their branches in Nepal. It also helps Nepalese industrialists to take decision to establish new insurance company in Nepal. It also helps to the researcher to research in new fields of insurance companies and series of the studies on other insurance companies of Nepal.

1.7 Limitations of the Study

The study aims at findings the facts and the trend of the investment and premium collection within the Nepalese insurance industry. Therefore, the scope is limiting within the insurance companies operating. Every activity has its own boundary, as the same way this study has also some boundaries, which cannot be ignored. These boundaries are called as limitations of this study. The limitations of this study are: -

- The whole study will deal with some selected (sample) insurance companies premium collection and investment pattern.
- This study will be concentrated in premium collected from sample companies and the data will be collected from insurance Board (Beema Samitee), Nepal stock Exchange, respected insurance companies and www.bsib.org.np, www.nepalstock.com.np and other sources research based on secondary data is not far from the limitation to inherent character.
- The study will concern at list five years period's data and conclusion drawn from confines only to the limit duration.
- Time and resources constraints can be other factors that limited the scope of the study.

The generation and trustworthy of the study depends upon the reliability of responses or respondent and data provide from the sources.

1.8 Organization of Study

The whole study has been divided into five chapters.

The first chapters contain the introduction of the study, which include the following topics: General background of the study, statement of problem, Objectives of the study, Significance of the study, Limitation of the study Limitation of the study, Plan of work.

The second chapter is review of literature, which contains conceptual framework, review of previous thesis, research paper and published and unpublished master's thesis of T.U.

The third chapter is concerned with the research methodology, which is applied to collect the data and analyze in this study. It consists of the following topics: Introduction, Research design, Source of data, Population and sample, Method of analysis and Presentation.

The four chapters is the analyzing chapter, which deals with presentation and analysis of relevant data through definite courses of research methodology with financial and statistical analysis related to investment and liquidity management of related insurance companies.

The fifth chapter is the last chapter of the study, which concerned with the summary of the data, conclusion and recommendation of the study for the implementation in the future. Finally, an extensive, bibliography and appendices are also presented at the end of the thesis.

CHAPTER - II

REVIEW OF LITERATURE

In this section, the conceptual framework includes the various concepts in relation to the insurance business. On the ground of the research topic, this chapter shows a competent exploration of the background to the work and comprehensive review of recent and relevant literature. Basically this chapter is concerned with the review of literature relevant to the premium collection and investment position of selected insurance companies. As the past knowledge is the base of every study; it cannot be separated from the present study. In addition, this chapter deals with the conceptual aspects of textual facts relating to the various areas of research to be conducted. This chapter categorized into two parts as: Conceptual Framework and Review of previous studies and research papers.

2.1 Conceptual Review

2.1.1 Meaning of Insurance

Being a social man always wants his future to be safe and secured. Human beings are facing various sorts of risks from the very beginnings of the human civilization. Some sorts of risks are not out of their control. For reducing the risk insurance proved as an effective device that could be a safeguard against such unfortunate happenings. Therefore, the development of insurance has also crossed various stages so that the forms of insurance, which we see today, are not as effect of few years but as effect of centuries.

It is difficult to find the exact definition of insurance because there is no appropriate definition that actually defines the insurance. Some authors define insurance from its function. They define insurance from what insurance functioning. They said that the insurance company collected premium from the various people who are interested in shifting risks and compensate to the insured that are suffered from the economic losses from the stated risk within the policy period. On the other hand, some authors define insurance as legal documents. They said that insurance is only a legal contract between the insurance company and the insured. The legal contract is called as Policy in which Sum insured, plan & period, risks, nominee etc are stated.

2.1.2 Risk

According to the dictionary definition of risk, "the chance of loss or injury," risk is simply lack of definite outcomes, which can be any unknown, unfavorable event. It is a chance of happing some unfavorable event or danger of loosing some material value. "Risk is unlocked for, unwanted event in the future.

In the context of insurance, it takes uncertainty of occurrence of economics loss. Everyone wants to save own self from the risk or unfavorable situation. Therefore, risk averter people are interested to minimize such risk through certain mechanism led by insurance companies.

2.1.3 Risk Management

Risk management is the systematic and efficient handing of pure risk. In other words, risk management is the planning, organization, directing, coordinating and controlling process of risk. In practice, risk management is the device and process of decision making for either personal or organizational risk situation. "Risk management is a general management function that seeks to identify assess and address the cause and effect uncertainly and risk on an organization to progress towards its goals and objective in the most direct efficient and effective path." (Willams and Young; 1995: 27)

2.1.4 Insurance

We have a clear concept of risk and risk management in the context of insurance. So let we familiar with insurance. Insurance is the major mechanism of risk handing or in other way; it is a mechanism of spreading risk among the various people. Insurance is an instrument of risk among various people who are interested to accept risk for certain return.

Insurance Companies means the enterprise that involved in business companies are integrated part of the insurance business. They are economic institution that reduces risk by combing less than one management a group of objects of situated that the aggregate accidental losses to which the group is subjected become predicable with a narrow limit. It is not easy to define insurance, so here we have different definitions of different intellectual using their different point of views. Insurance can be explained as a social device to accumulate funds to meet the uncertain losses arising through a certain risk to a person insured against the risk.

2.1.5 Definition of Insurance

It cannot be easily define insurance by single point of view because there are so many scientists defining it considering two points of views. Among such views some of them are described under those common topics the definition can be studies under two points of views:

Co-operative concept or functional definition

Legal concept or contractual definition

2.1.6 Co-operative concept or Functional Definition

John Bainbridge defines, as "Insurance is indispensable to free economy and a free society because it not only protects the values produced by men and women who work for themselves but fasters in the confidence to produce more."(Bainbridge, 1952:15).

M.N. Mishra defines insurance as co-operative device, "Insurance is a co-operative device to spread the loss by particular risk over a number of persons, who are exposed to it and who agree to insure themselves against the risk.(Mishra, 1979: 5)"

Robert I. Mehr and Emerson Cammack define Insurance in the way, "Insurance may be defined as a device for reducing risk by combining a sufficient number of exposure units to make their individual losses collectively predictable. All units in the combination then share the predictable loss proportionately. (Mehr & Cammack, 1972:72)"

Frederick G. Crane said, "Insurance may be defined as a system of combining many loss exposures, with the costs of the losses being shared by all to the participants." (Crane, 1980: 8)

M.K. Ghosh & A.N. Agrawal also defines insurance as co-operative method of risk distribution. They said "Insurance is a corporative form of distributing a certain risk over a group of persons exposed it."(Gosh & Agrawal , 1959: 2)

Thus from the above definitions, the basic concept of insurance is a method of sharing financial loss of a few form the common fund out of contribution of he many who are equally exposed to the same loss. But the lost must be due some chance contingency or unexpected even, therefore insurance is kind of social network where are people contribution to his own as well as another person's security against misfortunes in life.

2.1.7 Legal Concept or Contractual Definition

It can be defined the insurance contract as "A contract whereby one person called Insurance undertakes, in the return for the agreed consideration called the premium, to pay the another person, called the Insurance assured a sum of money or its equivalent, on the happening of a specified event."(Hardy & Irmay' 1979: 3)

M.N.Mishra again defines insurance as this way, "Insurance may be defined as a consisting one party (the insured) agrees to pay to the other party (the insured) or his beneficiary, a certain sum upon a given contingency (the risk) against which is sought." (Mishra, 1979:5)

Thus from the above definition, we came to know that insurance in only legal contract between the insurance company (the insurer) and the insured. The legal document is the policy of insurance.

In the legal document, one party is called the insurer and another party is called the insured. The person who protects another against risks is known as insurer, while the person who is protected against the risk is known as the insured. The documents where in the terms and conditions of the contracts are started are knows the insurance policy. The amount for which a policy is taken out is called insured amount. The consideration, which the insured has to pay insurer, is known as the premium.

Thus, insurance is the means of transferring risks whereas the insurer (insurance company) undertaking to pay the insured a sum of money on the happening of specific event. In other words an insurance company promises to pay a certain sum of money on the happening of the specified event in exchange for all sum monetary payments.

In this way, we can say insures involves spreading loss over more than one entity within a present period, it is also the legal contract of indemnity, is personal in nature and is a contract of utmost good faith done to compensate for uncertain happening of any loss which are insured for certain happening of any loss which are insured for certain period of time and for specific amount to human life and property to the risk of loss or damage form the various sources.

The insurance functions can be divided into three parts, Primary, Subsiding and Indirect. The Primary function of the insurance is the equitable distribution of the financial losses of 'few' among 'many'.

Because insurance is described as a method of sharing of financial losses of a 'few' from a common fund formed out of contribution of 'many' who are exposed to the same loss. Therefore it is a system of spreading the losses of an individual over a group on individuals.

In the insurance plan each insured pays a contribution in form of premium into common fund out of which compensation is paid to those who suffer losses. The second function of the insurance is its subsidiary function, which means to provide the financial assistant as well as stability to the economy. A person whether he is in business or a profession or is in service, under an insurance plan, he can achieve monetary protection in the event of death or disablement in his life and taking financial assistance in the event of loss to his property by means of accident. Thus, insurance provides financial stability to trade, industry and the community. The third function of insurance is indirect that means it is the best medium of mobilizing internal resource and capital for the development of a country. Insurance Company collects as a premium from the public. Apart from this, fund is utilized for current assets and current liabilities and the balance is set aside as reserve, which is invested in government securities, bank fixed deposits and equities of the organizations.

2.2 Historical Background of Insurance

It is impossible to fix the exact date when insurance began, but certain activities, which may be regarded as forerunners of insurance existed before insurance as it is understood today was first, transacted. (Gosh & Agrawal, 1959:21) The Babylonians and Hindus used contracts known as bottoms loan to shift the burden of risk from owners of ships and cargo's to moneylenders who agreed to cancel the loan if the ship or cargo were lost during a voyage. If the venture was successful, the charge for the Bottamary loan was a high one, which combined both interest and cost of risk insurance, has been called "The head maiden of commerce", for it was with early commercial activities and the great dangers of travel and trade that such contracts appeared. Not only risks were shifted from one party to another in ancient times but the idea of sharing and pooling risks was also used. Chinese merchants divided their cargo's among several ships for period voyages on the rivers of ancient China, for the purpose of not having anyone merchant suffering total loss of cargo because one disaster. Life insurance too can be traced to ancient civilization such as Rome; Burial Funds were common in those days. In Greece, religious organizations collected and dispersed for burial costs of members. Although insurance had its origin, in the ancient world, the development of insurance forms, as we know that today did not being until about the 14th century. The first policy of modern marine insurance in a vessel was written on the Santa Clara at Geon, Italy in 1347.(Mehr & Cammack, 1972:72). The first corporation for marine insurance business was organized in parties in 1668. Venetian decrease in the 15th century regulated marine insurance contracts and Hansecaque Leqque used Indemnity Contracts for the trade with all of Europe.

In the coffee houses of England and France forged to the peak of their navel supremacy. Lloyds of London became the best-known center of marine insurance and remains as an important source of worldwide insurance on ships and cargos."(Mehr & Cammack, 1972: 72).

Fire insurance begun for all practical purpose, after their great fire of 1666 in London. Dr. Nicholas Barbon established the fire office at London in 1680. Since then many attempts have been made to develop the form of Fire Insurance, Phoenix Insurance Company was established in 1782.

Economic expansion in the 1800s found more life insurance ready for business. The Pennsylvania Company for the Insurance Olives (1809), The New York Life Insurance and Trust Company (1930), The New England Mutual Life Insurance Company (1836) and Mutual Life Insurance Company of New York (1843). The beginnings of scientific auctorial mortality tables appear and life insurance quadrupled in decade following the civil war." (Bickelhaupt, 1983:73)

The expansion of the railways, the advent of the automobile age, the mass production techniques of modern industry, the wars, the introduction of the airplanes and the changing social consciousness of an affluent society, all of these factors and many more business of the

21^{st} century. In the 21^{st} century numbers of fire offices were formed and Lloyds too had commenced fire insurance.

Transportation risks changed as the railways encountered competition from the motor truck and airlines industries. New chemicals, radioactive materials, and industrial possess have caused continual risk analysis, innovations for property insurance.

Thus we can summaries the historical background of insurance as the development of Fidelity Guarantee Insurance 1840, Personal Accident Insurance 1848, Employer Liability Insurance 1880, Public Liability insurance 1875, Housebreaking & Burglary Insurance 1887, Aviation Insurance 1911 and Motor Insurance only after the second world war were commenced. The oldest form of insurance was marine insurance. On the passage of time, Life Insurance and at a much later date by other numerous types of insurance schemes which the complexity of modern business and social life have made inevitable.

2.2.1 Insurance in Nepal

It is still a matter of research about the origin of insurance in Nepal. But anyway it can be said that the start of insurance business in now. The traditional "Guthi" system in Nepal seems to be similar to the system of insurance. The concept of 'Guthi' is a concept of life insurance. Many families depend upon the Guthi. Members it pays an amount in fixed rate and in the old age they maintained their lives availing financial aid from the "Guthi". There was on indigenous insurance organizations upon 2003 B.S. as a consequence of development of trade and industries the need for National Insurance Company like property was felt."(K.C., 1979:28). With the coming a Nepal Bank Limited and Ropeway, Nepal Insurance and Transportation company limited, wholly owned by Nepal Bank Limited was established in 1948 (8^{th} Ashwin 2004 B.S.). The main purpose of the establishment of this company was to solve the transit problem of Nepal Bank Limited. This need was not to some extent by 'Malchalani ra Beema'. It was assisted by Calcutta Branch of the 'Jupiter' General Insurance company of India in working as well as in reinsuring also. This company granted 'Malchalani Ra Beema' principle agency also. This Jupiter is the first company to undertake insurance risk in Nepal. When the Jupiter passed into the hands of an administrator appointed by the government, Malchalani Ratriya Beema" transferred its business relation. Then Ruby's Patna Branch started covering Nepal.

Meanwhile demand for insurance facilities in the country started increasing to meet this growing demand a few Indian companies started functioning in Nepal. The National Life Insurance Company of Calcutta was perhaps the first Insurance Company to open its branch office in Katmandu in 1958, its activities were extended to issuing aviation coupons cover flight risk and also issuing insurance certificates against goods imported to Nepal and cleared through Calcutta customs. It does not exist in Nepal. The Oriental Fire and Genera; Insurance Company establishes its branch office in Katmandu in 9th November 1959 and in Biratnagar in December in 1965, it is transacting fire, marine and accident insurance business in Nepal quite satisfactorily. It is one of the leading insurance companies of Nepal.

In this way, a number of insurance companies from India covered the insurance business in Nepal. Till 30th February 1968 most of the insurance business was taken over by the Indian insurance companies and there was total capital outflow of around nearly Rs.10 millions in the form of premium. (Joshi, 1978:12). This was certainly not consistent with the economic growth objectives of the nation. The Establishment of domestic insurance company is also necessitated to meet and assist the national requirement as per the national plan and policy of the government.

Realizing the need to regulate the insurance companies in the country Government of Nepal made programmed regarding this in the third 'five years' plan. It appointed a temporary committee on 1st Bhadra 2024, asking it to submit a report on rules and others pertinent aspects with 45 days for establishment of an insurance company in Nepal. Following the submission of the report by that committee Nepal Govornment set up 'Rastriya Beema Sansthan Pvt. Ltd.' on 1st poush 2024. Since then it started non-life insurance business on a national level on Kartik 9, 2025. Government of Nepal exacted insurance act 2025. The Act is applicable to all branches of national and foreign insurance companies. As Insurance Board was established under this Act to ensure protection to the policyholders and also to the insurance business, subsequently, Rastriya Beema Sansthan Pvt. Ltd. was converted into Rastriya Beema Sansthan on Poush 1st 2025. According to this Act, any individual form of company wishing to transact insurance business in Nepal should have at least Rs.2 millions paid-up capital. But paid-up capital should have Rs.3 millions according to insurance act 2049 B.S. they are also required to submit annual financial reports starting the state of affairs and revenue accounts for each classes of insurance business. Our country is in great need of capital to carryout national development work. By checking this huge amount outflow going to India, we can utilize it on investment in different sectors of the national economy and trade, industry, commerce, transport and so on which are equally important for us in our economic development. This would not mobilize saving for industrial and commercial development of the country but also provide increasing employment opportunities.

2.2.2 Types of Insurance

Insurance can be divided from two angles: (i) From the business point of view (ii) From the risk point of view. (Mishra, 1978:12).

(I) From the Business Point of View

From the business point of view, there are two types of insurance

a) Life Insurance

b) General Insurance

Life Insurance

Life Insurance is concerned with economic value of human life, which is derived from its earning capacity and the financial dependency of occurrence lives in that earning capacity. Life Insurance can be defined as “A contract whereby the insurer for a certain sum of money or premium proportioned to the age, health and other circumstances of the person whose life is insured. If such person shall die to the person in who's favored such policy in granted."

In the life insurance, "The insurer promises to pay a certain sum of money to the insured on his attaining a certain age or to the representative of the insured on his death, as the case might be." Therefore life insurance is related with human life. Life insurance business provides the financial security and compulsory saving to the human.

General Insurance

Basically, General Insurance business is divided into three types, i.e. Fire, Marine & Miscellaneous.

Fire Insurance

Fire Insurance in its simplest form provides indemnity for loss or damage caused by fire. Fire insurance may be defined as a contract whereby the insurer in consideration of the premium paid by the insured, undertakes to indemnity the later against loss or damage caused to the insured property by fire during a specific period and up to an agreed amount. Fire Insurance can be defined as "A contract whereby one party undertakes in exchange for a premium, top indemnity the other against a loss or damage caused to specified property by the fire during a particular period to the extent of a definite to included a number of perils, closely allied to fire such as windstorm, explosion, smoke, earthquake and riot etc.

Marine Insurance

Marine Insurance covers goods primarily while they are in the process of transportation. Marine insurance can be defined as, "Marine insurance is a contract whereby the insurer in consideration of premium, undertakes to indemnity the insured for damaged to or destruction of the insured property caused by the special sea, perils and incidental land risk while in transit. "Marine insurance can be also being defined as a contract of indemnity whereby the insurer undertakes to indemnity the insured undertakes manner and to the extent thereby agreed against the loss caused undertakes connection with a marine adventure. It includes protection against the perils of navigation and transportation such as theft, sinking and collision.

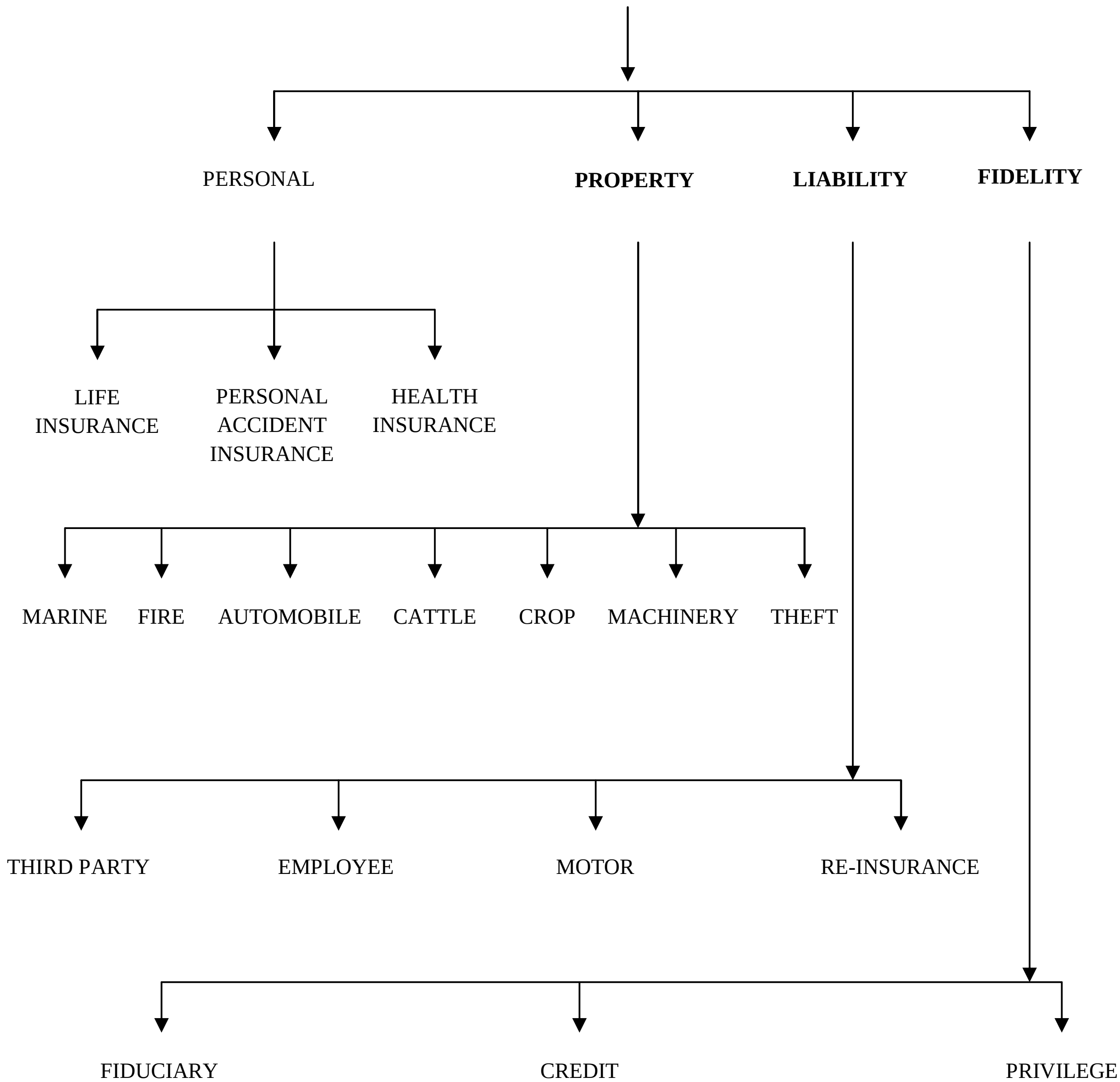
Miscellaneous Insurance

Under the miscellaneous insurance business included the various types of insurance business such as Motor, Aviation, Personal Accident, Cash in Transit, Burglary and Housebreaking, Worker's Compensation, Fidelity Guarantee, Flight, Public Liability, Medical Aid Scheme, Cattle Insurance, Engineering Insurance, Contractor All Risk Insurance and so on.

(II) From the Risk Point of view

Figure No: 2.1

Kind of Insurance from Risk Point of view



a) Personal Insurance

The Personal insurance includes insurance of human life, which may suffer loss due to death, accident and disease. Therefore, the personal insurance is further sub-classified into life insurance, personal accident insurance and health insurance.

b) Property Insurance

The property of an individual and of the society is insured against the loss of fire and marine peril, the crop is insured against unexpected decline in production, unexpected death of animal engaged in business, break-down of machines and theft of the property and goods.

c) Liability Insurance

The liability insurance covers the risks of third party, compensation to employees, liability of the automobile owners and reinsurance.

d) Guarantee Insurance

The guarantee insurance covers the loss arising due to dishonesty disappearance and disloyalty of the employees or second party. The party must be a party of the contract. His failure causes loss to the first party for example, in export insurance. The insurer will compensate the loss at the failure of the importers to pay the amount of debt.

2.2.3 Nature / Characteristics of Insurance

The insurance has the following characteristics, which are generally observed in cause of life, marine, fire and general insurance. (Mishra, 1979:7)

a) Sharing of Risk

Insurance is device to share the financial losses, which might be fall on an individual or his family on the happening of a specified event. The event may be death of a bread-winner to the family in the case of life insurance., Marine perils in the case of marine insurance, fire in fire insurance, and other certain events in general insurance, e.g. theft in burglary insurance, accident in motor insurance etc. the loss arising from these events if insured are shared by all the insured on the form of premium.

b) Co-operative Device

The most important feather of every insurance plan is the co-operation of large numbers of persons who, in effect, agree to share the financial loss arising due to a particular risk, which is insured. Such a group of persons may be brought together voluntarily or through publicity or through solicitation of the agents. An insurer would be unable to compensate all the losses from own capital. So, by insuring or underwriting a large numbers of persons, he is able to pay the amount of loss. Like all co-operative devices, there is no compulsion here on anybody to purchase the insurance policy.

c) Value of Risk

The risk is evaluated before insuring to change the amount of share of an insured, herein called consideration or premium. There are several methods of evaluation of risks. If there is expectation of more loss, higher premium may be charged. So, the probability of loss is calculated at the time of insurance.

d) Payment at contingency

The payment is made at a certain contingency insured. If the contingency occurs, payment is made. Since the life insurance contract is a contract of certainty because the death of the expiry of term will certainly occurs, the payment is certain. In other insurance contracts, the contingency of the fire or the marine perils etc may or may not occur. So, if the contingency occurs, payment is made, otherwise no amount is given to the policyholders. Similarly, in certain types of life policies, payment is not certain due to uncertainty of particular counting.

2.2.4 Functions of Insurance Companies

a) Insurance Provides Certainty:

Insurance provides certainty of payment at the uncertainty of loss. Better planning and administration can reduce the uncertainty of loss but the insurance relieves the person from such difficult task. Moreover, if the subject matters are not adequate, the self-provision may prove cost-liar. There are different types of uncertainty in a risk. The risk will occur or not, when will occur, how much loss will be there? In other words, there are uncertainty of happening of time and amount of loss. Insurance removes all those uncertainty and the assured is given certainty of payment of loss. The insurance company charge premium on the said certainty.

b) Insurance Provide Protection:

The main function of the insurance is to provide protection against the probable chances of loss. The time and amount of loss are uncertain and at the happening of risk, the person will suffer loss in absence of insurance. The insurance guarantees the payment of loss and thus protects the assured from suffering. The insurance cannot check the happening of risk but can provide for losses at the happening of the risk.

c) Risk sharing:

The risk is uncertain, and therefore the loss arising from the risk is also uncertain. When risk takes place, all the persons who are exposed to the risk, share the loss. The risk sharing in ancient time was done only at the time of damage or death, but today, on the basis of probability of risk, the share is obtained from each and every insured in the shape is premium without which protection is not guaranteed by the insurer.

d) Prevention of loss:

The insurance joins hands with those institutions, which are engaged in preventing the losses of the society because the reduction in loss causes lesser payment to the insured and so many saving is possible which will assist in reducing the premium. Lesser premium invites more business and more business cause lesser share to the assured. So again premium is reduced to, this will stimulate more business and more protection to the masses. Therefore, the insurance assist financially to the health organizations, fire brigades, educational institutions and other organizations which are engaged in preventing the loose of the masses from death or damages.

e) Provides Capital:

The insurance provides capital to the society. The accumulated funds are invested in productive channel. The dearth of capital of the society is minimized to a greater extent with the help of investment of insurance. The investment and loans of the insurance benefit the industry, the business and the individual.

f) Provides Efficiency:

The insurance eliminates worries and miseries of losses at death and destruction of property. The carefree person can devote his body and soul together for better achievement. It improves not his efficiency, but the efficiencies of the masses are also advanced.

g) Helps Economy Progress:

The insurance by protecting the society from huge losses of damage, destruction and death, provides and initiative to work hard for the betterment of the masses. The next factor of economic progress, the capital, is also immensely provides by the masses. The property, the valuable assets, the man, machine and the society cannot lose much at the disaster.

h) Underwriting:

Underwriting function of the insurance company is the selection of for its coverage. The basic objectives of the under writing function are for the calculation of the rate and to understand the depth of risk to be covered by the company. In addition, this analysis function is also executed to make decision whether to accept the risk or not.

2.2.5 Investment

Generally, investment means to flow cash in different sectors at profit motives. Investment means sacrifice of certain present value for future value. In pure financial sense "the subsequent use of the term investment will be in the prevalent financial sense of the placing of money in the hands of other for the participation in expected profits." (Dowrie and investment problem will revolve around the concept of managing the surplus financial assets in such way. Which will lead to the wealth maximization and providing a significance further source of income lastly, an insurance company and insurer must mobilize it collected premium and other funds to profitable. Secured and marketable sector company, which it can earn a handsome profit, secured and can be converted into cash whenever needed.

2.2.6 Source of Investment Fund

The funds with the insurer are accumulated form the various sources. Some of which are given below (Mishra; 1979:186)

a. **Premium: -**

   The main source of funds is the premium collected by the insurers. The premium may be single premium, level premium of consideration exceeding of this premiums over the needed premium for meeting claims and expenses if the source of funds.

b. **Interest: -**

   The second sources of fund the excess interest earned over the assumed.

c. **Rate of Interest**: - The assumed rate is lesser than the actual rate in most of the causes. In reserve, the funds will decline.

d. **Capital: -** Funds collected from the rate of share capital and debenture share included under capital gains.

e. **Savings in expenses: -** Saving in expenses loading, bonus loading or mortality saving are also contributing the funds of the insurers.

f. **Non-payment of claims:** - In pure endowment or term insurance, the claims may not arise therefore the premium paid for such benefits are saved. Sometimes, in certain cases, the claimants do not come for payment at all. Thus the saved money also firms a part of the funds of insurer.

2.2.7 Principle of Investment

Generally, all financial institution and intermediaries invest their colleted fund under investment principles and policies. For the purpose of study, investment policy is a plan or course of future strategy and course of action are over mention the policy. For the purpose of study, investment policy will also be the plan or course of future action that is pour posed to adopt regarding the investment. "While investment policies needed to be formed the investors needs to consider many factors. Usually those are the factors to be considered in investment planning decision. Security of principle, stability of income and rate of return, marketability and liquidity. (Shim and Siegel: 1989:256)

The investment policy may be different according to the objective and nature of the organization, regarding the organization business, it will be the outcome of various principles and other affecting matters along with the basic principles of investment that need to be followed, because the investment policy is formulated under regarding principle of investment policy and selection criteria, we have following basic principles.

a. **Safety**

The securities in which the funds of insurer are to be insured should never at anytime fall in their face values, otherwise the liability will be more than its corresponding assets. The primary purpose of investment is not to earn maximum profit but to maintain a complete security. Therefore, speculate investments involving possibilities of large profits or large losses are not suitable for life insurance funds. Security of principal amount is more important consideration.

Safety includes safety of principal amount and interest there. It means that the principal and interest must not fall below the expected level at any time. This principle is the keystone of investment.

b. **Profitability**

The insurer must earn at least the assured rate of interest; otherwise he will suffer from losses. The investment, so, should be made in such securities, which yield the highest return consistent with the principle of safety. The insurer can reduce his future premium by earning higher interest and thus will be able to increase his business. It has been realized that the safety and the profitability principles are opposite to each other. The safest securities earn litter profit and vice-versa is also true. Therefore, the investment department has to establish a proper balance between safety and profitability. However, there are certain securities where the safety and the profitability principles are fully observed. Government securities & bonds are some of the examples of such securities.

c. **Liquidity**

It represents convertible of investments into cash without undue loss of capital. The principle is essential because of immediate requirement of money for payment of claims. However, there is no higher chance of maximum outflow at any time because the maturity unlike the bank withdrawal may not fall within a short period. The claims are generally, following a set-trend on the maturity and death experience. A rough estimation can be made of the payments of claims, Surrender Values, Policy loans and regular expenses. 'Funds' should be invested according to the requirements of the insurers. i.e. investments are so made that the maturates will occurs at intervals adjusted to meet the needs of maturity obligations.

For meeting the daily outflows of funds, it is readily essential to keep maximum amount cash or in readily convertible securities because a vast inflow of cash is observed in form of premium return on insurance and sale of securities. For the established and financially strong insurers, the liquidity is not must essential. Moreover, the insurer can insert a clause of delay in payment for a specified period. The principle of liquidity is against the principle of profitability because the idle cash that will earn nothing and invested cash will have no liquidity.

d. Marketability

The principle of marketability suggested the insurer to invest in the sector where easy possibility of cash convertibility exists. Insurer may not have any pre-information about the requirements of funds to pay the insured claims. So they need to invest in those sectors where marketability exists.

2.2.8 Needs of Investment

It is not that the insurance company has its basis income from collections. If such a large amount it not invested in any productive sectors the organization will not be able to operate smoothly because primarily they have to pay the claims by insured. So, insurance companies mobilize their fund to create for liquidity, for profitability and for security in different secured sectors. The needs of investment can be described as below.

a. Payment of claims

The first most important obligations of the insurer are to pay the amount of claims whenever they vary. For this insurer is getting a substantial amount of form premium and has to preserve then for payment later on. To keep such amounts idle will be failure on the part of the insurer who is expected to invest them on behalf of the policyholders.

b. To avoid financial deficit

If funds are not invested, the total income of the insurer will fall sort of interest and its investment has been assumed while calculating the rate of premium. Again, If funds are not invested and interest not earned. It would be an underestimation of its future liability, which may provide disastrous at the time of higher mortality.

2.2.9 Main Investment Alternatives

The pattern of investment is governed by provision of the insurance Act or by its law. Accordingly, its composition or percentage of share may very accord to time to time or amendment of by laws in government and other approved securities. While investment are also made in firm of loans to government organization, public enterprises in buying of shares, buying of immovable properties, loan to its policy holders and fixed deposit with approved banks. The ration is specified according to the decision of board or Act of the company.

Normally the investment of fund is highly affected by the objectives of liquidity maximization of yield and safety of insurance companies. There are various investment alternatives for insurance companies. Some of main investment areas are described below:

a. Equity Securities

Equity securities represent the ownership share in a corporation.Common stock and preferred stock represents equity securities. Common stock is a source of long term financing. Common stock represents the ownership position in a company. The holders of common stock called shareholders or stockholders are the legal owners of the company. Common stocks are the source of permanent capital since they don't have a maturity date. The capital contributed by share holders by purchasing common stock are entitled for divided. The amount or the rate of dividend is not fixed. The company's board of directors decides it. Therefore, common stock is known as variable income security. Preferred stock represent the long term source of financing under which stockholders are entitled to get fixed amount of dividend out of the earning of the company after payment of interest and tax. Dived ends are paid after tax. They have no voting right, but they can claim on income and assets prior to common stock holder expect that of creditors.

b. Debt Securities

Debt securities are those on which interest has to pay and they have maturity period. Debt securities can be divided into the two parts. They are follows:

I. Short-term debt securities: Short-term debt securities mature within a year or less. They are trade in money market. It consists of negotiable certificate of deposit, commercial paper, banker's certificates, banker's acceptance, trade credit, short term bank credit and Treasury bills.

II. Long-term debt securities: Long-term debt securities mature after more than one year. It is traded in the capital market. It consists of government securities, municipal securities, bonds and debentures issued by companies.

- **Real Assets:** Real assets are non-financial assets. It consists of previous metal, real estate and collectibles.
- **Mutual funds**: Investment companies that sell shares of common stock that represent an ownership interest in a portfolio of domestic and foreign securities. It is traded on over the counter market and direct transaction with individual funds.
- **Fixed Deposit amount:** Fixed deposit amount in a bank and financial institution is another alternative of investment of insurance companies. Bank and finance company pays high rate of interest on fixed deposit than other account, it has finite maturity period.
- **Option:** An option is a financial instrument that gives the holders right to buy or sell some assets at predetermined price within or on certain future date. An option is a contract between two parties i.e. buyer of option and seller of option. The buyer of an option has the right but not an obligation whereas the seller of an option has obligation if the buyer wants to use the option right.

Beside the above-mentioned investment sector the researcher has categorized the investment of insurance companies in different sectors as: investment in government bond, investment in bank fixed deposit, investment is finance companies, investment in shares, investment in citizen investment fund other investment alternative.

2.3 Review of Previous Studies and Research Works

In this section a previous study related to the insurance is studies. In this case thesis of different writers and some related journals are reviewed. The review can be presented as under.

2.3.1 Review of Previous Studies

The researcher visited different libraries and reviewed some relevant studies by former researcher, experts, various authorities, and MBA and MBS students that on insurance. Various studies could available in the field of premium collection and investment and liquidity management of insurance companies. Among them some studies related on the topic had been conducted for the fulfillment of master's degree in TU. in this regard some different thesis have been reviewed.

Sharma conducts a Study, (2053) B.S "A study o financial performance analysis of Rastriya Bema Sansthan P.Ltd. and national life and general insurance P. Ltd." has found various financial indicators of these companies form the analysis. The find the following major issues:

- Absolute Value of Premium collection has been increasing but it is in decreasing trend in respect of GDP growth rate.
- Net premium to claim ration gradually decreasing, claim outstanding and premium outstanding are increasing year by year since the overall liquidity position is weakling.
- Most of the parts of investment portfolio are composed of bulk fired deposit account and government's securities.

Based on the issues, he suggested recommendation to those companies; some of main recommendation is as

- They should increase the retention ratio.
- They should make an effective program to take larger market share.
- They should improve overall liquidity position.

- They make effective investment portfolio.
- They should accelerate the out sanding premium collection speed.

Adhikari; (2000), study was descriptive and analytical tool and was intended to cover investment policy of life and non life insurance business. This study has focused only financial tool. T-test is suitable for this study but he did not use it.

His study's objective was to evaluate the investment a policy on different insurance policies and examine the trend and pattern of investment towards different portfolios. After detail study and analysis he concludes that,

- Regarding the lice insurance industry, major proportion of investment was incepted within the head. Government securities and bank fixed deposits; falling into the classification compulsory only a very smaller portion in investment was invested in the sector falling into classification optional.
- Regarding the portfolio wise investment return, non life insurance, insurance industry got higher return form government securities and then 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.
- The return from the government securities was highest and return from the policy loan was lowest and bank fixed deposits was stable than others.
- Non life insurance industry and insurer also the major portion of investment was incepted within the heads. Government securities and bank fixed deposits rather than the classification optional.

Thapa (2002) had prepared a thesis entitled "a comparative study on premium collection and investment patterns." according to the study and analysis of "investment pattern and composition." And premium collection and its composition, Nepalese insurance companies were not following the generally acceptable principle of investment and also have no similarities in premium chargeable rate and collection rate under different policies. Some of major finding of the analysis are as follows: -

- The trend analysis on aggregate premium collection and investment shows that there is increasing trend in premium and investment but has fluctuating trend in respective policy.
- The insurance industry has not consisted in investment proportion of various investment sector and investment portfolio too, but they have similar in investment sectors, however the return on premium and interest earn to total premium ratio seems to the increasing trend, however the claim paid ratio and premium collection ratio of insurance industry are increasing trend in stuffy period.
- Among the insurance policy, the ratio of premium collection is higher in fire insurance and lower in engineering policy.
- The analysis of correlation between premium collection and claim paid of sampled insurer and industry has positive relationship. However Nepal insurance and United insurance have lower degree of positive relationship and probable error shows insignificant relationship between premium collection and claim paid.
- The test of hypothesis helps to conclude the total premium amount of five-sampled insurer and industry has significantly different. But test for claim paid of insurance industry seems that there is no significant different in claim paid.
- Almost of the insurer follows the investment policy at fund but some give preference to government rules and regulation and management desire. Insurance industry also prefers the portfolio investment and is in satisfactory position of the investment system. Most of the insurer is succeeding in premium collection target.

Based on the issues, his suggestion and recommendation are:

- The entire insures should be investment policy and improve its management.
- Insurance premium fund should be invested in different sector other than GON bone and bank fixed deposits in order to inherence the life standard of people there by the insurance premium.
- The entire insurer should improve their premium collection system and investment system and execute a scientific insurance system.
- There is need of diversification of investment of manage level of rise and minimized yield in ling run in Nepalese insurance industry.

- Entire insure should manage a separate department for the purpose of investment and gain return without risk.
- Insurance company should expand their activities and rural area for high market share.

A study on premium collection and pattern of investment of insurance companies in Nepal conducted by Mukesh Yadav (2007) has found the following facts about sampling insurance companies during the research period.

- Those companies are not able to collect its outstanding premium efficiently.
- Liquidity management of sampling companies is not satisfactory.
- The company's re-insurance premium is in increasing trend.
- The investment situation is less healthy.
- Insurance companies run smoothly with profit, faced various problem.
- Insurance is found in urban area only.
- In about claim received, time consuming procedures in accepting. issuing and survey report, submission procedures not clear to clients in sufficient document submission on by client
- The trend of the premium collection and investment are fluctuated. There is no formality. Which regulates by government or Bema samiti is also unscientific.

Base on the above findings of the study, the researchers suggests and give the following recommendation.

- The entire insurance company should follow the investment policy and improve its management. Moreover, should maintain and make informality on premium collection under all insurance policies.
- Make insurance business people-oriented by making qualitative improvement in the functioning of insurance surveyor and agents by making them follow the cod of conduct.
- Prepare the substantive and suitable investment policy and fix the priority areas for investment of amount received from premium of insurance policy.
- Promote long term capital mobilization required for development project.

- Development and expand insurance business as a competitive and trust worthy sector of investment.
- Insurance premium fund should be invested in different sector other than government saving bond and bank fixed deposits in order to improve the life standard of people thereby increase the insurance premium.
- Insurance companies suggested expanding insurance activities in rural area by the establishment of branches or by the appointment of agents according to its potentiality.
- The insurance companies should introduce new policies and attractive strategy to make easy for the development of insurance business.
- Nepalese insurance business should be social responsibility oriented rather than premium oriented in order to develop this business at present situation.
- The overall market of aviation insurance business is going to decrease every year so to collect more premium attention Nepalese insurance companies policy to improve the business of aviation insurance.

Thus based one above organization gaps, the researcher hope to prepare a thesis on Premium collection and investment position of insurance companies in Nepal. In this study the researcher hopes to avoid all the limitation in the earlier thesis. The study will compare the investment trend in various fiscal years. For the analysis the researcher will use financial tools as well as statistical tools. And it is hoped that this stuffy will contribute quite differently than other researcher conducted by other researchers

2.3.2 Reviews form Journals

As we know that insurance companies plays a vital role for the economic development of the country. There are many journals, booklet; medical publishes the news about the role, function and activities of insurance companies every day. In Nepal, there is difficult to find any articles in the subject matter of insurance. There are no such advanced and research based journal in the field of insurance company. So, there are limited numbers of journals available in the published by some journal and published are as follows:

“Nepalese insurance companies continued to face a growing magnitude of the problems in the collection of outstanding premium from the period of the company’s establishment of the present years.”

“Kiran Nepal has mentioned the current market of insurance industry in Nepal. The articles are the complete study of potentials if insurance in Nepal and problems facing by the insurance companies of Nepal. He reveals that there is keen competition in general insurance business. There are 16 general insurance companies in the small country Nepal. So, there is competition each other to capture the other market without creating their own market and going to other to capture the other sectors of insurance behind the traditional functioning. But the 90% of the life insurance market remains untouched. The life insurance companies are far from each to the majority public. There is future potential in the life insurance in Nepal.” (Nepal, 2003:38-45)

“Insurance played the important role in the trade and commerce. It is absolutely true that expect risks are unpredictable. These risks are to be insured to protect exporters. Various forms of insurance have been existence for hundreds of years. Just as many of the terms used today are the same as were many years ago.” (Shrestha; 1991:1-4)

“Insurance has direct role to play in a developing country because of the fact that the government it utilizing its entire means resource for the all around development of the country.” (Bhattarai; 1993:17)

In the article, a study on deposits and credits of commercial banks in Nepal by Shrestha. Concluded that the credit deposits ratio would be 51.3% other things remaining the same in 2004 A.D, which has the lowest under the period of review. So he had strongly recommend that the commercial should try to give more credit entering new field a far as possible otherwise they might not able to absorb even its total expenses. (Shrestha; 2045:1-10).

Chapter - III

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is the research technique to achieve the stated objective of the study. It also presents the plan and framework of this studies;" research methodology refers to the various sequential steps to adopt by a researcher in studying a problem with certain objectives in view." (Kothari; 1989:172). Thus the research methodology describes the method and process applied in the study.

The research methodology includes research design population and sampling, types and source of data, data collection procedure, tools and technique of analysis of data. The study aim at presenting, evaluation and finding about the investment pattern, liquidity management of Nepalese insurance companies. The study follows the research methodology in the following way.

3.2 Research Design

A research design is the specification of methods and procedures for acquitting the information needed. It is the overall operational pattern of framework for the project the stipulates what information is to be collected, from which sources and by what procedures. On this regard the research design followed for this study is historical descriptive and analytical.

A research design is a plan for the collection and analysis of data. It present a series of guide posts to enable the researcher to progress in the right direction in order to achieve the goals.

"Research design is the plane, structure and strategy of investigations conceived so as to obtain answer the question and to control variance" (Wolf and pant; 1975:43). A research design is the arrangement of condition for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (Claire Sellzie and Associate; 1962:50).

The research design asks, what approach to the problem should be taken, what methods will be used, what strategies will be effective? So at will be difficult to researcher to obtain any result without consulting the research design. Analytical research design has been used to find out the situation clearly on the basis of available data. But the descriptive research design is a process of cumulating facts or used to show the pattern of increase or decrease.

Mainly the study attempts to analyses investment and liquidity management of insurance companies. As being descriptive and analytical research design. It consider the analysis and interpretation of secondly and data's as well as correlation analysis and ration analysis to evaluate past behavior of the insurance relating investments and liquidity management with industry.

3.3 Population and Sample

The collection or the aggregate of objects or the set of result and operation is called population or universe. Sampling is the process by which inference is mode to the whole by examining only a part. In other words, a representative part of population selected form it with the object of investigation its properties is called sample. In this study the whole insurance company or industry consist 25 insurance companies which is taken as population and among them, only five general insurance companies are taken as sample because there are listed companies in SEBON in group 'A' and they have profit track record for the last 3 years, book value higher than paid up value, submitted its financial statement to NEPSE within six months of the expiry of fiscal year, paid up capital exceeding Rs 20 million, have at least 1000 share holder so falls

In category 'A' only those companies listing in 'A' category and having central branch in Kathmandu are taken for the purpose of study as sample form the populations. They are:

1. Neco General Insurance Company Limited.
2. Himalayan General Insurance Company Limited.
3. Premier General Insurance Company Limited.
4. Everest General Insurance Company Limited.
5. United General Insurance Company Limited.

3.4 Nature of Source of Data

Data collection by researcher or through agent for the first time from related field and possessing original character are known as primary source (data's on the other hand data collected by someone else), used already and are made available to other in the form of published static are known as secondary data.

Mainly secondary data is used for the purpose of the study. They were collected form Beema samiti, Nepal stock exchange and concerned websites. The supplementary data and information have been acquired from various sources like newspaper, magazines, brochure, booklets, periodicals and bulletins, published and unpublished reports, relate documents and journals available in different libraries.

The sources of vital secondary data are:

- Published or unpublished annual report of different companies.
- Publication of insurance board Nepal.
- Published reports and bulletins of the concerned area.
- Publication of Nepal stock exchange.
- Different broachers, journals, booklets, periodicals published by insurer.
- Published or unpublished financial Statement of the respective insurers.
- Publication of government agencies and bodies relating to the area.
- Thesis and reports conducted by various MBA, MBS students relating to insurance field.
- Books relating to the subject.

However an information inquiry was also conducted at different places. According to need and objectives the secondary data are compiled, processed, tabulated and where necessary graph are used to qualify the presentation.

3.5 Data Collection Procedure

The used data are mainly based on secondary sources. The data are gathered by visiting Nepal stock exchange, Beema samite, Nepal commerce Campus, Shanker Dev Campus, Central Department of Management and central Library. The information is gathered by personal interviews, telephone inquiries and financial document by concerned companies, which are also different from to techniques.

3.6 Data Analysis Tools

The facts and figures collected are to be processed with a view to reducing them to meaning proportions. Only by such a careful and systematic processing, the data collected will lend itself for statistical treatment and meaningful interpretation leading to formulating of theory or finding. Thus for the purpose of analysis two techniques are used. They are financial tools and statistical tools as assumed to show the position of premium collection and investment and return and the contribution on overall perform once.

3.6.1 Financial Tools

Financial indicators are those, which are used for the analysis and interpretation or financial data. The financial indicators used in this research study are as follows:

a. Ratio Analysis

Ratio analysis is the tools of scanning the financial statement of the firm. Through this, one comes to know that in which areas of the operation the organization is strong and in which areas it is weak. In order to analyze, the premium collection and investment following ratio are used:

$$\text{Return on Investment } X \frac{\text{Net Income}}{\text{Total Investment}}$$

$$\text{Total Investment to Total Premium } X \frac{\text{Total Investment}}{\text{Total Premium}}$$

$$\text{Govt.Saving Bond to Total Investment } X \frac{\text{Govt. Saving Bond}}{\text{Total Investment}}$$

$$\text{Bank's fixed to Total Investment } X \frac{\text{Bank Fixed Depoist}}{\text{Total Investment}}$$

$$\text{Finance Company's Fixed Deposit to Total Investment } X \frac{\text{Finance Company Fixed Deposit}}{\text{Total Investment}}$$

$$\text{Investment on Share to Total Investment} = \frac{\text{Investment on Total Share}}{\text{Total Investment}}$$

$$\text{Investment of CIT to total investment} = \frac{\text{Investment on CIT}}{\text{Total Investment}}$$

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

3.6.2 Statistical Tools

There are various statistical tools have been used to carry out this study. In this study the following stastical tools are used to premium collection and Investment of sampled General Insurance Companies. This analysis comprises the following tools;

- Mean ($\overline{X}$)
- Standard Deviation (S.D)
- Co-efficient of Correlation (r)
- Probable Error of Correlation Co-efficient
- T-test

a. Mean ($\overline{X}$)

The sum of the entire observation is divided by the number of observation is called mean.

$$\text{Mean } (\overline{X}) = \frac{(\text{Sum of total value})}{\text{No. of values}} = \frac{X1 + X2 + \ldots\ldots\ldots\ldots + Xn}{N},$$

$$\overline{X} = \frac{X}{(N)}$$

Where, N= Number of Observations
X= Sum of all values of the variable ‘X’
X= Variables involved

b. **Standard Deviation (S.D)**

Standard deviation measure the absolute dispersion. A small standard deviation means a high degree of uniformity of the observation as well as homogeneity of a series and large standard deviation means just the opposite.

It is calculated as follows;

$$\text{S.D.} = \sqrt{\frac{(X - \bar{x})^2}{n - 1}}$$

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

X = Individual Observation

N = Number of observation

c. Co-efficient of Correlation (r)

Correlation is an analysis of the co-variation between two or more variable. It deals to determine the degree of relationship between two or more variable. The degree of relationship between two variables is known as simple correlation. Simple correlation is computed as;

$$\text{Simple correlation coefficient (r)} = \frac{n \quad xy\, Z(\quad x)(\quad y)}{\sqrt{n \quad x^2}\, Z(\quad x)^2 \sqrt{n \quad y^2}\, Z(\quad y)^2}$$

The coefficient of correction measures the degree of relationship between two sets of figures. Generally, Karl Pearson's (product moment) method is applied for the study to attain the relationship between investment and liquidity management. In statistical, terms we say that investment and liquidity management are perfectly negative correlated with r= -1.0, the opposite perfect negative correlation, with r= -1.0, is perfect positive correlation r=+1.0 the product moment formula is calculated as:

$$r = \frac{xy}{\sqrt{\quad x^2 \sqrt{y^2}}}$$

Where, X = deviation of variable x with its arithmetic mean

Y = deviation of variable y with its arithmetic mean

d. Probable Error of Correlation Co-efficient

Probable error of correlation co-efficient usually denoted by P.E (r) is an old measure of testing the reliability of an observed value of coefficient in so far it depends upon the condition of random sampling. It is obtain as

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

e. Coefficient of Variation (C.V)

The correlation of variation is the relative measure of dispersion. The greater the value of co-efficient of variation, less will be the uniformity or consistency and vice- versa. C.V is defined as the ratio of the standard deviation to the mean expressed in percent.

$$(C.V) = \frac{S.D}{\overline{X}} 100\%$$

Where, $\overline{X}$ = arithmetic mean

S.D. = Standard Deviation

f. T-Test

T-test is generally used to find out the relationship between the two variables. If we draw a large number of small (n<30) and compute the mean for each sample and then plot the frequently distribution of these means, the resulting sampling distribution would be student's t-distribution. As the sample size approaches 30, the t-distribution becomes more and more like the normal curve. It is calculated as follows:

$$\mathbf{T} = \frac{\mathbf{x_1} - \mathbf{x_2}}{\sqrt{\sigma^2 \left(\mathbf{1/n_1} + \mathbf{1/n_2} \right)}}$$

CHAPTER – IV

DATA PRESENTATION AND ANALYSIS

4.1 Analysis of Secondary Data

For the purpose of study and analysis, secondary and primary data are used. Based upon the data, interpretation and analysis are done for finding and conclusion. All the theoretical concept of premium is mentioned in the above chapter, which may be enough for the rhetorical idea. Therefore, here, only quantitative analysis are described, which is related to the premium collection and investment pattern and their composition. For this purpose, the trend analysis ‘F’ test, Mean, standard deviation and coefficient of variation are used and for comparison variation ratio analysis are computed which will be give the actual proportion to the particular insurance company. This evaluation chapter is also separated into two parts as financial analysis and statistical analysis likewise evaluations of investment patterns.

4.1.1 Analysis through Financial Tools

Earning Per Shares (EPS) of Insurance Companies

This ratio measures the net profit to number of shares of insurance companies that is earning per share (EPS). It shows the net income per share in a year of insurance company. Hence, from it the shareholder wealth can be measure. Increase in EPS creases the shareholder wealth and vice-versa.

Table No: 4.1

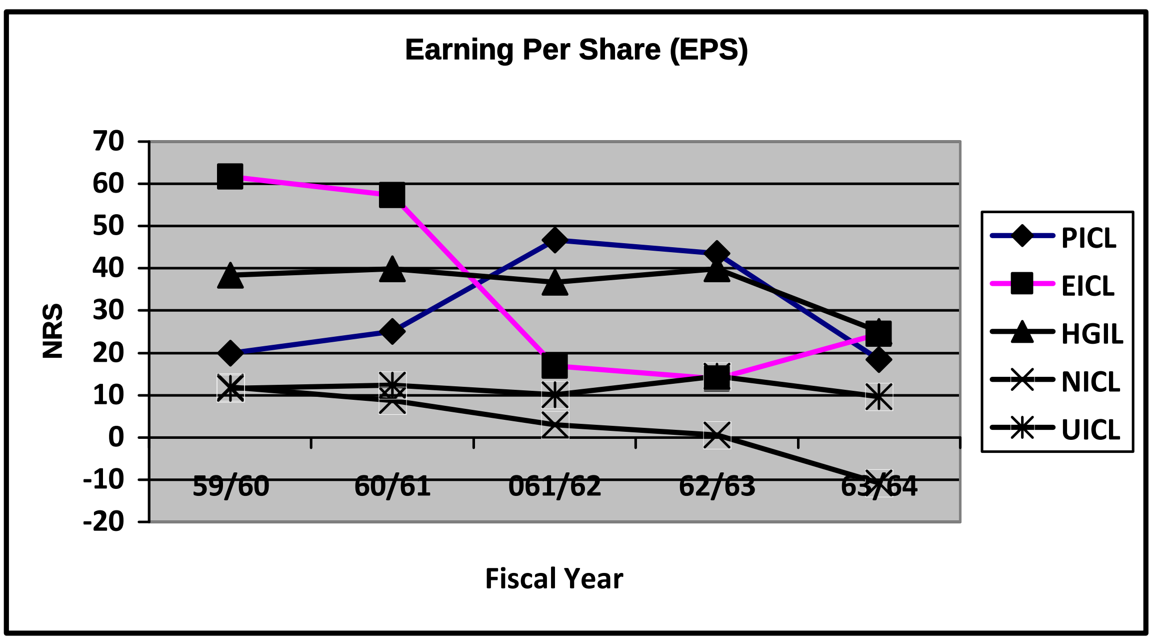
EPS of Insurance Companies

Insurance company	Fiscal Year					Mean	S.D.	CV
	59/60	60/61	61/62	62/63	63/64			
PICL	19.88	25.12	46.68	43.54	18.43	30.73	11.99	39.017
EICL	61.74	57.22	16.87	13.94	24.54	34.862	20.45	58.66
UICL	38.41	39.86	36.70	39.90	25.10	35.994	5.57	15.475
NICL	11.87	8.69	2.95	0.58	-10.81	2.656	7.77	292.55
HGIL	11.57	12.34	10.09	14.46	9.71	11.634	1.75	11.042

Source: Appendix-VIII

Figure No: 4.1

EPS of Insurance Companies



From the above table and chart, we can find out the trend and position of earning per share of sample insurance companies. All companies have fluctuated nature of EPS. Premier

Insurance has EPS of 19.88 in 059/60 and then increase to 43.54 units 062/63 and again decrease to 18.43 in 063/64. Everest insurance has decreasing nature of EPS as it decreases from 61.74 in 060/61 to 13.94 in 062/63. Himalayan insurance has increasing trend of EPS from 38.41 in 059/60 to 39.90 in 062/63. Neco Insurance Company insurance has decreasing nature is EPS as it decrease from 11.87 in 059/60 to -10.81 in 063/64. United Insurance has fluctuated nature of EPS. Its EPS starts increase from 11.57 in 059/60 and reach 12.34 in 060/61, again decrease to 10.09 in 061/62 and then increase to 14.46 in 062/63. Everest insurance has highest EPS of 61.74 in 059/60 while Neco Insurance Company insurance has the lowest -10.81 in 063/64. Premier and Himalayan General Insurance have comparatively higher EPS while Everest has medium and Neco Insurance Company & United has lower EPS. Since, EPS directly depends on the profit made by the company. Neco Insurance Company and United Insurance are unable to earn more return, which may be due to low premium collection or lower investment to premium ratio or poor policy on premium collection or investment pattern.

From the above analysis it reveals that HGIL has followed consistent policy on EPS. The NICL has poor policy on EPS. The situation of rest of the Insurance Companies is also not good. In overall, the Insurance Companies in Nepal still do not have followed consistent policy on EPS, which is not good sign of proper growth of Insurance and financial system within the country.

Market Price per Share (MPS)

This ratio measures the current share value of insurance companies that is market price per share (MPS). It shows the net worth of share in a year of insurance company. Hence, from it the shareholder wealth can be measure. Increase in MPS increases the shareholder wealth and vice-versa.

Table No: 4.2

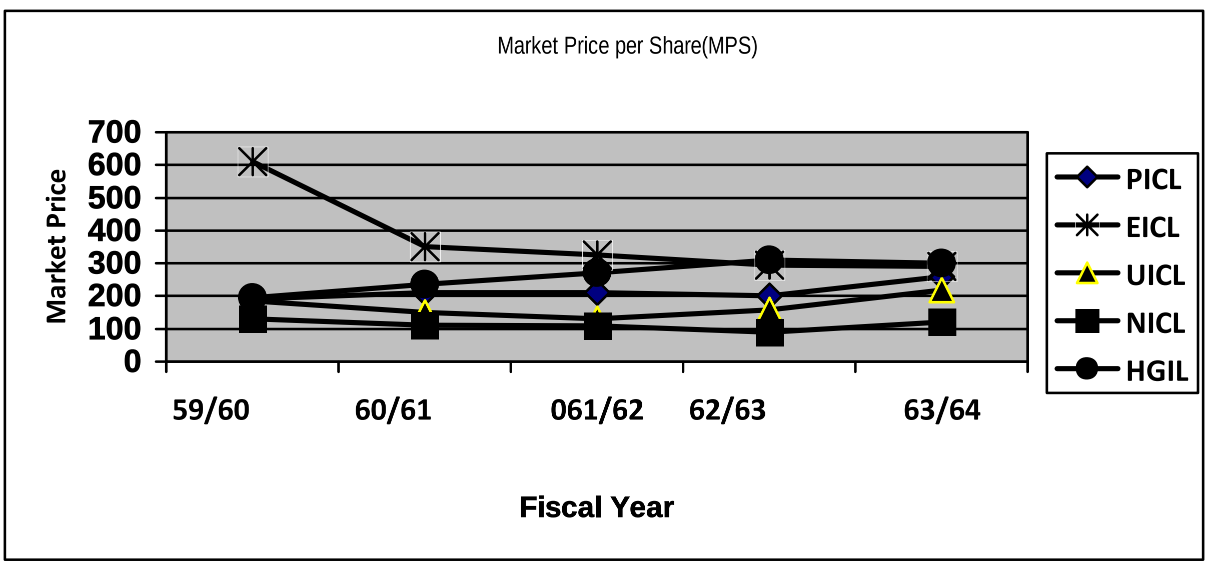
MPS of Insurance Companies

Insurance company	Fiscal Year					Mean	S.D.	CV
	59/60	60/61	61/62	62/63	63/64			
PICL	192.00	210.00	210.00	200.00	260.00	214.4	23.77	11.086
EICL	610.00	350.00	325.00	295.00	290.00	374	119.98	32.080
UICL	185.00	150.00	131.00	158.00	219.00	168.6	30.6	18.149
NICL	130.00	112.00	110.00	90.00	121.00	112.6	13.34	11.847
HGIL	195.00	235.00	272.00	311.00	300.00	262.6	42.8	16.298

Source: www.nepalstock.com, Annual reports

Figure No: 4.2

MPS of insurance Companies



From the above table and chart, we can find out the trend and position of MPS of ample insurance companies. All companies have fluctuated nature of MPS. Everest Insurance has fluctuated nature of MPS as it has MPS of Rs.610 in 059/60 and then began to decrease and reach 290 in 063/64. Premium insurance has MPS of 192 in 059/60 that decrease to 200 in 062/63 and it increase to 260 in 063/64. United insurance also has fluctuated trend of MPS, as it decrease from 185 in 059/60 to 131 in 061/62 and began increase from 062/63 reach 219 in 063/64 after increasing number of shares. Himalayan General Insurance Company insurance has increasing nature of MPS as it decrease from 311 in 062/63 to 300 in 063/64. This way due to improper management, investment or policies, united insurance and Neco Insurance have fluctuated nature of MPS. Everest insurance has highest MPS of 610 in 059/60 while Neco insurance has lowest of 90 in the fiscal year of 062/63. Premier, Everest, and Himalayan General insurances have comparatively higher MPS, greater than 200 which is higher than called up price of 100 while Neco Insurance Company & United Insurance has lower MPS and Neco Insurance Company has lower than 100 in 062/63. Since, MPS directly depends on the profit and performance made by the company; United Insurance Company and Neco Insurance are unable to increase their market price per share due to various reasons.

From the above analysis of MPS of Insurance companies, it is clear that there is no consistency on investment. There is not clear trend on MPS made by Insurance companies. The PICL has highest MPS consistency and HBL is in second position.

Evaluation of premium Collection and Composition

Collected premium is the main source of an insurer for the purpose of investment. It shows the performance of the insurance company. Higher premium collection shows the higher volume of tractions. The entire insurer tries to collect higher premium for higher income from investment, which is the sign of success of insurance companies. Various financial ratio related to premium collection are calculated and their respective trend analysis are presented below.

4.1.1.1 Ratio Analysis

Return on premium

It is the rate of average premium income. This ratio shows the portion of income or return on total premium collection. Return shows the performance and the earning capacity of an insurer in comparison to the premium collection. This ratio is calculated as

$$\text{Return on Premium} = \frac{\text{Return}}{\text{Premium}}$$

Table No: 4.3

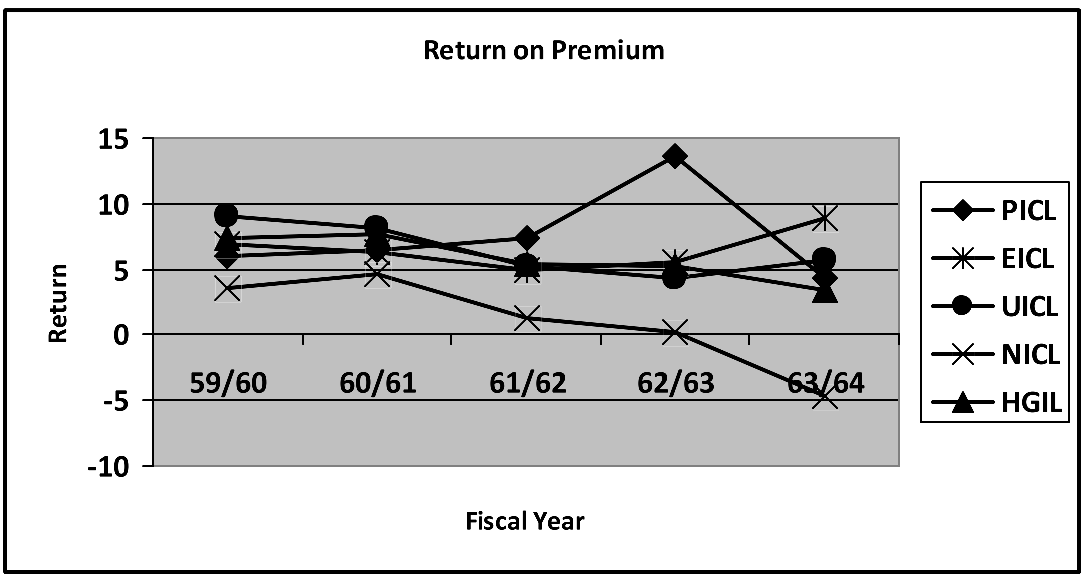
Return on Premium of Insurance Companies

Insurance company	**Fiscal Year**					**Mean**	**S.D.**	**CV**
	59/60	60/61	61/62	62/63	63/64			
PICL	5.97	6.42	7.32	13.60	4.29	7.52	3.195	15.89
EICL	6.92	6.26	4.89	5.62	8.88	6.514	1.361	20.89
UICL	9.13	8.15	5.31	4.37	5.77	6.546	1.761	26.9
NICL	3.60	4.59	1.32	0.25	-4.64	1.024	3.228	31.52
HGIL	7.45	7.73	5.43	5.26	3.37	5.848	1.598	27.32

Source: Appendix –IV

Figure No: 4.3

Return on premium of Insurance Companies



Source: Appendix-V

Above table and chart, show the ratio of return of premium of sample companies. According to table, all companies return is in descending order. Income of premium of Premier insurance company is higher i.e. 7.52% with low risk of 3.195%, while Neco Insurance Company insurance company earns only 1.024% with risk of 3.228% in average per annum. EICL has increasing trend in return on premium and the highest return is on 063/64. The trend of return of UICL is in increasing order until 059/60, reaches 9.13, and then began to decrease up to 063/64. The worst condition of return on premium is of Neco Insurance Company, which return was 4.95 in 060/61 and reaches to lowest -4.64 in 063/64.

From the above chart and table, it is clear that HICL and EICL have almost constant return with low risk, while NICL and HGIL have fluctuate in return high (C.V) risk. PICL has almost increasing trend of return with moderate risk.

Claim Paid to Premium Collection Ratio

When the risk in accrued, it is the liability and responsible of insurance company to pay the claim. The large amount of claim force the insurer to bear loss. Therefore, the claim paid determines the insurers' profit and loss. Claim paid to premium collection ratio is the average claim plaid on premium. It is the extent to the ratio of cash outflow from claim to cash inflow as premium collection. It shows and measures the performance of risk evaluation and feasibility study of policy and premium charged calculation. Generally, low ratio seems the good performance and high ratio seems bad performance of company. It is calculate as:

Table No: 4.4

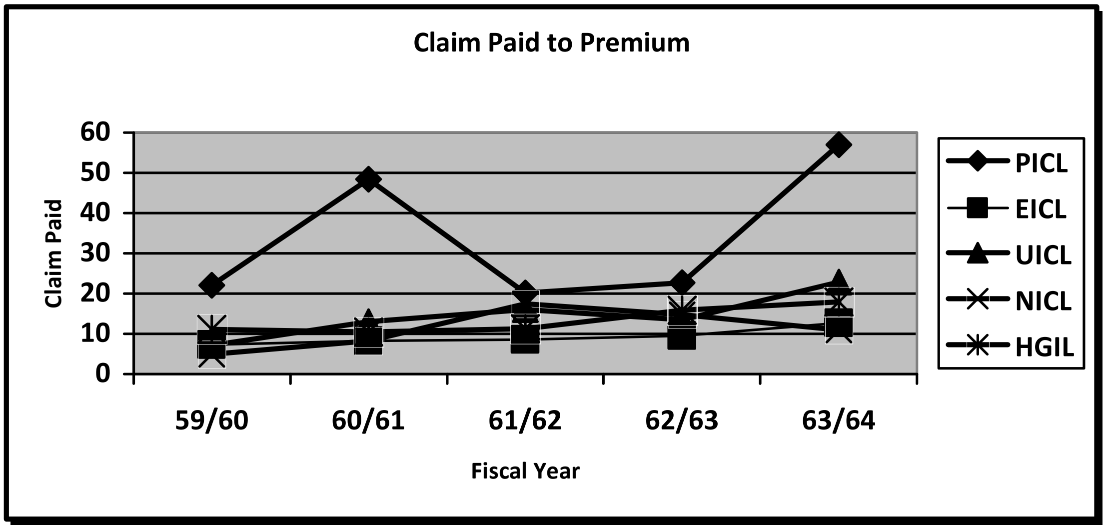
Claim Paid to Premium

Insurance company	**Fiscal Year**					**Mean**	**S.D.**	**CV**
	59/60	**60/61**	**61/62**	**62/63**	**63/64**			
PICL	22.05	48.49	20.13	22.73	56.99	34.08	17.32	50.84
EICL	7.32	8.18	8.53	9.55	12.62	9.24	2.05	22.2
UICL	7.2	13.06	15.98	13.47	22.9	14.52	5.68	39.14
NICL	4.97	8.29	17.42	14.69	10.98	11.27	4.95	43.95
HGIL	11.04	10.4	11.23	15.89	17.96	13.31	3.4	25.55

Source: Appendix –IV

Figure No: 4.4

Claim Paid to Premium



From the table it is clear that the claim paid ratio of most companies is fluctuated every year except of Everest insurance. Its ratio is increasing according, but the percentage increase is varying low. But in other companies the fluctuate difference is very high. Premier insurance paid higher claim while Everest is in low position. Looking at five years performance, the lowest claim paid is 4.97 by Himalayan General Insurance Company insurance in 058/59 while the highest by Premier insurance i.e. 56.99 in 062/63.

The above chart shows that the line of claim paid is little rise and fall in case of four insurance companies but in case of Premier the variation is very high and also the standard deviation, which shows variance and risk, is also high i.e. 17.32. From the calculation of C.V, all insurance companies are in moderate risk in term of claim paid. These from the above analysis, it is clear the companies have to bear low ratio of claim, except Premier insurance which pay average 34.08% yearly, in respect to premium collection, which is sigh of good performance and success.

Premium Collection on Fire Insurance to Total Premium Ratio

Fire insurance is the insurance against any loss of or damage to the property by fire, this ratio measures the proportion of fire insurance premium of total collected premium. It is calculated as:

PCFI to Total Premium Collection $X\frac{\text{Premium on fire Insurance}}{\text{Total Premium}}$

Table No. 4.5

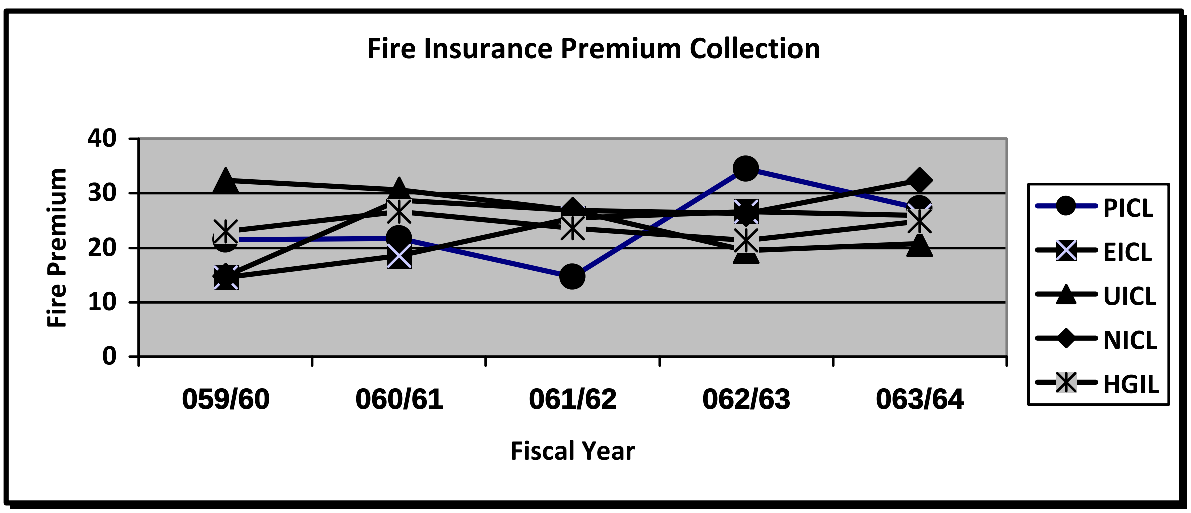
Fire Insurance Premium Collection

Insurance company	Fiscal Year					Mean	S.D.	CV
	59/60	**60/61**	**61/62**	**62/63**	**63/64**			
PICL	21.48	21.65	14.69	34.52	27.19	23.906	6.623	27.71
EICL	14.60	18.48	25.46	26.62	25.95	22.222	4.813	21.66
UICL	32.34	30.62	26.86	19.49	20.76	26.014	5.14	19.76
NICL	14.81	28.78	26.87	26.26	32.32	25.808	5.891	22.82
HGIL	22.95	26.67	23.53	21.34	24.83	24.492	4.383	17.9

Source: Appendix –I

Figure No. 4.5

Premium on Fire Insurance



Above table shows that the premium collection on fire insurance covers from 10% to 35% of total premium. Fire premium collection of insurance companies is varying from each other. It has fluctuated in every fiscal year. Himalayan General Insurance Company insurance had collected lowest fire premium in 058/59 while Premium insurance had collected highest in 062/63. Everest insurance had collected premium on fire increasing trend while other has fluctuate nature.

The line of premium collection on fire is in increasing order until 061/62 of Everest insurance, from 12.09 to 25.46, and United insurance, from 29.33 to 31.29, but it falls in 062/63 to 26.62 and 27.80 respectively. Himalayan General Insurance Company insurance collected fire premium of 10.50% in 058/59 and has rise to 28.78 till 060/61 but if fell to 26.26 in 062/63. Similarly, the line of fire premium collection of Himalayan General Insurance decreased from 19.99 or 11.77 from 058/59 to 059/60, but after that, if increased to 22.67 until 062/63. The trend of premium on fire of premier insurance is decreasing from 29.88 to 17.37 until 061/62 and it increased to 34.52 in 062/63.

The mean value shows that fire premium of United insurance is more and Himalayan General insurance has low value. The standard deviation and CV show that United insurance has low variation and risk while Himalayan General Insurance Company and Everest insurance have high variation and risk. Premium and Himalayan General have moderate variation and risk.

Premium Collection on Marine Insurance to Total Premium Ratio

Marine insurance is contract between the insurers and insured whereby the insurers undertake to identify the insured in manner and to the interest thereby agreed marine losses incident to marine adventure. The premium collection on marine insurance to total premium ratio shows the proportion or average of marine' premium. This ratio is calculated as:

$$\text{PCFI to Total Premium Collection } X \frac{\text{Premium on Marine Insurance}}{\text{Total Premium}}$$

Table No: 4.6

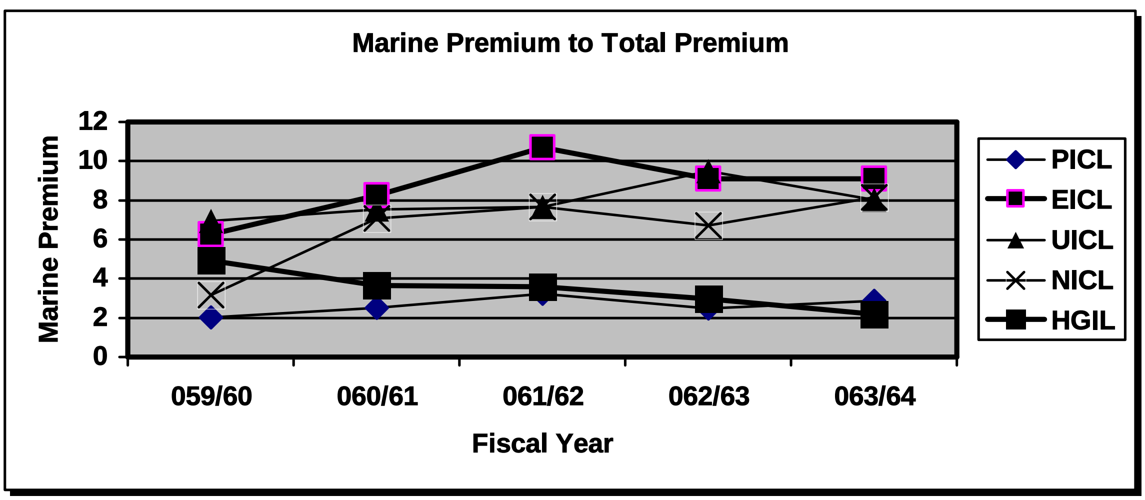
Premium Collection on Marine Insurance

Insurance company	Fiscal Year					Mean	S.D	C.V
	059/60	060/61	061/62	062/63	063/64			
PICL	2.01	2.50	3.22	2.48	2.88	2.618	0.408	0.156
EICL	6.25	8.26	10.71	9.10	9.11	8.686	1.453	0.167
UICL	6.95	7.53	7.67	9.49	8.01	7.93	0.869	0.1096
NICL	3.15	7.08	7.67	6.72	8.14	6.552	3.13	0.477
HGIL	4.92	3.64	3.58	2.97	2.17	3.456	0.817	0.236

Source: Appendix-1

Figure No: 4.6

Premium on Marine Insurance



From the table it is clear that the amount of premium collected in marine insurance cover low percentage in total premium. The highest percentage is 10.71 of Everest insurance in 060/61. Premier had collected lowest premium on marine insurance and did not cross even 5% while United had increasing trend every year. Himalayan insurance has decreasing order.

The highest mean value of marine premium is 16.69 of United insurance and lowest of 2.48 is Premier insurance. Other insurance companies also have low mean value. Standard deviation and CV show low variation in marine premium collection. From above analysis and evaluation it is clear that the percentage cover by marine insurance in Nepalese insurance company is low; i.e. its contribution is little in collecting premium. This may be due to land locked area.

Premium Collection on Motor Insurance to Total Premium Ratio

Every motorist runs the risk of incurring legal liability to pay compensation to third party for death, bodily injury, and property damage arising out of vehicle, with further heavy loss of accidental damage to vehicle itself. It covers full comprehensive policy and third party liability insurance too. This policy indemnifies vehicle owners against such contingencies. The premium collection on motor insurance to total premium ratio shows the proportion or average of motor premium. This ratio is calculated as:

$$\text{PCFI to Total Premium Collection } X \frac{\text{Premium on Motor Insurance}}{\text{Total Premium}}$$

Table No: 4.7

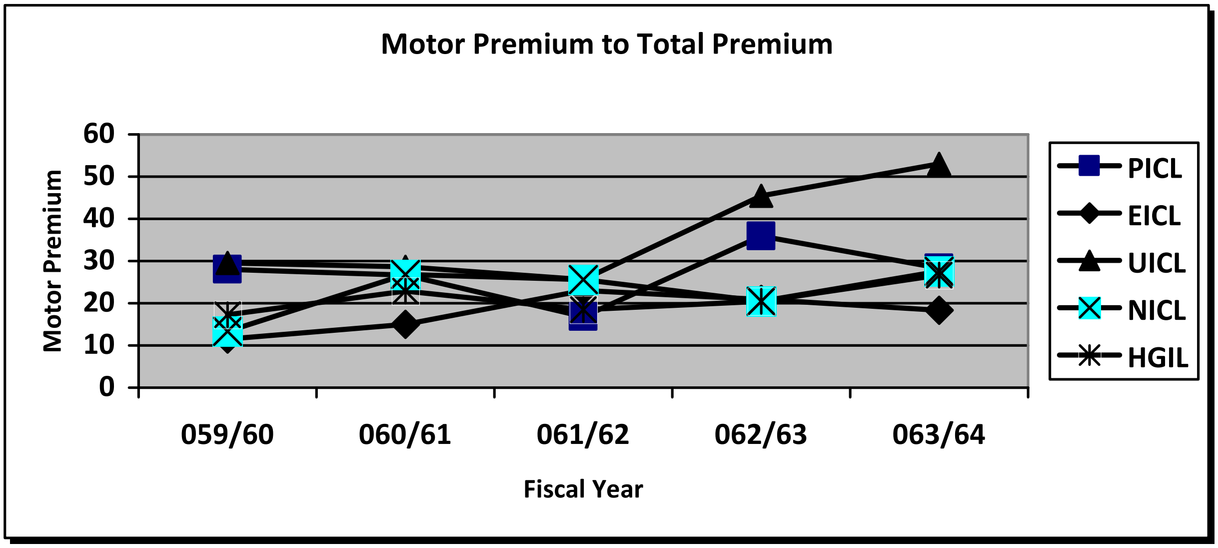
Premium on Motor Insurance

Insurance Company	Fiscal Year					Mean	S.D	CV
	059/60	060/61	061/62	062/63	063/64			
PICL	28.02	26.66	16.79	35.85	28.33	27.13	6.089	0.225
EICL	11.49	14.97	23.03	20.84	18.37	17.74	3.022	0.1703
UICL	29.56	28.61	25.55	45.53	52.99	36.448	10.8	0.296
NICL	13.38	26.89	25.56	20.45	27.55	22.766	5.31	0.233
HGIL	17.24	22.87	18.50	20.43	26.61	21.13	3.33	0.159

Source: Appendix-I

Figure No 4.7

Motor Insurance Premium



From the table it is clear that the amount of premium collected in Motor insurance of all companies are in average. All sample insurance have collected premium on motor in increasing trend.

From the above analysis it reveals that HGIL has followed consistent policy on Motor Premium collection. The UICL has poor policy on investment on Motor Premium collection. The situation of rest of the insurance is also not good. In overall, the insurance companies in Nepal still do not have followed consistent policy on Motor Premium collection, which is not good sign of proper growth of insurance and financial system within the country.

Premium Collection on Engineering Insurance to Total Premium

Engineering insurance is directly related with the risk against engineering tools and technique. It is of various natures depending upon the nature of the risk exposure e.g., construction/ erection/ boiler and pressure plants/ machinery breakdown/ electric equipment/ certain forms can be extend to cover third party liability. The premium collection on engineering insurance to total premium ratio shows the proportion or average of engineering premium. This ratio is calculated as:

$$\text{PCFI to Total Premium Collection} \times \frac{\text{Premium on Engineering Insurance}}{\text{Total Premium}}$$

Table No: 4.8

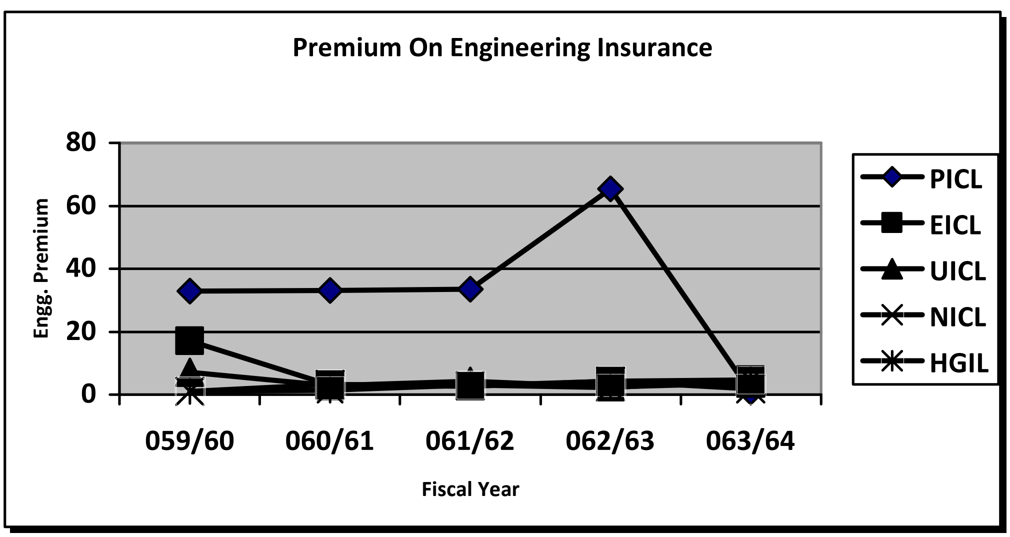
Premium on Engineering Insurance

Insurance Company	Fiscal Year					Mean	S.D	CV
	059/60	**060/61**	**061/62**	**062/63**	**063/64**			
PICL	33.06	28.60	20.58	110.48	56.69	33.1	22.82	68.93
EICL	16.99	3.11	2.6	4.18	4.66	6.31	6.03	95.54
UICL	7.17	2.94	4.23	2.53	3.68	2.41	0.46	19.26
NICL	0.92	3.24	2.77	4.23	1.75	2.58	1.29	49.81
HGIL	0.98	1.34	2.98	2.32	4.69	3.32	1.23	36.96

Source: Appendix-1

Figure No: 4.8

Premiums on Engineering Insurance



From the table and chart we can find that the contribution of engineering insurance in premium collection is also low. Only the Premium insurance had collected noticeable premium on engineering. Other insurance company are not worth mentioning in collecting premium in engineering, as only Everest insurance collect 16.99% of total in 059/59 and remaining company had not cross even 5%. Almost all insurance company had constant level in collecting engineering premium except of Premier as it is almost constant over three fiscal year i.e. till 061/62, it rise to 65.30% in 062/63 and massively decreased to 076% in 062/63. The mean value of Premium insurance is 33.10, Everest has 6.03, United has 0.46, Himalayan General Insurance Company has 1.23, and Himalayan General has 1.26.

The standard deviation and CV shows that except Premier and Everest insurance, other insurance have low variation and risk in engineering insurance. From the calculation and chart, it is clear that although Nepal has difficult terrain, the concept of insuring in engineering risk is low, People are not fully aware about it.

Premium Collection on Miscellaneous Insurance to Total Premium

A number of coverage's written by casualty insurers are available that cannot be classified neatly as liability, auto or crime insurance but nevertheless are important to those with the exposure that these forms are designed to protect. They are discussed under the innocuous heading of miscellaneous coverage and are written by property and liability insurance" (Maher, R.I. and Emerson, 1994:344). Some of miscellaneous insurance are loss of profit, household, burglary, cash in transit, personal accident, medical, overseas, employees, liability, banker's blanket, credit guarantee, crop theft, boiler insurance etc. The premium collection in miscellaneous insurance to total premium ratio shows the proportion or average of miscellaneous premium. This ratio is calculated as:

$$\text{PCFI to Total Premium Collection } X \frac{\text{Premium on Miscellaneous Insurance}}{\text{Total Premium}}$$

Table No: 4.9

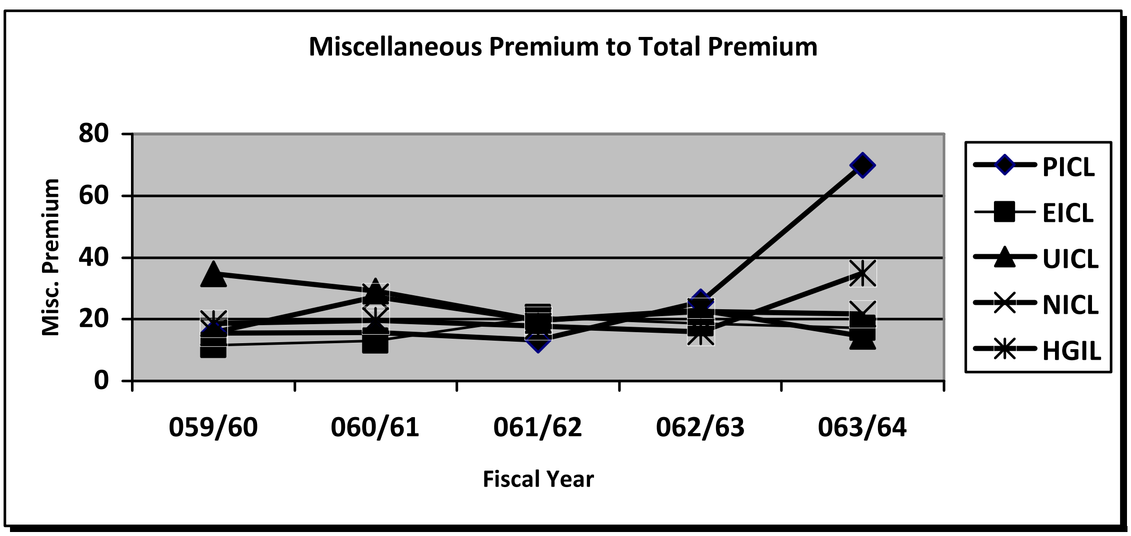
Premiums on Miscellaneous Insurance

Insurance Company	Fiscal Year					Mean	S.D	CV
	059/60	060/61	061/62	062/63	063/64			
PICL	15.44	15.75	13.29	25.64	69.93	28.01	20.63	73.68
EICL	11.65	13.09	20.71	18.62	17.11	16.236	3.39	20.87
UICL	34.75	29.10	19.54	22.96	14.56	24.182	7.092	29.33
NICL	15.72	27.35	19.55	22.54	21.70	21.372	2.847	13.32
HGIL	18.58	19.67	17.81	15.86	35.02	21.388	6.928	32.39

Source: Appendix - 1

Figure No: 4.9

Premium on Miscellaneous Insurance



Above table and chart show that the average premium collection miscellaneous insurance is between 14 to 20. All insurance has overall constant premium collection with only little change in fiscal year. The highest percentage collected is 27.35 by Himalayan General Insurance Company insurance in 061/62 while lowest is 9.79 by Everest in 058/59. Premier and Himalayan General Insurance Company insurance had increase trend from 058/59 to

060/61 and it fell down after that while Premier insurance rose significantly to 25.64% in 062/63. Everest insurance had increase trend, began at 9.79% and reached 20.71%, until 061/62 and it fell to 18.62% in 062/63. United had increased in collecting miscellaneous premium in 059/60 but it fell then after reached 10.23% in 062/63. Premium collecting in miscellaneous insurance of Himalayan General Insurance was decreased from 16.98% to 9.88% in 059/60 but it began to rise then after and reached 15.73% in 062/63.

Standard deviation and coefficient of variation have low value, which means that there is low variation and risk in collecting miscellaneous premium. From the above calculated and evaluation, we can conclude that insurance company were not able to collect significant premium in miscellaneous insurance.

4.1.2 Evaluation of Investment Pattern and Composition

Investment may be defined as the purchase by an individual or institutional investor of a financial or real asset that produces a return proportional to the risk assumed over some future investment period. Investment is the current commitment of the savings that compensates for the time involved, the expected rate of inflation and uncertainty involved. To stare in other words, as investment is a vehicle into which funds can be will be preserved or increased. Here, quantitative analysis is mentioned which are related to the investment and investment pattern.

Analysis and evaluation of investment portfolio and pattern could be done efficiently through statistical and financial tools. Here, investment analysis is calculated through trend analysis and F-test. For the comparison of also used. Likewise, to evaluate the return on respective portfolios and investment ratio analyzed is used. This evaluation chapter purpose moves along with studies objectives therefore only those ratios are calculated and analyzed, are very important to evaluate in investment policy and pattern, which are mentioned below.

4.1.2.1 Return on Investment

For meeting the objective, every financial institution has to invest capital and get certain return on it. Return on investment shows the success and failure of company.

4.1.3 Statistical Analysis

Uses of financial tools only are not considered for analysis and evaluation of this study. So, some statistical analysis tools should also to use for analysis. Under this term various statistical mathematics like, Trend analysis, coefficient of correlation and F-test are used for the purpose to find out tendency, relation and distinguish between premium collection and investment pattern. For this purpose, following measurers are analyzed.

4.1.3.1 Trend Analysis

Variation of quantities with time can be systematically studied and analyzed by presenting on the graph is called trend analysis or time series analysis. It enables researcher to forecast the future behavior of the variables under study, changes in the values of different variables and past behavior of a variable in trend analysis.

Here, for trend analysis, average of premium collection and total investment, in million, of different insurance are taken.

Table No: 4.10

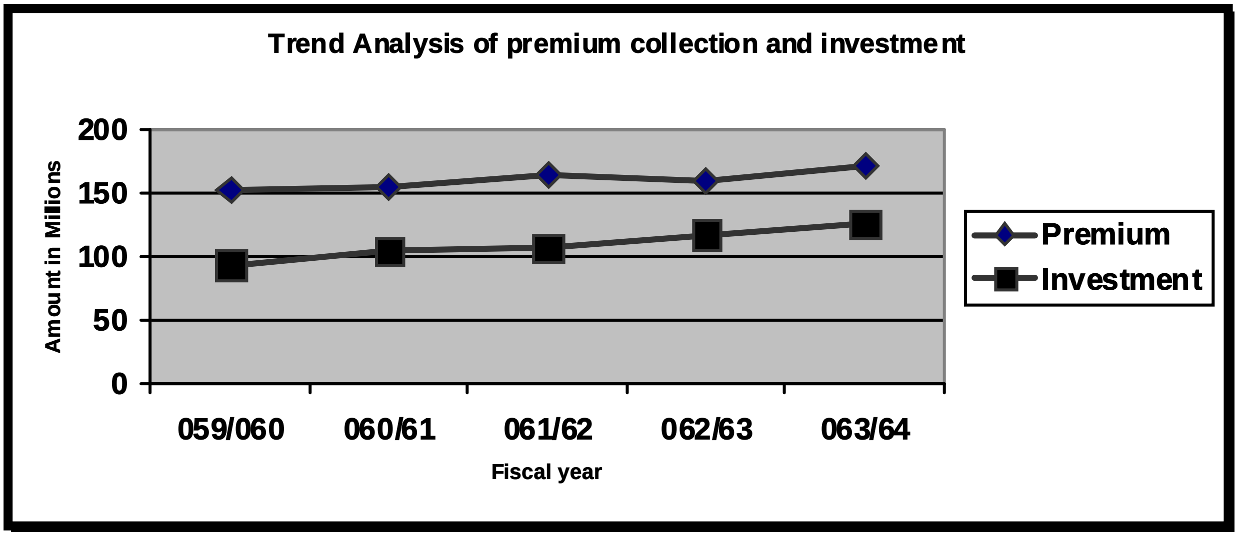
Trend Analysis of Premium collection and Investment pattern

Account Types	Fiscal Year				
	059/060	060/61	061/62	062/63	063/64
Premium	153.289	146.786	165.831	159.885	172.995
Investment	94.2452	104.931	107.542	117.885	126.482

Source: Appendix III

Figure No: 4.10

Trend Analysis of Premium and Investment



From the above table and chart, it is clear that the amount of investment is less than premium collection even in the beginning year. Amount on premium collection is almost same figure except in year 063/64 and investment amount has been increase accordingly from year to year. The table of premium amount shows that the average collection of premium of insurance companies has been going down from 153.289 million in 059/60 to 146.786 million in 061/62. But, there is fluctuate in the amount in 063/64 up to 172.995 million. In case of investment pattern, the amount is going up from 94.245 million in 059/60 to 126.482 million in 063/64.

From the above trend of premium collection investment pattern we can forecast that the amount on investment will increase accordingly and investment will also be made on new area while due to lack of proper information about insurance among people, poor marketing and unhealthy competition the amount of premium collection remain constant or slightly fall or rise in coming year.

4.1.3.2 Correlation and Determination Analysis

By this statistical tool, the degree of relationship between to variables is identified. In other words, this tool is used to describe the degree to which one variable is linearly related to other variables. Two or more variables are said to be correlated if change in the value of one variable appears to be linked with the change in the other variables. The correlation analysis refers the closeness of the relationship between the variables. It helps to determine whether, i) a positive or a negative relationship exists, ii) the relationship is significant or insignificant and iii) establish causes and effects relation if any. The statistical tools, correlation analysis is preferred in this study to identify the relationship between premium and investment, whether the relationship is significant or not. Detail calculation is shown in appendix VII and X.

For the purpose of decision making under correlation, Decision-maker based on following interpretation terms.

1) When, r = +1, there is perfect positive correlation.
2) When, r = -1, there is perfect negative correlation.
3) When, r = 0, there is no correlation.
4) When ‘r’ lies in between 0.7 to 0.999, (-0.7 to -0.999), there is a high degree of positive, (negative) correlation.
5) When ‘r’ lies 0.5 to 0.699 there is a moderate degree of correlation.
6) When ‘r’ is less than 0.5 there is low degree of correlation.

The coefficient of determination (R^2) is a measure of the degree of linear association or correlation between two variables, one of which is the independent variables and other, dependent variable. In case of this study, collected premium is the independent variable and investment is the dependent variable.

Generally, probable error is used to measure the significance of the relation between two variables. If the coefficient of correlation (r) is greater than the 6 x PE, the relation is significant and if the (r) is lower, the relation is insignificant. The significant relation shows the reliability of relation between the comparative terms of companies, while insignificant relation is the sign of existing of numerous errors.

Correlation between Average of Net Return and Investment of Insurance Companies

Generally, the profit earned strongly depends upon the investment. If the investment amount is high then definitely profit will be high. In this investment is assumed as independent variable a net profit is dependent variable. This correlation gives the relation between the average net profit and investment of insurance companies in the particular year, which gives the overall sign of insurance companies of Nepal.

From the appendix IX,

Coefficient of Correlation, r = -0.18857

Coefficient of Determination, $(R^2) = (-0.188578)^2 = 0.035561643$

Probable Error (P.E.) = 0.291045

6 X P.E. = 6 X 0.280522 =1.7454965

Therefore, from the above-calculated data, we can concluded that, as the coefficient of correlation between premium and investment of insurance companies is -0.188578, which is low degree of negative correlation. It means they have inverse relation. The coefficient of determination is 0.291045, means the variation in independent variable (investment) explains 29.1045%of the variation in return and remaining by other factors. As coefficient of determination is less than the value equal to 6 X P.E, there is insignificance relationship between average net return and investment. Therefore, there are different errors in relationship between average net return and investment.

Correlation between Average of Premium Collection and Investment of Insurance Companies

This correlation gives the relationship between the average of premium collection and investment to all insurance companies in which average premium and investment are from the mean value of all companies in the particular year.

From the appendix X,

Coefficient of Correlation, r = -0.265

Coefficient of Determination, $(R^2) = (-0.265)^2 = 0.070225$

Probable Error (P.E.) = 0.280522

6 X P.E. = 6 X 0.280522 = 1.6831346

Therefore, from the above-calculated data, we can conclude that, as the coefficient of correlation between average premium collection and investment of insurance companies is -0.265, which is low degree of negative correlation. It means they have inverse relation. The coefficient of determination is 0.070225; means the variation in independent variable (premium) explains 7.02555% of the variation in investment and remaining by other factors. As coefficient of determination is less than the value equal to 6 X P.E, other is insignificance relationship between average premium collection and investment.

Correlation between Premium Collection and Investment of Insurance Companies

This relation is between the premium collection and investment of particular insurance company within the five years period. It gives correlation between premium collection and investment of companies through which we can compare and analysis its relationship.

Table No: 4.11

Correlation between Premium and Investment

Insurance Company	Coeff. Of Corr.	Relationship	R^2	Probable Error	(r) 6 × P.E	Remarks
PICL	0.332	Low degree +ve	0.11	0.2684	1.6104	Insignificant
EICL	-0.126	Low degree -ve	0.01	0.2968	1.7808	Insignificant
UICL	0.988	Low degree +ve	0.97	0.0426	0.0426	significant
NICL	-0.786	Low degree -ve	0.61	0.6924	0.6924	Insignificant
HGIC	0.614	Low degree +ve	0.37	1.1286	1.1286	Insignificant

Source: Excel Calculation

From the above table, Premier insurance has correlation of 0.332, which is low degree of positive correlation. Coefficient of determination is 0.11and probable error is 1.6104. Hence, the relation is insignificant in case of premier insurance. Everest insurance has –0.126 of coefficient of correlation. Which is also low degree negative correlation . Coefficient of determination of 0.015 shows that 1.5% of the independent variation explains the variation of investment. Probable error is 1.7808, therefore the relation is insignificant. United insurance and Himalayan General Insurance Company insurance have correlation of 0.988and -0.786, which are high degree positive and negative correlation respectively. They have coefficient of determination of 0.976 and 0.617 and probable error of 0.0426and 0.6924 respectively. It means United and Himalayan General Insurance Company insurance have significant and insignificant relation between premium collection and investment. Himalayan General Insurance has 0.614 values as correlation, so it has moderate degree of positive correlation. It has coefficient of determination of 0.376means 73.6%of independent variation is explained by variation in investment. It has P. E of 1.1286, which is greater than value of correlation that means the relation between premium collection, and investment of Himalayan General Insurance is insignificant.

Correlation between Net profit and Total Investment of Insurance companies

This relation is between the premium collection and investment of particular insurance company within the five years period. Generally, the profit earned strongly depends upon the investment. If the investment amount is high then definitely profit will b e high. In this, investment is assumed as independent variable and net profit is dependent variable.

Table No: 4.12

Correlation between Net profit and Total Investment

Insurance Company	Coeff. Of Corr.	Relationship	R^2	Probable Error	(r) 6 × P.E	Remarks
PICL	0.853	High degree +ve	0.72	0.0823	0.4938	Significant
EICL	-0.123	Low degree -ve	0.01	0.2971	1.7826	Insignificant
UICL	0.958	High degree +ve	0.91	0.0247	1.1482	significant
NICL	-0.934	High degree -ve	0.87	0.0385	0.231	Insignificant
HGIC	-0.138	Low degree +ve	0.01	0.2959	1.7754	Insignificant

Source: Excel Calculation

The table presents the relationship between investment and net profit earned by insurance companies. Premier, Everest, United, Neco insurance and Himalayan General Insurance Company companies have 0.853, -0.123, 0.958,-0.934 and –0.138 respectively premier and United have high degree positive relation. Everest and Himalayan General have low degree negative relation and Neco insurance has high degree negative correlation between investment and net profit. So, profit earned mostly depends on investment other things remaining constant.

The coefficient of determination between investment and net profit earned of premier, Everest, United, Neco Insurance Company and Himalayan General Insurance Company insurance companies are 0.727, 0.015, 0.917, 0.872 and 0.019.respectively. These calculation indicates the percentage of variation in independent variable (investment) explaining the variation in dependent variable (return) of insurance companies.

From the table, significant relationship exists in case of premier and United insurance. The significant relation shows the reliability of relationship between numerous errors, so the relationship shows insignificant.

Correlation between Claims paid and total premium collection of Insurance companies

This relation is between the premium collection and investment of particular insurance company within the five years period. If the transaction of insurance (premium collection) is high then automatically its claim paid will also be higher. Therefore, it may have negative or positive relation. For finding out the relation, the coefficient of correlation is determined. In this term, we assume premium to be the independent variable and claim paid to be dependent due to its nature.

Table No: 4.13

Correlation between Claim Paid and Total Premium

Insurance Company	Coeff. Of Corr.	Relationship	R^2	Probable Error	(r) 6 × P.E	Remarks
PICL	-0.233	Low degree +ve	0.05	0.2853	1.7118	Insignificant
EICL	-0.142	Low degree -ve	0.02	0.2956	1.7736	Insignificant
UICL	0.918	High degree +ve	0.84	0.0472	0.2832	significant
NICL	-0.854	High degree -ve	0.72	0.0815	0.489	Insignificant
HGIC	0.661	Mod. degree +ve	0.43	0.1697	1.0182	Insignificant

Source: Excel Calculation

The above table shows the relationship between premium collection and claim paid of five insurance companies. The coefficient of correlation of premier, Everest, United, Himalayan General Insurance Company and Himalayan General insurance companies are-0.233, -0.142, 0.918,-0.854 and 0.661 respectively. Hence, low degree –ve relation in case of United and Himalayan General Insurance Company companies while high degree +ve and –ve relation in case of United and Himalayan General Insurance Company Himalayan General Insurance Company companies respectively. Himalayan General insurance company has moderate degree of correlation between claim paid and premium collection. From this analysis we can conclude that premier and Everest insurance pay high claim while United collects and pay high claim, Himalayan General Insurance Company collects low premium but pay comparatively low claim and Himalayan General collect premium and pay medium amount of claim.

The coefficient of determination measures the degree of linear association or correlation between premium and claim paid. The premier, Everest, United, Himalayan General Insurance Company and Himalayan General insurance companies have determination of 0.054, 0.020, 0.842, and 0.729, and0.436 respectively. Hence, claim paid of Everest explains least i.e.20%and United highest 84.2% by variation of premium collection and remaining by other factors.

The probable error measures the significance of the relationship between premium and clam paid. From the tab le we can see that the relationship between claim paid and premium collections of premier, Everest, United, Himalayan General Insurance Company and Himalayan General insurance company are 1.7108, 1.7736, 0.2832, 0.481and 1.0182 respectively. Comparing with coefficient of correlation 'r' except United insurance all other companies have insignificant relation 6× P. E.>r.

4.1.3.3 Test of Hypothesis

A hypothesis use a tentative generalization, the validity of which remains to be tested. According to Webster, a hypothesis is a proposition, condition or principle. Which is assumed, perhaps without belief? In order to draw out its logical consequence and by this method to test its accord with facts that is known or may be determined.

Here, test of hypothesis is a process of testing of significance regarding the parameter of population based on sample drawn from the sample drawn from the population. We examine based on statistics, computed from the sample drawn. Whether the sample drawn belongs to the parent population with certain specified characteristics or not.

Generally, following steps are followed for the test of hypothesis.

1. Formulating hypothesis
    - Null hypothesis
    - Alternative hypothesis
2. Computing the test statistics
    - Fixing the level of significance
    - Finding critical region
    - Decision two tailed or one tailed test
    - Making decision

“F” Test for Premium Collection

First Hypothesis

Null hypothesis

$\Uparrow_1 = \Uparrow_2 = \Uparrow_3 = \Uparrow_4 = \Uparrow_5$ there is no significance between total premium of Premier insurance, Everest Insurance, United Insurance, Himalayan General Insurance Company Insurance and Himalayan General Insurance Companies.

Alternative Hypothesis

$\Uparrow_1 \neq \Uparrow_2 \neq \Uparrow_3 \neq \Uparrow_4 \neq \Uparrow_5$ there is significance difference between total premium of Premier insurance, Everest insurance, United Insurance, Himalayan General Insurance Company Insurance and Himalayan General Insurance Companies.

Computing of Test Statistics ‘F’ from appendix XI-A, XI-B

Correlation Factors (C.F.)	= 63760225
Total Sum of Square (SST)	= 72185641
Sum of square (SSC)	= 70126023
Sum of Square (SSE)	= 2059618
$F_{0.05}$ (Calculated)	= 17.024
$F_{0.05}$ (Tabulated)	= 2.87

Decision

The Tabulated value of $F_{0.05}$ for $\Uparrow$ =4, and $\Uparrow_2$ = 20 is 2.87. Since the calculated value of $F_{0.05}$ at 5% level is very greater than tabulated value, H_0 is rejected. There is significant difference between premium collections of all insurance companies.

From this test, we can conclude that the premium collection ratio also different for all insurers. There is no equality in premium collection. For the differentiation of premium, numerous factors play vital role. Which may be transaction size, insurance policy, service system and agent commission etc.

"F" Test for Investment

First Hypothesis

Null Hypothesis

$\Uparrow_1 = \Uparrow_2 = \Uparrow_3 = \Uparrow_4 = \Uparrow_5$ there is no significance between total investment of Premier insurance, Everest Insurance, United Insurance, Himalayan General Insurance Company Insurance and Himalayan General Insurance Companies.

Alternative Hypothesis

$\Uparrow_1 \neq \Uparrow_2 \neq \Uparrow_3 \neq \Uparrow_4 \neq \Uparrow_5$ there is significance difference between total investment of Premier insurance, Everest insurance, United Insurance, Himalayan General Insurance Company Insurance and Himalayan General Insurance Companies.

Computing of Test Statistics 'F' from appendix XII-A, XII-B

Correlation Factors (C.F.)	= 30379939
Total Sum of Square (SST)	= 31872566
Sum of square (SSC)	= 31225466
Sum of Square (SSE)	= 647100
$F_{0.05}$ (Calculated)	= 241.27
$F_{0.05}$ (Tabulated)	= 2.87

Decision

The Tabulated value of $F_{0.05}$ for $\Uparrow$ =4, and $\Uparrow_2$ = 20 is 2.87. Since the calculated value of F (241.27) $F_{0.05}$ at 5% level is very greater than tabulated value, H_0 is rejected. There is significant difference between investments of all insurance companies.

From this test, we can conclude that total ratio also different for all insurers. There is no equality in investment. For the differentiation of investment, numerous factors play vital role. Which may be transaction size, investment policy, investment sectors and collection of premium etc.

"F" Test for Net Profit

First Hypothesis

Null Hypothesis

$\Uparrow_1 = \Uparrow_2 = \Uparrow_3 = \Uparrow_4 = \Uparrow_5$ there is no significance between net profit of Premier insurance, Everest Insurance, United Insurance, Himalayan General Insurance Company Insurance and Himalayan General Insurance Companies.

Alternative Hypothesis

$\Uparrow_1 \neq \Uparrow_2 \neq \Uparrow_3 \neq \Uparrow_4 \neq \Uparrow_5$ there is significance difference between net profit of Premier insurance, Everest insurance, United Insurance, Himalayan General Insurance Company Insurance and Himalayan General Insurance Companies.

Computing of Test Statistics 'F' from appendix XIII-A, XIII-B

Correlation Factors (C.F.)	= 1671.45
Total Sum of Square (SST)	= 2319.83
Sum of square (SSC)	= 2047.4867
Sum of Square (SSE)	= 272.343
$F_{0.05}$ (Calculated)	= 37.59
$F_{0.05}$ (Tabulated)	= 2.87

Decision

The Tabulated value of $F_{0.05}$ for $\Uparrow = 4$, and $\Uparrow_2 = 20$ is 2.87. Since the calculated value of $F_{0.05}$ at 5% level is very greater than tabulated value, H_0 is rejected. There is significant difference between net profits of all insurance companies.

From this test, we can conclude that the net profit ratio also differs for all insurers. There is no equality in net profit. For the differentiation of net profit, numerous factors play vital role. Which may be transaction size, investment policy, investment sectors, collected premium and investment sector etc.

4.1.4 Contribution of Insurance Business in GDP

Insurance companies are the major financial institutions. Integrated and speedy development of the country is possible only when a competitive insurance service reaches nooks and corners of the country. Insurance companies occupy quite an important place in the framework of every economy because it provides certainty to the industry, business and capital for the development of industry, trade and business investing the fund collected as premium.

Insurance companies are capable of providing indusial finance, government finance or even personal finance. They provide different finance through their own investment policy pattern based upon their own corporate objectives and nature of the line of insurance business. Therefore, insurance companies have played a vital role in increasing gross domestic product (GDP). The contribution of insurance in GDP is just like other financial institution and banks, so we can neglect it's on the development of Nepalese economy system. The following table shows the GDP of insurance companies from fiscal year 051/052 to 063/064.

Table No: 4.14

GDP on Nepalese Economy by Insurance companies

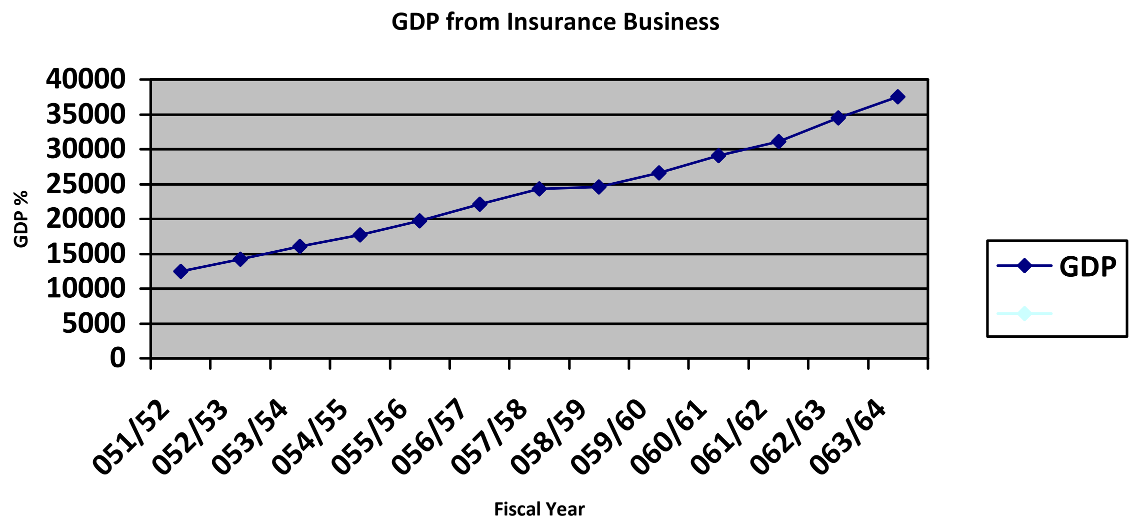
(Figure in NRs. 10 millions)

Fiscal Year		GDP (From on agricultural sector only)	Total Gross insurance Premium	Percentage (b/a × 100%)
051/52	1994/95	**12440.7**	**92.22**	**0.74**
052/53	1995/96	**14249.2**	**123.61**	**0.87**
053/54	1996/97	**16078.5**	**137.22**	**0.85**
054/55	1997/98	**17730.3**	**161.22**	**0.91**
055/56	1998/99	**19764.5**	**161.57**	**0.82**
056/57	1999/00	**22112.0**	**183.15**	**0.83**
057/58	2000/01	**24299.3**	**219.25**	**0.92**
058/59	2001/02	**24599.4**	**316.24**	**1.29**
059/60	2002/03	**26644.2**	**372.78**	**1.40**
060/61	2003/04	**29077.2**	**446.50**	**1.54**
061/62	2004/05	**31081.0**	**579.13**	**1.86**
062/63	2005/06	34509.2	641.19	1.86
063/64	2006/07	37544.37	726.09	1.93

Source Insurance board (http//www.bsib.org.np) 2009

Figure No: 4.11

GDP by Insurance Companies



From the above presentation table, it is clear that the amount contribution by insurance companies in GDP is increasing every year. But the percentage of GDP by insurance companies to total GDP by non-agriculture sector has fluctuated nature. It is due to the unequal increase with respect to each other. In the condition the amount increased in total GDP is very much than amount increase in GDP by insurance. It means percentage increase in total to insurance is differing. Therefore, in some fiscal years the percentage of GDP from insurance is decreased by some values. In fiscal year 051/052, the GDP of insurance companies is only 0.74% of total while it increase year by year and reach 1.29% in 058/059. After that, the input in GDP by insurance companies increases by greater amount and reach 1.86 in 061/062. The insurance board has estimated of 1.86% of GDP by insurance in 062/063 and projected of 1.93% in 063/064.

In conclusion, we can say that insurance companies are also the main source of GDP role cannot be neglected. From the trend of line graph, it is clear that its involvement in GDP will increase year by year.

4.1.5 Existing Problems for the Growth of Nepalese Insurance Companies

It is, no doubt, obvious to have progressive approach by any institution. However, if the different circumstances come to play anti-role for their healthy growth, there is, of course, an unpleasant condition. As far as the problems for the growth of Nepalese Insurance Companies are concerned, it comes to be necessary to cite some points in this context. These are as follows:-

1. **Limited scope for business: -** The volume of business is, undoubtedly, one of the key factors to check about any company's economic condition. The limited resources, land locked background, inefficient utilization of exited resources & political unsuitability etc, are seemed responsible for playing anti-role in the context of not getting proper opportunity for increasing business activities in the Insurance field.
2. **Great competition among existed companies:-** The interest of getting business of the present existed so many General Insurance Companies comes to meet with each other due to lack of volume of insurance business in the market. The popular sentence that one's gain is other's loss comes to be suitable in Nepalese Insurance field.
3. **Lack of awareness: -** The backbone of development of Insurance field is awareness about the importance of its coverage. In Nepalese context, it is seen that people get their property insured only coming under Bank or other financial institution's compulsion. As far as getting, their personal property insured is concerned they show their passive reaction about that. Only, the nominal case comes to be seen in that case.
4. **Educational level: -** Education, undoubtedly, plays vital roles for the growth of any sector. Moreover, this level is found low (below 50%) in Nepal. Naturally, this found unpleasant (condition) educational average is affecting adversely for the growth of Insurance Development in Nepal. On the other hand, we find poor condition about overall educational performance, the other side; the government policy is not conducive to develop the influence of Insurance education.
5. **One sided economic condition: -** The paradox of Nepalese economic condition is to be one sided in nature. In spite of being maximum part of Nepal "rural", the economic condition is found centered on Limited town. Naturally, the existed insurance companies in town are facing tight competition as well as unhealthy.

4.2 Analysis of Primary Data

Primary data are the first hand data, which are relevant for analysis in a meaningful manner. Thus, primary data are collected for the first time from the related field and possessing original character. Primary data are also called field data.

This chapter concentrates on using the aforementioned methodology to meet the objectives of the study and set forth a logical and qualitative framework to recommended probable solution to the problems that is in herein within investment and premium collection aspect of the insurance industry. For this proposes some collected questionnaire and answers are analyzed and studied. The questions were distributed to the management and the respective insurers. The respondents were regarded as the representative of the entire management for the purpose of analysis and classification of the primary data, a simple ranking method is used where ever felt appropriate. While ranking, rank 1st was assumed as top most priorities and the last number imparted for the query was assumed as last prioritized. A simple objective (yes / no) question was used, for classification of the views. Percentage method was used, considering the total number of respondent as 100%. Further, such classification was supported with the tabular presentation, whenever necessary.

A sample of questionnaires is attached in the Appendix – XV (A). The number of respondents for the queries has differed due to the differentiation regarding the formation of the insurers. So, the number of respondents for each query is shown in Sample questionnaire separately. Altogether, views of 60 respondents including staffs, expert and concerned persons of sample insurance companies, insurance board, and Rastriya Beema Sasthan are taken in preformatted questionnaire sheets.

Note: - Primary data collection model, tabulation and calculations are shown also in Appendix - XV.

4.2.1 Evaluation of Viewer regarding the premium Collection Aspect

To evaluate the insurer views relating to the premium collection aspect of the insurance companies. A set of questioners was used, which contents number of concerned with present premium collection system. The questioners are concerned with present premium collection system. Premium rate, premium collection ratio etc, in this aspect, the queries and the views of respondents regarding those queries are presented as such.

Condition of the premium collection at present situation

This query was intended to find out the condition of premium collection of Nepalese insurers. Nowadays, there is high competition in every field of business, so insurance is not far from this. Therefore, because of high competitive market, every insurance company has to labor more. The competition has directly affected the premium collection. The following table shows the number of person and percentage in the favour of options given in the opinion survey.

Table No: 4.15

Condition of Premium Collection

S.N	Options	No of viewers	Percentage
1.	Excellent	0	0
2.	Good	45	75
3.	Satisfactory	15	25

Source: Appendix XV

According to the viewers, around 75% of the companies are in good situation in collection premium where about 25% are in satisfactory situation. No one company is in excellent situation in collecting premium.

Premium Collection System of insurance companies

The system of collecting premium is differing to each other according to their objective and policy. However, they cannot run off from the act. This query was intended to find out the condition of premium collection system Nepalese insurer. This question is theoretical aspect. There are so many factors, which the question was attended. The following table shows the number of person and percentage in the favour of opinions given in the opinion survey.

Table No: 4.16

System of premium collection

S.N	Options	No. of Viewers	Percentage
1.	Right	30	50
2.	Somewhat right	26	40
3.	Wrong	4	10

Source: Appendix XV

Among the entire viewers, 50% are in favour of first option 'Right' around 40% are in the favour of 'somewhat Right' and about 10% are in the favour of 'wrong' from this view, it can be concluded the premium collection system of insurance companies is not good stead, it should be made corrective so that companies can collect more premium through best system and method.

<u>How is the condition of premium collection at present insurance market?</u>

This query was intended to find out the collection trend and present collection ratio of premium at Nepalese insurer from market. This opinion gives us the position of premium collection of Nepalese insurance company and whether they are able to meet their target or not. The following table shows the number of person and percentages in the fovour of options of given in the opinion survey.

Table No: 4.17

Premium Collection at Present Market

S.N	Options	No. of Viewers	Percentage
1.	Less than expected	20	33
2.	In between expected	40	67
3.	More than expected	0	0

Source: Appendix XV

Among the viewers, around 67% of the viewers have found that they are able to collect the target premium in between expected, that is they are just to meet the target. Other 33%

found that their target of collection of premium is less than expected. No one is in the view of premium collection more than expected.

Insurance companies' satisfaction with the rate of premium

In order to find out the views of insurer regarding the premium rate on different heads or policy, this question is included in the query. As insurance board directly regulates and fixed the rate of premium under different policies. This query is forwarded to know the opinion about whether they are satisfied or not. The following table shows the number of person and percentage in the favour of opinions given in the opinion survey.

Table No: 4.18

Insurer satisfaction with premium rate

S.N	Options	No. of Viewers	Percentage
1.	Yes	6	10
2.	No	11	18
3.	In between	43	72

Source: Appendix XV

From the above table, it is clear that 72% of the viewers are not satisfied with the present rate of premium. Only 10% in the favour of present rate and 18% of the persons think that they are in between. So, with the above data collected, we can conclude that most of the insurer wants to change in premium rate which should be fixed by formulating a committee including them.

Customer / Clients satisfaction with premium rate and provided service

Premium is the amount that the customer has to pay for being insured. The rate of premium varies between the same nature of company not exceeding and below the range fixed by he insurance act. In order to find out whether customer or clients are satisfaction with premium rate and service provided by insurance companies this query is included. This type of question is verbally asked to the persons coming for service to the concerned companies. The following table shows the number of person and percentage in the favour of option given in the opinion survey.

Table No: 4.19

Client's satisfaction with premium Rate and Service

S.N	Options	No. of Viewers	Percentage
1.	Excellent	3	5
2.	Good	18	30
3.	Satisfactory	24	40
4.	Bad	15	25

Source: Appendix XV

The above table shows that only 5% of the customers are fully satisfy with premium rate and provided service by the insurance companies. About 18% of the viewer have good experience of service provided by the companies and premium rate while more than 40% have satisfactory level. More than 25% people are badly response by the insurance companies and are not satisfy with present rate of premium and trend of collecting premium.

4.2.2 Evaluation of Insurer Views Regarding the Investment Pattern Aspect

Concern with investment management and portfolio

For success, plan, policies and effective management must be prepared well designed and applied. To achieve success and make the goal fulfill insurance companies are aware about it, this query is intended. Through this question, the weight given by the insurer to their functioning is. As financial institution through investment management can be known. Here, 100% of insurers are in the favour of option 'significant concern.' It means all of the companies invest their fund according to the investment management and portfolio.

To maintain desired/maximum beneficial investment policy

This question was intended to find out the present status of the insurer related to the investment policy and their perception regarding the present environment. Here, the options of the viewers are segregate in term of maintaining desired level of investment policy. The following table shows the number of person and percentage in the favour of options given in the option survey.

Table No: 4.20

Maintain desire beneficial Investment Policy

S.N	Options	No. of Viewers	Percentage
1.	Yes	3	5
2.	No	18	30
3.	In between	24	40
4.	Bad	15	25

Source: Appendix XV

4.2.3 Evaluation of Insurer Views Regarding the Current Situation, Problems Facing and Others Aspect

Role of insurance business for economic growth of country

In order find out the contribution of insurance companies in Nepalese economy, this query is included. As every business or financial institution helps to develop the economy situation of the country, insurance companies are not separate from it Insurance companies have great role in developing economic condition as it provides investment fund and large number of employment opportunities.

All the viewers have the same opinions regarding the role of insurance company in economic growth of country i.e. significant role. Nobody has said of insignificant and minor role. Therefore, we can conclude that insurance companies have great deal of role in economic growth of the country.

M

ajor threats of insurance business at present condition

Due to the liberal and global economic system, every financial and business company are facing new threats and problems and looking after the opportunities bringing by it. In the similar way Nepalese insurance companies also have many threats, to find out the major, this query is prepared. The following table shows the number of person and percentage in the fovour of options given in the opinion survey.

Table No: 4.21

Major threat at present condition

S.N	Options	No. of viewers	Percentage
1.	Improper inv. of fund	19	32
2.	Low market opportunity	18	30
3.	Unclear act	23	38

Source: Appendix XV

Among 60 respondents, 32% of the viewer accepts improper investment of fund as major threats while 30% take low market opportunities as threats and highest percentage of 38% think unclear act published by government regarding insurance business is major threats. So, different viewers accept different types of threats as major.

Problems facing by insurance companies

Due to many national and international conditions and situations many problems are emerging as the day and month passing on. Nepalese insurance companies have to face many problems on their operation and policies. Insider to find out the major problems facing by these companies, this query is included. The following chart shows the number of person and percentage in the favor of options given in opinion survey.

Table No: 4.22

Problem faced by insurance companies

S.N	Options	No. of Viewers	Percentage
1.	Lack of awareness	12	20
2.	Default policies	44	73
3.	Unhealthy Competition	4	7

Source: Appendix XV

Among the viewers, 20% accept lack of awareness as major problems by insurance companies while 73% think the main problem is default policies of government and companies too. Rest 7% of the viewer considers unhealthy competition is the main problems, which the insurance companies are facing recently. As the numbers of companies are increasing day by day, companies are practicing unhealthy competition for their existence and growth.

Reasons for not focusing rural area by insurance companies

As most of the insurance companies focus only in the urban area, this question is forwarded to find out the actual reasons for it. Rural area also has great market opportunities and needs insurance companies. However, Nepalese Companies are giving not priority for this. Therefore, I asked this question to the some expert and general people to find actual reason. The following table shows the number of person and percentage in the favor of option given in the opinion survey.

Table No: 4.23

Reason for not extending in rural area

S.N	**Options**	**No. of viewers**	**Percentage**
1.	Weak govt. policies	19	32
2.	Insufficient capital to invest	18	30
3.	Low market price	14	23
4.	Difficult topography	9	15

Source: Appendix XV

From the above table, we can say that neglecting services in the rural area is not of only one reason. All the reasons presented above play role for it. According to it, 32% of the viewer think that it due to weak government policies, 30% think that of insufficient capital to invest, 23% suppose due to the low market share and only 15% people emphases on the difficult terrain and topography.

The above Table tells us that we should take necessary step for the growth and stability of insurance companies. About 33% of the viewers suggest for the better government policies, 30% of viewer think to invest the fund in new area, 15% of people suggest extending the insurance service to rural area also and 22% of viewer suggest improving on people4 awareness about insurance need and importance.

4.1.6 Major Findings of the study

This chapter concentrated on drawing the conclusion of all analysis and providing suggestive package of premium collection and investment aspect of Nepalese insurance industry with the help of secondary and primary data.

In accordance to the study and analysis of 'Investment pattern and composition' and 'premium collection and composition', it will be clear that the Nepalese insurance industry were not following generally accept principles of investment and the investment components. Likewise, they have not similarity in premium chargeable rate and collection rate too, under different policies, since establishment to till now.

Based on secondary data presentation and analysis some important findings were as follows:

- Earnings per share of insurance companies is fluctuate nature. United insurance has only increasing trend in EPS. Everest insurance has highest EPS of 61.74 in 059/60 while Neco insurance has the lowest has the lowest 0.58 in 062/63. Premier and Everest Insurance have comparatively higher EPS while Neco and United Insurance have lower EPS.
- Market values of share of insurance companies are differing from each other and their trend is also fluctuating by the year passes. United, Everest, and Neco insurance

MPS are decline from the beginning year of 059/60 to year 061/62. Only the Himalayan General insurance has increasing trend as its MPS reach 195 in 059/60 to 311 in 062/63. The variation in market price is due to increase in number of shares and high competitions among companies.

- The insurance industry has not consisted in the investment proportion of various investment sector and investment portfolio too but they have similarity in investment sectors, however the return on premium and interest earn to total premium collection ratio of insurance industry are in fluctuate trend in study period.
- Among the insurance policy, the ratio of premium collection is higher in fire insurance and motor insurance and motor insurance and lower in marine and engineering policy.
- Claim paid ratio is increasing according, but the percentage increase is very low in respect to increase in premium collection.
- Return on investment is not satisfied. As the maximum return is only 13.60% and minimum is -4.64%.
- Investment on premium shows that more than 50% of premium amount is investment in different sector. The percentage is up to 111% due to investment from other source like capital and share.
- The trends of investing the fund of insurance companies are limited. They are investing in only specified or certain sectors. The bank deposit amount covers more than 75% of total investment, then in government bond, share and emergency investment fund respectively. Then in government bond, share and emergency investment fund respectively. So, they extend their investing sectors for more return and profit.

- The trend analysis of Aggregate premium collection and investment amount but has fluctuating trend in respective policy.
- The coefficient of correlation between investment and average net profit earned seems to be high degree of positive and significant relationship in case of Premier and United insurance. Low degree negative and insignificant relationship in case of

Everest and Himalayan General insurance and high degree negative and significant relation in Himalayan General Insurance Company insurance.

- The coefficient of correlation between premium and investment of Nepalese insurance industry has low degree of negative correlation with insignificant relationship.
- The analysis of correlation between premium collection and investment of sampled companies show different relationship among the companies. Except United insurance, other insurance have insignificant relationship.
- The coefficient of correlation between net profit and premium collection of insurance companies show that Premier and United insurance have significant relationship.
- The analysis of correlation between premium collection and claim paid of sampled insurer and industry has negative relationship. However, Himalayan General insurance has moderate degree of positive relationship between premium collection and claim paid except significant relationship of United Insurance.
- The test of hypothesis of total premium amount of five-sampled insurer has significantly different. It indicates that the investment amount of companies has differed.
- ‘F’ Test for claim paid of insurance industries seems that, there is significant difference in claim paid. Hence, the claim paid is also differ among the Nepalese insurer.
- The test of hypothesis ‘F’ statistic of an income earned is signifi8cant different at 5% Level of significance. It means there is variation in income earned ratio of Nepalese Insurance Industry.
- From the analysis of GDP in Nepalese economy by insurance companies is increasing year per year. However, the ratio is not satisfied in respect to total GDP.
- Various problems are existing for the development and growth of insurance companies in which main are limited scope for business, great competition among existed companies, lack of awareness, lack of a awareness, educational level and one-sided economic condition.

Based on empirical investigation i.e. primary data, data were collected, presented, and analyzed. Some important findings can be drawn from the investigation, which were as follows:

- In the case of premium collection condition of Nepalese insurance, there are variations of view. 75% if the insurers are side of good, 25% are in side of satisfactory and none is in side of excellent. But, 50% of the viewers are satisfied with the premium collection system and rest 43% and 7% are in side of somewhat right and wrong system.
- However, almost, of the insurer can collect the premium under their target. Only 33% of the insure cannot collect under target and 67% are able to collect in between target. However, more than 72% of the insurance are not agree with the premium rate that is issued by Beema Saittee (Government of Nepal).
- Regarding customer's satisfaction of service and premium rate, different result has come out. About 5% have excellent service while 30% are in good side, 40% are in satisfactory side and 25% are satisfied with present premium rate and services.
- The premium collection rate of Nepalese insurance industry has been fluctuating trend under all respective policy in each year and differentiation in investment amount with respective investment sector (optional and compulsory). But almost of the insured chargeable rate of premium is based on Beema Samittee's regulation. However, as for life insurance, premium is calculates personal character sticks of insured person under based on Beema Samittee's personal character sticks of insured person under based on Beema Samittee's regulation and policy.
- Almost of the companies followed the investment policy at investing a fund but some insurer give less importance on investment policy and they invest their fund only accordance to government rules and regulation and management desire.

  Although, the entire insurer concerns with investment management and they heartily accepted if too.
- All the insurer or insurance industry prefers the portfolio to investment a fund and they accept its essence in investment. However only 47% of insurer utilizes and maintain the maximum beneficial investment policy among the insurer. Among the

investment sectors 31% of the insurer addressed their importance in fixed deposit, 30% are in side of government saving bond and rest favored to make combination of investment sectors. Their views show the higher preference to bank fixed deposits of insurer.

- Giving priority while forming investment policy, more than 35%are in side of portfolio, 42% concerned with the return form investment and 23% give priority to objectives. So, most companies now are focusing on the investment.
- Regarding the earning desired return from the investment, 32% are able to get desired level of earning while 30 are unable to reach desired level and 38% earn only little in desired earning.
- From the data collected from the viewer, 7% think that current investment system of insurance companies is excellent while 20% think of good and remaining 73% are only satisfied with present investment system.
- Like other business, insurance business has also very much contribution on economic growth. There is no different view on it. Viewers think improper investment of fund, low market opportunities and unclear act as major threats of current insurance business in Nepal.
- The major problems indicated are lack of awareness, default policies and unhealthy competition and the focus is on unhealthy competition among companies.
- Viewers pointed 32% on low market share and remaining 15% in difficult topography as the reasons for not extending insurance business in rural area.

33% of companies expect better government policies, 30% think to invest in new sector, 15% desire to extend business in rural area and 22% want to increase people awareness for the stability and growth of insurance companies

CHAPTER V

Summary, Conclusion and Recommendation

5.1 Summary

Insurance contributes to society by favorably affecting the apportionment of the factors of production, engaging in loss prevention activities, identifying losses serving as a basis of the credit structures, eliminating worry and providing a channel for investible fund. Insurance has been introduced to safeguard the interest of people from uncertainties by providing certainty of payment at a given contingency. According to nature, characteristic and objective of the insurance company, they are also referred to ad financial intermediaries. In the 21st century's business age, it plays ^{vital} role through beating and providing certainty. Therefore, insurance is an assist of world's economy.

As significant differences in the nature of insurance, mainly there are two types of insurance life and non-life. Life and non-life premium is non-refundable. For life insurance companies, they have to refund the premium that collected to insured with bonds. However, general insurance does not have such burden. That is why the premium differently accordance to nature of risk. Thus, the judgment and personal evaluation play vital role in rating/fixing premium.

Investment means to out-flow of the fund at adjustable return. For investing, investment pattern is the formulation of the investment strategy based upon the organizational and financial character of the particulars firm itself. Investment policy will be the preliminary decision of selecting the proper investment sector based upon single or joint consideration of safety, liquidity, marketability, profitability, and stability at else. Usually, such investment pattern aims at arriving to the optimized of agreed mix of risk-return from the investment. Investment fund for the insurance companies are the excess amount after claims paid and managerial expenses. Premium collection and investment are the major tasks for every insurance company. More premium collection means more income and more investment means more return. Therefore, this study is concentrate on the premium collection and investment position and pattern of Insurances Industry in Nepal. Companies are aimed at evaluating and analyzing the premium collection trend, investment sector and ratio.

In the context of Nepal, insurance business is one of the business, which has not any loss and it suffered at profit from establishment date to till now. But the trend of premium collection investment and profit earned are fluctuated. There is no information rate of premium of insurance policy, which regulates by government Beema Samati) is also unscientific. It is needed to restudy and reanalyzed as for present condition and situation. The insurance act 2049-aimed regulation should be clear enough to guide the investment should be promptly changed according to the change in overall economy and money capital condition.

After the formation of Nepal insurance association, the companies can place their problems jointly to the government and go forward for the interest and benefit of insurers. This platform should be taken an opportunity.

Among the 21 insurance companies, the study has been taken to evaluate the premium collection and investment pattern of industry through the sample basis. The study analyzed the annual report of five years starting from 059/60 to 063/64 of Premier. Everest, United, Himalayan General and Neco Insurance Company are taken for the purpose of the study. Primary and secondary data are collected from relevant sources and to revel the problems, financial as well as statistical tools are applied. The recommendation is provided based on findings from analysis.

In this study, an attempt is made to find out and provide independent views of the premium collection and investment pattern of insurance companies. For the presentation, analysis and evaluation primary and secondary data from the various sources are taken like annual reports of respective of respective companies and other applicable sources as well as journals, articles, newspaper related to concerned subject matter. Necessary help is taken from insurance board, Nepal stock exchange, and relevant web lites.

5.2 Conclusion

As there is no any evidence of establishment of insurance of insurance companies, people were engaging in Guthee. In Nepal, the history of insurance companies began only after the

2024 under the Nepal Company Act, 2021. A year later, the company started operation with same name but under National Insurance Corporation Act, 2025. On 2030, five years after its establishment, life insurance was introduced. However, due to unclear act and policy only few companies are established and working which is going today also. Altogether, there are 21 insurance companies until 2063.

Ratio analysis and trend analysis show that as the transaction amount is increased, the increase in percentage is not so satisfactory. Increase in premium collection has fluctuate nature and investment fund is low in comparison to others financial companies. Nepalese insurance has followed traditional policy. They are not innovating modern and developed method and policy head for collecting premium. Under only limited insurance heads, they are providing services. Similarly, in very few sectors, insurance companies are investing their fund. They have seen only the fixed deposit and government saving fund as save and risk free sectors. Some insurance companies have net return low than interest received from deposit. Similarly, EPS and MPS of insurance companies are not satisfactory in respect to other financial institution like bank and finance. Even some insurance companies have lower rate of income than interest received form fixed deposit and result should be drawn out.

Because of poor performance of premium collection and mobilization i.e. investing in suitable sectors, insurances companies are unable to meet the target and are unable to contribute great percentage in GDP. As the amount, contribution in GDP is increasing and the role of insurance companies in economic growth is significant but percentage increase is not in the same ratio. It is because of private waiting under raining and cut-throat competition in the market.

5.3 Recommendations

The recommendation are made as per the analysis of primary, secondary, and valid findings from study as well as relating and through other relevant side these correctives action needs to be introduced:

- All insurance companies must take some steps to decrease the inconsistency. To take any proper decision, to run the organization smoothly, each ratio should be consistent. Therefore, the companies must start research and development programme train their work force effectively and scientifically.

- The entire insure should follow the investment policy and improves its management. In addition, should maintain and make uniformity on premium collection under all insurance policies and should try to reduce in claim paid amount.
- The insurer should enforce the diversification among the investment portfolio. In past, the insurer did not seem to enforce the diversification. Such diversification will be able to manage level for rising and minimized yield in the long run.
- From the analysis of study and research on interview, field observation of Nepalese insurer, following facts are concluded there is no sound policy and separate department for investing a fund but it is necessary to manage. Therefore, the entire insurer should manage a separate department for the purpose investment and gain return without risk.
- The entire insurer should improve their premium collection system and investment systems too and try to increase customer service by providing different facilities and to withdraw unnecessary process of insurance and followed scientific insurance system.
- Insurance premium fund should be invested in different sector other than HMG bond and bond fixed deposits is order to inherence the life standard of people thereby increase the insurance premium.
- Insurance companies should maintain their claim paid ratio as for size of the transaction because the claim paid ratio directly affected to the income generate.

  Insurance companies are suggested to expand insurance activities in rural area by the establishment of branches or by the appointment of agents according to its potentiality.
- The insurance companies should introduce new policies and attractive strategy to make ease for the development of insurance business. Nepalese insurance business should be social responsibility oriented rather premium oriented in order to develop this business at present situation.
- Attractive premium collection schemes, better services to clients, good facilities to agents, fast and reliable services, development of collecting more premiums. Similarly, new, less risky and more profitable investment sector should be developed for making the investment pattern more safety and returnable.

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