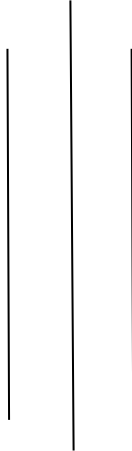


**“MARKET DISTRIBUTION AND PRODUCT ANALYSIS
OF INSURANCE COMPANY IN NEPAL”**

(A Study on Life Insurance Company: NLIC, LIC and ALICO)



A Thesis

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In partial fulfillment of the requirement for the degree of Master of Business Studies

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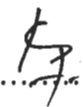
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DECLARATION

I hereby declare that the work reported in this thesis entitled “**Marker Distribution and Porduct Analysis of Insurance Company in Nepal**” submitted to **St. Xavier College**, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master of Business Studies under the supervision of **Prof. Mr. Shanker Thapa** of St. Xavier College.

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.....
(Ashok Kafle)

Researcher

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ABBREVIATIONS

A.D.	: Anno Domini
ALICO	: American Life Insurance Company
B.C.	: Before Christ
B.S.	: Bikram Sambat
BS	: Beema Samitee
C.V.	: Coefficient of Variation
FA	: Face Amount
FY	: Fiscal Year
FYP	: First Year Premium
GDP	: Gross Domestic Product
HMG	: His Majesty's Government
i.e.	: That is
IB	: Insurance Board
IC	: Insurance Company
LIC	: Life Insurance Corporation
MOF	: Ministry of Finance
NIC	: Nepal Insurance Company
NLGI	: National Life and General Insurance
NLIC	: Nepal Life Insurance Company
PA	: Personal Accident
PPD	: Permanent Partial Disability
PTD	: Permanent Total Disability
RBS	: Rastriya Beema Sansthan
RNP	: Renewal Premium
S.D.	: Standard Deviation
%	: Percent

CHAPTER - I

INTRODUCTION

1.1 Background of the Study

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

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

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

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

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

Insurance have a wide scope in modern world. There are many forms of insurance such as life insurance, fire insurance, marine insurance, property insurance, vehicle insurance, etc. In general, insurance is classified as

- **Life Insurance** - Insurance guaranteeing a specific sum of money to a designated beneficiary upon the death of the insured, or to the insured if he or she lives beyond a certain age.
- **Non-Life Insurance**- Fire insurance, marine insurance, property insurance, vehicle insurance, health insurance etc. all are categorize under non-life insurance. In general, insurance coverage other than life comes under non-life insurance.

Life Insurance is different from non-life insurance though objective of both forms are to safeguard the people. On non-life insurance, the insurance company sells policy for financial protection of individual property from unsuspected risk. Insurance other than Life Insurances are the contract of indemnity, where the insurers agree to compensate in the event of loss such that the insured is left substantially in the same position financially after the loss as he/she was before it. But the principle of indemnity does not apply in case of Life Insurance, as value of human life cannot be expressed in monetary terms. Subject matter of life insurance is the life of human being.

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

Thus, to purchase life insurance is a prudent act to get rid from uncertain risk and provides benefits against premature death, living a certain length of time, incapacities, injuries etc.

At present there are nine Life Insurance Companies and sixteen non life insurance Companies in Nepal. Among them Rastriya Beema Sansthan (RBS) is one of the pioneer governments insurance companies sells both Life & Non Life products.

1.1.1 Types of Life Insurance Products

➤ On the basis of participation in profit

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

➤ On the basis of number of insured

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

➤ **On the basis of period or duration**

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

1. Whole Life Insurance

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

Whole Life Insurance policy is further divided into four types:

- a. Ordinary Whole Insurance: Insured pay premium for entire lifetime. After the death of the person, no further premium has to be paid. Beneficiary get sum assured after
- b. Limited Payment Whole Life Policy: Premium is not paid for entire lifetime but for a fixed term only like for 10 years or 20 years or 25 years etc. If insured dies before completion of that term premium is not required to pay but the Sum Insured is paid to beneficiary after the completion of term only. It is useful to those persons who have regular income for certain period of time only.
- c. Convertible Whole Life Policy: Policy is issued as whole life but it can be change into other form after sometime. It can be converted at the end of five years into endowment policy. If the policy is converted into endowment, then policy no longer remains whole life policy and premium is paid as the new terms policy and it is generally higher than the whole life. This policy is suitable for those people, who have prospect for increase in income after a few short periods. The policy remains whole life policy if it is not converted.

- d. Anticipating Whole Life Insurance: Insured also get certain portion of face amount before the maturity and remaining after maturity period; beneficiaries get the face amounts

2. Endowment Life Insurance

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

Endowment Life Insurance policy is further divided into five types:

- a. Ordinary Endowment life Policy: Endowment life insurance generally guarantees that a sum of money will be available to you or your beneficiaries, whether you live until the policy ends (or case of an untimely death to your beneficiary).
- b. Pure Endowment life Policy: If insured completes the whole term he himself gets the sum assured but no amount is paid if insured dies before maturity. In other type of Pure Endowment only certain amount is paid to beneficiary if insured dies before maturity.
- c. Double Endowment Life Policy: If insured dies before maturity because of accident he gets double the amount of sum assured otherwise face amount plus accrued bonus after maturity.
- d. Anticipated Endowment Life Policy: Insured get certain amount before maturity and remaining after maturity. Under this plan, a part of sum assured is paid at certain interval before death within maturity of the policy and balance of the sum assured is paid at maturity. In the event of death of the insured before the maturity date, full sum assured is paid, even if the insured had taken money from the insurer. The premium of anticipated endowment policy is higher than other policies.
- e. Deferred Endowment Life Policy: Even if insured dies before maturity beneficiary will get benefit after completion of term only. Assured amount is not payable before expiry

date. Assured amount is paid to insured on his/her survival; otherwise the payment is made to his/her nominee/dependent.

3. Term Life Insurance

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

Whole Life Insurance policy is further divided into four types:

- a. Temporary Term Policy:** Policy is issued normally for short term, normally up to 2 years; premium for whole period is paid in advance. Like medical, travel insurance. A single premium is paid in this policy. The sum assured will be paid only on the death of the insured within two years from the commencement of the policy. Assured amount will not be paid on the survival of life assured and the contract will be void automatically after 2 years.
- b. Renewable Term Policy:** After the completion of term, the policy can again renew for another term till insured reach the age of 55 years. Policy can be renewed without medical examination. The premium rate will be altered according to the age attained at the time of renewal. This policy is suitable or beneficial for those whose health is deteriorating.
- c. Convertible Term Policy:** The policy can be converted in to another policy (endowment etc.) as per converted without medical examination but the premiums rate will be according to term and conditions of policy to be converted prevailing on the date of conversion. This plan is useful for those who are unable to pay the larger sum required for a whole life and endowment policy for the time being.

Hence, in Nepalese Insurance market, though most of the insurance companies (IC) sold similar type of products, they have given different names for different plans, to differentiate

among the companies. Thus, we can find various products among the company that are named differently. Whatever be the classification of life insurance product, in Nepalese Insurance Market, basically products are classified under 4 forms. They are as follows:-

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

1.2 Focus of the Study

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

American Life Insurance Company (ALICO): ALICO came to serve the people of the Himalayan kingdom of Nepal with more than 84 years of global experience gained through its operation in over 50 countries and jurisdictions. ALICO, originally named ALIC (Asia Life Insurance Company), was established in 1921 in Shanghai (the commercial heart of Asia at that time), China by Mr. C.V. Starr, the founder of what would later become the American International Group, Inc., (AIG). Today, ALICO operates in over 50 countries. In 1972, ALICO was granted a license in Japan as the first foreign life insurance company fully admitted to the market. ALICO Nepal received its license to operate in the kingdom in 2001. The first policy, however, was issued in 2002. It is only the Multinational Life Insurance Company in Nepal. ALICO has branch offices, subsidiaries and affiliates in emerging, developing and developed markets in Europe, Asia, the Middle East, Africa and Latin America. ALICO is domiciled in Wilmington, Delaware and has regional headquarters in Tokyo, Paris, Athens, Dubai, and Santiago, Chile. It has 13 branch offices operated in Nepal.

National Life Insurance Company (NLIC): NLIC, established under the Company Act 2053 and Insurance Act 2049 as a public limited company on 2058/01/21 (04/05/2001). NLIC is

the foremost life insurance company established by private investors. The promoters of the company are a group of well known businessmen and business houses of Nepal. Company has set up an excellent business record and has a strong financial position. The company has total assets of 3478 million with a paid capital of 375 million. The company has insured itself with well-know reinsurance company "**Hannover Re Life Reinsurance Company**", Germany for individual policies and "**SCOR Global Life** ", France for Term Assurance Foreign Expatriate policies. It has 20 branch offices in Nepal.

Life Insurance Company Nepal (LIC): LIC (Nepal) Ltd. is one of the largest capitalized insurance companies of Nepal. Promoted under a joint venture between India's - owned Life Insurance Corporation (LIC) Nepal Vishal Group, this company was licensed in August 2001 and started issuing life insurance policies from September 1, 2001. The company has got ISO 90001:2008 certification in FY 066/67- making it the first and only one life insurance companies in Nepal to be certified. The company has a paid up capital of Rs. 250 million of which LIC of India owns 55percent while Vishal Group and ordinary shareholders (public participation) own 25percent and 20percent respectively. Life Insurance Corporation (Nepal) Ltd. Registration No: 765-057/58 and incorporated under the Companies Act 2053, while started operation in 1.09.2001. The company has 15 branches at present in different part of the country. It owns 22,189 agents. It has sold 48815 policies in the year taking the total number of policies serviced by the company to 239051 as at 31st Ashad 2067.

1.3 Statement of the Problem

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

Growing number of companies in the Nepalese insurance market is the indication of expanding scope. However, despite the potentiality, the company is plagued with immense challenges to survive and to outpace those within the industry, mainly due to rising competition,

weak economic condition and moreover lack of insurance awareness. In such a situation, the insurance business has a number of problems. Some of them are pointed out below:

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

1.4 Objectives of the Study

The primary objective of this study is to analyze present situation of the life insurance business in Nepal. Other specific objectives are:

- 1) To analyze the aggregate market trend of life insurance policies.
- 2) To analyze the trends of premiums collections.
- 3) To know the market coverage of life insurance companies.
- 4) To analyze the types of life insurance products available in Nepal.
- 5) To recommend & suggest measures to improve life insurance sector in Nepal based on the analysis.

1.5 Research Questions

Besides the mentioned objective, the present study is intended to explore the following basic questions.

- What are the basic thoughts of people about life insurance?
- Do Nepalese people feel to be insured their life?
- Why people buy life insurance product? Are they satisfied buying it?

1.6 Significance of the Study

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

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

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

1.7 Research Gap

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

with the market coverage of Life Insurance Company its issued products, its benefits, and reason behind its popularity of all prevailing life insurance companies. Most of the studies are unable to present the research work in products/plans and exact sales figure in terms of premium collection (both New & Renewal) with statistical analysis of total policies issued as well.

In this study, primary data are also been observed to analyze, assess and to decide the various thoughts of people towards life insurance. Hence, this study is a supplement to overcome the weakness & limitation of previous studies.

1.8 Limitation of the Study

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

1. The study may not be precise as it is to fulfill the partial requirement of degree in management (MBS) program and it is merely focused to analyze certain aspects of Nepalese insurance sector.
2. Resource, time, money constraints and inaccessibility of sufficient information also limit the conclusion drawn from the study.
3. The study is based on primary and secondary data of few years period i.e. from fiscal year 2062/63 to 2066/67, therefore conclusion about the result confines only to stated period.
4. The evaluation is made through the analysis of financial statement published and provided by the companies and insurance board.
5. Finding of the study would be fully dependent on the accuracy and the reliability of the data provided by the respective organization and respondents.
6. The study is mainly focused on the life insurance sector of the insurance industry in Nepal. Hence, it completely ignores other forms of insurance.
7. The study only deals with four major types of life insurance products categorized by the beema samiti; similarly the research has been carried out in the Kathmandu valley only.

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

1.9 The Study of Organization

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

I Introduction:

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

II. Review of Literature:

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

III Research Methodology:

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

IV Data Presentation and Analysis:

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

V Summary, Conclusion and Recommendations

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

Note:

Besides these, bibliography and appendixes are also included.

CHAPTER - II

REVIEW OF LITERATURE

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

2.1. Conceptual Framework

2.1.1. Concept of Insurance

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

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

Insurance is a contract made by a company, society, or by the state, to provide a guarantee of compensation for loss, damage, sickness, death etc in return for regular payment. In other words, it can be said that any measure taken as a safeguard against loss, failure, perils etc. An insurance company means the enterprises that are involved in insurance business. Insurance companies are integrated part of the same business. Before knowing about insurance company's concept we need to know about concept of insurance. It is quite hard to define insurance to satisfy every view point of insurance.

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

In a period of deepest sorrow and need, when funds appear to drain into abyss of creditors demand and estate duties, insurance claims provide great relief. So, insurance offers excellent financial protection. Industrial and commercial risks are more complex. Apart from the normal

trading risks, they are exposed to various natural and man created hazards, the result of which can kick them completely out of the business. Moreover, not all the risks are insurable which means the careful risk management should be administered. Risk management deals with the technique of identification, evaluation and handling of risks. After properly identifying the risk one is exposed to, one has to evaluate the monetary consequences of such risks before thinking of handling of the risks which may be consciously assuming certain risks oneself and transferring others by various devices including insurance. Insurance is one of the risk transfer mechanism. Insurance is not a luxury; it is a necessity especially who ones paid up asset is few. Many people thinks insurance is for the rich people as they can afford but it is precisely for those who are not financially secure.

Insurance business is broadly classified into two groups:

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

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

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

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

2.1.2 Definition & Meaning of Life Insurance

A life Insurance policy is a contract between the policy owner (insured) and an insurance company (the insurer). Under the terms of a life insurance contract, the insurer promises to pay a certain amount of money (death benefit) to someone the insured chooses

(beneficiary) when he/she die or to the insured himself/herself at the end of the contract (term) period, in exchange for the insured's premium(fee payments).

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

According to Nepal Insurance Act 2049, in which a particular sum of amount is paid in installment on the basis of age for insuring of the person; with the condition that the nominee or his dependent will receive a particular sum of amount at the maturity .

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

2.2 Origin of Life Insurance

There is no actual evidence of origin of insurance/life insurance. So we cannot accurately say how and where it was introduced. Today's modern form of insurance is not the effort of fortnight. It has crossed a long series of time to develop insurance from ancient practices to

modern insurance practices. There was insurance in ancient time too, but not in its present form. Some say insurance is as old as human civilization. We can guess that there was some sort of life insurance in this part of the eastern world.

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

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

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

2.3 Origin & Development of Life Insurance in Nepal

The concept of insurance developed in ancient period in Nepal. The system of maintaining "Guthi" can be taken as concept of insurance in Nepal. The income from such Guthi was repairing, etc. So, the concept of insurance was emerged with the religious view but not as commercial view.

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

On 2044 B.S. National Life & General Insurance Company (NLGI) was established (2044/9/24 B.S.). On 2046 B.S. NLGI started their transaction in Life Insurance. On 2049 B.S., New Insurance Act & Insurance Regulation came into effect with full fledged Insurance Board; abolition of Insurance Act 2025. On 2058 B.S. Nepal Life Insurance Company (NLIC) was established and then a few months later Life Insurance Corporation Nepal (LIC Nepal) was established. On 5th December 2001, American Life Insurance Company Nepal (ALICO Nepal) was inaugurated in Kathmandu. From 2002 February onwards, ALICO started its transaction with totally new concepts and strategies in Nepal. On September 1, 2003 A.D. agent's code of ethics became effective.

The insurance activities were regulated by Insurance Act 2026 B.S. (1969 A.D.). The Act and the regulations were modified and new Insurance Act and Regulations were enacted in 2049

B.S. (1992 A.D.). Beema Samitee observes and regulates the insurance activities in Nepal as per the provisions of Insurance Act 2049 and Insurance regulations 2049.

Now, the government has adopted liberal economic policy as a result many of the insurance company established after the restoration of democracy. Established under Insurance Act 2049, (1992) there are 25 insurance companies operated in Nepal. There are eight life insurance companies, 16 non-life insurance and (1) one company dealing with both life and non-life insurance. From ownership perspective, three of them are operating with full foreign capital investment and three companies on joint capital venture of foreign insurance companies. Similarly, 18 companies are under private ownership, while the Government of Nepal owns one company.

2.4 Operational Definition (Terminologies)

Insurance: Protection against economic consequences of loss

Insured: Person whose life is insured/secured

Term: Risk coverage period

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

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

Payer: Person who pays the premium

Insurer: Company that covers the risk of insured

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

Beneficiary: Person who receive the policy benefit

Mode of Payment: Annual, Semi Annual, Quarterly

Policy Document: Written paper of insurance contract

Policy Owner: Who owns a policy?

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

2.5. Basic Principles of Life Insurance

2.5.1. Utmost Good Faith:

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

2.5.2. Insurable Interest

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

- a. With self:** Person with income can insure own life.
- b. With another person:** family & become liabilities/investment related (third person).
There is insurable interest between husband & wife, father/mother and children, Employer & employee, Creditor & debtor, between business partners.

So, a person can purchase insurance on his own life and on another person with insurable interest. The beneficiary also must have an insurable interest in the life of the insured when proposed/policy is issued.

2.6 Life Insurance Products

As per the demand of time and market, different types of Life Insurance product have been introduced so far in Nepalese insurance business.

An insurance product/policy/plan covers the insured party (known also as the insured or the policyholder) for a specified period of time, called a term. When choosing an insurance

policy, a person must decide what type of coverage to buy. This means deciding about the selection of plan, coverage amount, terms, additional benefits etc. All influence the cost of a policy, which is expressed as the price of a regular, repeated payment (known as the premium).

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

2.6.1 Types of Life Insurance Products available in Nepal

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

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

- Endowment Life Insurance Policy
- Anticipated Endowment Life Insurance Policy
- Juvenile/Children Plan
- Others/Term Life Insurance (Whole-Life Insurance policy/ Group Insurance/Expatriate Insurance/Life Shield)

➤ **These policies may further be modified on the basis of requirement of the customer. It can be varied on the following basis:**

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

➤ **Endowment Life Insurance Policy**

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

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

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

➤ **Anticipated Endowment Life Insurance Policy**

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

certain interval before death within maturity of the policy and balance of the sum assured is paid at maturity. In the event of death of the insured before the maturity date, full sum assured is paid, even if the insured had taken part of the sum from the insurer. The premium of anticipated endowment policy is higher than other policies. Some of the anticipated endowment policies that are available in Nepal under different names and features are Anticipated Endowment Life Insurance, Children's Marriage and Education Endowment Life Insurance. Three Payment plan, Chhora-Chhori: Agrim Bhuktani Sawadhik Jeevan Beema, Jeevan Shanti, Money Back Policy, Griha Laxmi etc.

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

➤ **Juvenile / Children Plan**

Juvenile or Children plans are not different plans in comparison with endowment & anticipated endowment plans describe above. This plan is combine plan between endowment & anticipated endowment plan especially designed for children. Children plan is foundation and career.

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

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

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

➤ **Others**

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

- **Term Life Insurance Policy**

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

Some of the term life insurance policies that are available in Nepal are Level Term Life Assurance, Decreasing Term Life Assurance, etc.

- **Whole Life Insurance Policy**

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

- **Group Life Insurance Policy**

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

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

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

This product is designed for those who go for foreign employment. Everybody who goes for foreign employment especially in Gulf country, should compulsorily insure their life before flying abroad with a sum prescribed by government. Responding to the rising incidents of death and severe injuries among Nepali workers in the course of their work, the government has passed a law requiring manpower agencies to arrange life insurance worth Rs. 500,000 for prospective foreign workers before issuing them the final approval. The insurance covers Death due to any cause/reason, Permanent Total Disability/PTD & Permanent Partial Disability/PPD. In addition, the policy also covers Body Repatriation charges (to fly home the body of the deceased from the accident site) up to sum Rs. 50,000. The Foreign Employment fulltime insurance covers migrant workers against death, permanent & partial disability for one to three years. As numbers of people depart for foreign employment from Nepal, this plan has much support in collecting huge premiums for insurance companies. Even some companies are attracting people adding high benefits with some additional premium apart from the standard benefits directed by the government to compete within the market. For vides addition sum of Rs. 100,000 for body repatriation. Also, the company pays a sum of Rs. 3,000 per month for one year to family of the injured/death person for Death/PTD due to accident. Hence, this plan has highly protected migrant people and their family.

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

Accidental Death Benefit (ADB)

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

Disability Waiver of Premium (WP)

If the insured attached this contract with the policy, then premium will be waived in case of total disability of the insured and the policy will continue till the maturity.

Disability Protection Rider (DPR)

DPR also called EPR which is embedded (automatic coverage) company where in other should be purchase and can attach. It protects payer in the event of disability due to accident & sickness.

Personal Accident (PA)

PA ensures that the life plan is comprehensively protected, against accident. Accidental Coverage consists of the following coverage:

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

2.7 Market Distribution

Market is the place, where exchange of products takes place in the presence of seller and buyer. Seller has an intention to sell their products whereas buyer takes product by paying certain value. Where there is a market there must be product. Market coverage is determined by number of potential buyer in the market.

Business houses make good marketing plans to capture the market. Marketing is the important tools to gain the potential buyer. To the general public, marketing is selling products. However selling represents only part of the marketing. Marketing consist of creating, promoting and delivering products to satisfy customer needs. It creates value for customers.

Here market distribution notifies as market share. Market share is the portion that individual industry covers. Our financial market is mostly covered by commercial banks. It covers about 66 percent of the market while the insurance industry covers only 10 percent while comparing with the other financial industry. This study gives clear picture of market distribution in terms of premium collection and policy issue. Basically, this report attempts to analyze the top company with highest share through the topic market distribution.

2.8 Regulation & Legislation Relating To Life Insurance Business in Nepal

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

- Rastriya Beema Sansthan Act, 2025
- Insurance Act, 2049 (with amendment)
- Insurance regulation, 2049 (with amendment)
- Company Act, 2053
- Contract Act, 2056
- Policies and directives, issued by Beema Samitee from time to time
- Rastriya Beema Sansthan is directed by Rastriya Beema Sansthan Act 2025 and Insurance Act 2049 and Insurance Regulation 2049. Whereas insurance companies in private sector are operated under Company Act 2053, Contract Act 2056, and Insurance Act, 2049 and Insurance Regulation 2049.
- Even though there are many acts that should be considered while carrying out life insurance business in Nepal, Insurance Act 2049 and Insurance regulation, 2049 are the major ones which should be strictly taken into consideration.

According to the Insurance Act 2049 (with amendment), insurer should get approval from Samitee for investment in loan and invest in those organizations in which the board members of company are involved. The financial statement should be submitted to the Samitee within six months after completion of each fiscal year. Insurance companies should keep certain amount as reserve.

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

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

2.8.1 Insurance Act 2049

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

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

2.8.2 Insurance regulation 2049

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

Provision for types of insurance Business which are:

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

2.8.3 Insurance Board (IB)/Beema Samitee (BS)

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

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

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

2.9 Review of Previous Studies

2.9.1 Review of Related Articles & Journals

Various experts, authorities, professionals and MBS/MBA students have conducted a number of researches relating to insurance business. Among them very few are related with the market distribution and products of the insurance business. Similar sorts of articles, affiliated topic, news & dissertation has been reviewed in this part.

Sahay K. (2002), attempted to analyze Salesman or Agents & Companies responsibilities towards every people in life insurance profession. "Selling" is the essential to the business of the life insurance. Every life insurance organization therefore, has an insatiable appetite for number of agents. Growth in the strength of the sales force gives lots of comforts to the managers of life insurance organizations. But neither such managers, nor the sales force themselves, do ever find time to ask responsibility. Who am I and what my social responsibility. Taking a license for agency only does not make one a salesman of life insurance. The life insurance salesman must know that by joining the "profession" his role in the business of life insurance. If a theft or even accident takes place in a locality we question the policeman of the area and hold him responsible. But if somebody dies in the same area without the protection of life insurance to his family no body raises fingers towards the life insurance agents operating in that area. But with growing awareness in society about life insurance as an instrument of financial security to all those who

need this in different stages of life such time is fast approaching when people would hold an agent responsible for not providing that security to a family which needed it most. In England once an old widow filed a suit against her neighbor demanding several thousands of pounds from him as compensation on her pleaded that her husband died without life insurance and for this the neighbor must be held responsible. The court upheld her plea and directed the neighbor to pay certain amount to the widow. The neighbor was a life insurance agent and was held responsible for not insuring the next-door gentleman.

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

The salesman's responsibility is therefore, unusually and high this situation is unique to life insurance. Commitment to the very objectives to selling life insurance is therefore, very important for the agent. A good agent becomes a part of the policyholder family and he commits himself to the families in all circumstances. Perhaps it is this very natural of the profession inspired someone to say: when an agent leaves a house he leaves behind himself footsteps of God.

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

combination of both the situations but it is necessary for him to first understand value of his own money instead of looking forward to value on his money.

Now let us see what we do not get insurance. Investment in equity appears to be a very bright proposition whenever somebody hears about an investor becoming a millionaire overnight due to bullish trend at the equity market. People, however, get so much hypnotized that they tend to overlook the real truth behind the whole scenario. The fact is that somebody's gain is the result of somebody's loss. It is never the gain from the thin air. There are thousands of instances of middle class people investing their entire savings in equity market, sailing along the tide and overnight due to crash of sense they have found themselves left with nothing. Equity investment is directly linked with the economic ups and downs of a particular economy and in the modern time with very fast changes in everything nobody can guess the volatility of this instrument of growing rich. Besides, this is an area of investment, which requires experience and skill and only an intuitive and experienced investor can succeed. Everybody cannot judge the right time for buying or selling shares. The wary investors prefer to maintain low profile and choose all available sources where they can park their money with safety and reasonable growth.

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

value of money is both disadvantage and advantage to the policyholder. He does not stand to lose only. Life insurance companies attach bonus to with profit policies which is again a method of compensating the policyholder for inflationary loss in the value of this investment.

Life insurance provides for much more than only yield on investment. It also takes care of security of fund hedge against inflation, liquidity and tax benefits. A life insurance policyholder enjoys all these benefits once he buys a policy along with the very basic objective of financial protection to family encase of unfortunate death by a provision of large sum as claim proceeds. The life insurance companies are not free to invest their fund. They are regulated by a very strict regime in this regard by Insurance Regulator all over the world. In Nepal also there is a very strict guideline issued by Beema Samitee for investment of the life fund by insurance companies. They are prohibited from parking their fund in business organizations whose balance sheet for last five years do not reveal healthy financial position. They are also not allowed to invest in company s etc. beyond a certain limit. Diversion of fund to enterprise where Directors of the company have any interest is also not allowed. In fact about 90 percent of the fund is necessarily to be invested in government securities and in banks and financial institutions approved for the purpose. This insures security of the policyholder's money. Income tax rules amended by the HMG recently also provide for tax exemption on payment of premium up to Rs. 10,000/- (current Rs. 20,000/-) in a year. A policyholder, therefore, can save at least Rs. 1,500/- (Rs. 3,000) on his income tax which otherwise he would have been required to pay. This also enhances the value of his investment and it increase the ultimate yield by a very big margin. In such a situation what would be important is not the yield but the additional value one gets on his investment. The life insurance cover is an extra value addition to one s investment as unforeseen future. It is a partner which gives comfort while one earns and a support when one stops earnings.

Bhattarai R. R. (2004), associated with Beema Samitee in his article, wrote insurance regulation and supervision were fundamental requirements for the sound development of insurance activities, and that insurance activities, properly supervised, played an outstanding role in the process of the economic growth of every country. Insurance legislation should always provide the basis for a continuous supervision over the insurance concerns so as to ensure that

the legislation was observed in all respects. In developing countries, an additional specific and very important task of insurance supervision through regulation was to provide for measures to establish and strengthen the national insurance market, “sound national -insurance market being an essential and characteristic of economic growth "Whatever may be the regulation or supervision practices the essential thing was to have a sound and efficient national insurance market, where fair premiums would be matched by efficient service to the nation. There should be a fair commercial competition.

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

The research study by **ACNielsen (ORG-MARG) Nepal (2007)** (one of the renowned South Asian research organizations) in Life Insurance and its response from different people also depict the situation of life insurance in Nepal to some extents. Total of 610 people inside Kathmandu valley responded in the research. Out of which 13 percent said they have life insurance policy and 87 percent do not have taken it. They found majority people have purchased life insurance from ALICO i.e. 57 percent. Similarly, 21 percent, 13 percent, 6 percent and 3 percent from NLIC, LIC, National Life Insurance & RBS respectively.

Chalise K. (2008), in his article focuses in insurance company's ambiguity in Nepal. He wrote Beema Samitee, the regulatory authority of insurance companies is doing homework to make insurance companies more transparent. BS is working to make them publish their quarterly reports to maintain transparency and inform small investors about the companies. Regulatory authority that has primary duty to protect policyholders has also duty to protect interest of small investors. At present, the insurance companies submit their reports yearly to the board but do not

need to publish that in the newspapers. BS has just started a new regulation of submitting detailed reports assessing that earlier disclosure system was not very good.

Adhikari R. (2009), insurance analyst in his article notifies that IB is undergoing feasible to open re-insurance company in Nepal. They start it as the Budget 66/67 release the establishment provision of re-insurance company of collaboration of foreign company. Re-insurance is done for to minimize risk or transfer of risk from one company to another. Around 65 to 70 crore rupees paid to foreign re-insurance company annually through Nepal. IB has already submitted the feasible study report of re-insurance in Chaitra 2065 to The Ministry of Finance after discussing to concern parties. The need of re-insurance company is very high in Nepal. IB is still undergoing study assessing how to operate & establish re-insurance company in Nepal. Besides, IB has already got two proposal regarding operation of re-insurance Co. One is from Malaysian Trading Academy with Nepalese team and another is proposal from Beema Sansthan. But IB has not decided yet for establishment though it is inevitable in present stage. Hopefully, IB will give approval to start Re-insurance Company in Nepal assessing various criteria needed.

Bhattarai M. K. (2009), General Manager of NLIC, while taking with the Kathmandu Post said, "Tax on life insurance receipts must be scrapped". Here, some questions with his answer are briefly described:

How has life insurance market grown in the country?

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

How healthy is the competition in the market?

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

Bhattarai R. K. (2010), vice-chairman, Nepal Insurer Association & MD, Asian Life Insurance Company Ltd. in his article, suggests concern authority to widen the investment area of collected income to foster the insurance business in Nepal. Currently, IB has limited the investment area of insurance companies. They have to invest their collected fund as per the area selected by the IB. Mr. Bhattarai express that for the rapid economic development of the nation; insurance business helps a lot and for this number of insurance companies should be operate which is possible only after expansion of investment area to attract the private sector. In Nepal around 60 billion premium are collected annually which is very positive sign for the economic development of the country.

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

2.9.2 Review of Unpublished Thesis

Various experts, authorities and Masters Students have conducted number of researches relating to the insurance business. Among them only few are related to life insurance.

Adhikari N. D. (2002), analyzed entire existing insurance's investment pattern. His study's objectives were to evaluate the investment policies on difference insurance policies and to examine the trend and pattern of investment towards different portfolios. After detailed study and analysis he concluded that;

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

Gelal S. P. (2005). After the detailed study and analysis he concludes that premium collection of both life and non-life insurance shows growing trend of this business in the recent year of the study period. But net claim paid and investment by insurance company is not increased as increase in premium collection during the study period. The net profit percentage of NIC found better than NLGI but the liquidity position of both companies is found better. Change in insurance premium collection of NIC ranged about 18.04 percent to 34.64 percent where as the NLGI premium collection ranged about 17.10 percent to 61.97 percent. So high fluctuation is found in NLGI.

After the study and analysis Mr. Gelal recommends that:

- Insurance premium collected should be invested in different sector other than HMG bond in order to enhance the life standard of people there by increasing the insurance premium.

- The necessity of training to agent is a must before their appointment in order to attract and well serve the people.

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

Poudel R. B. (2006), the research was concentrated on analyzing the regulatory provisions and its impact on the practice among the insurers. In the study, Poudel had analyzed provisions relating the formation, working and governance of the insurance companies. As a part of his study he had also provided insight upon the investment of the insurers and the provisions governing the investment.

His all over findings and conclusion was that the basic law was not sufficient. The excess power on the hand of the insurance committee was advantageous to some extent but it was much costly in many cases. Hence, this study was descriptive rather than analytical.

Sharma B. (2003), in his thesis attempted to find out the various financial indicators of the RBS and Nation Life & General Insurance companies. The analysis concerned with financial performance of the company. He found the following major issues in his study.

- Absolute value of premium collection has been increasing but it is in decreasing trend in respect of GDP.
- Net Premium to claim ratio is gradually decreasing, claim outstanding and premium outstanding are increasing year by year since the overall liquidity position is weakening.
- Most of the part of investment portfolio are composed of bulk fixed account and Nepal's Government securities.

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

- They should make an effective program to take larger share in insurance market.
- They should increase their retention capacity.

- They should accelerate the outstanding premium collection speed.

Shrestha R. (2009) finds that the volume of investment is very much volatile. Insurance companies invested mostly in government securities, debenture and bank fixed deposit. The liquidity ratios of most of insurance companies are in unsatisfactory state.

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

Thapa T. B. (2007), identified the cause for earning less net amount tax is mainly due to time consuming procedures in accepting, issuing and dispatching policies and practice of only traditional insurance policies, practice and schemes.

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

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

CHAPTER - III

RESEARCH METHODOLOGY

3.1. Introduction

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

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

3.2 Research Design

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

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

development trend of life insurance business in Nepal. This research shows trend of life insurance business in Nepal.

In this study, the annual reports published by the insurance companies and other publications especially published by Beema Samitee, various magazines and newspapers, internet and other related agencies are used to collect the necessary information for the diagnostic purpose of the study. This research is aimed at finding out the current situation of life insurance industry in Nepal.

3.3 Nature and Source of Data

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

3.3.1 Secondary Data

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

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

3.3.2 Primary Data

The data for this research work has also been collected from primary sources, i.e. through informal interviews with individuals working in the life insurance industry and general people. In this study, primary data includes data collected from the questionnaire and interview with the respective personnel in the insurance companies. Similarly in order to know the competitiveness in the market, interviews from the insured as well as uninsured people are also taken to some extent.

3.4 Data Collection Procedures

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

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

3.4.1 Structured Questionnaire

In order to understand the general (prospective & present) peoples/customers view a customer survey has also been conducted. This questionnaire was targeted to people regardless of sex, age, education or any other such demographic criteria, the only requirement was that the respondent had to give their thoughts about life insurance. This questionnaire was designed to collect the general views regarding life insurance situation in Nepal. So for the purpose, random sampling on judgment based method has been used. To gather the primary information small questionnaire survey has been conducted. A sample of 30 people from inside the Kathmandu has been taken randomly.

3.5 Data Processing Procedures

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

3.6 Population Size and Sample

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

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

3.6.1 Sampling Procedure

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

3.7 Methods of Data Presentation and Analysis

As stated earlier, the basic structure of this study is descriptive and analytical as well. In order to make the study more precise, the data are presented in tabular form. Figures and diagrams are used to clarify and verify the data presented.

Various statistical tools are used to evaluate the performance of life insurance business. Life insurance business comparison among NLIC, LIC & ALICO are made through statistical tools.

3.8 Statistical Tools Used

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

3.8.1 Standard Deviation (S.D.)

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

3.8.2 Coefficient of Variation (C.V.)

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

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

Where, ' σ ' = Standard Deviation or Risk the companies

(\bar{x}) = Average of number of Insured

3.8.3 Correlation of Coefficient Analysis

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

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

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

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

\bar{x} = Mean value of respective company (Variable one)

\bar{y} = Mean value of respective company (Variable Two)

3.8.4 Trend Analysis

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

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

The data of five years period from FY 062/63 to 066/67 has been used in measuring the trend analysis. The least square method to trend analysis has been adopted to measure the trend behavior of sampled insurance companies. The straight line trend of series of data is represented by the following regression formula:

$$Y = a + b x$$

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

3.9 Limitations of the Data

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

- Rastriya Beema Sansthan has not audited its financial data for the various years hence, the some data is not used in this report and the data from other 8 companies are used as population data.
- Beema Samitee has not got all the data from RBS & National Life Insurance in the prescribed format for the few years hence some of the data used in this report was forecasted by Beema Samitee on the basis of analysis.
- Due to above reasons, only three life insurance companies purely conduct life insurance business NLIC, LIC & ALICO were selected for statistical analysis.
- The data only focuses on the stated time period of the 5 years i.e. from FY 2062/63 to 2066/67.

CHAPTER – IV

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter deals with the presentation and analysis of secondary data and primary data related to different variables explained in the third chapter. It also consists of the secondary data, statistical tools that has been used for the analysis of the data. The basic objective of this chapter is to achieve the objectives which are set in the first chapter. In order to achieve these objectives the gathered data are presented, compared and analyzed with the help of different tools. In the courses of analysis, data gathered from the various sources have been inserted in the tabular or graphical form. Hence, secondary & primary data are presented to make the topic meaningful.

4.2 Secondary Data

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

4.2.1 Policy Analysis

In this part, products/ policies are present & analyze with respect to its issue & market share. The sold/issue of polices are also shown with the help of trend line.

4.2.1.1 Policies and its Issue

Table No. 4.1
Total Number of Policies Issued
As of FY 062/063 to FY 066/067

YEAR	062/063	063/064	064/065	065/066	066/067	TOTAL
TOTAL POLICY ISSUED	330,000	350,000	390,000	470,000	718,000	2,258,000
PERCENTAGE (%)	0.145	0.155	0.18	0.20	0.32	1.0

(Source: Beema Samitee, Annual Report 066/67)

Above table shows that out of total number of policies 2,258,000 issued during 5 years; 330,000 policies, 350,000 policies, 390,000 policies, 470,000 policies and 718,000 policies were issued in FY 062/063, 063/064, 064/065, 065/066 and 066/067 respectively by various insurance companies. Issued of policies seems to be consistent from FY 062/63 to 064/65. But it is volatile in FY 065/66 and 066/67 .This is because of increase in number of companies and their aggressive marketing strategy in that period. Four new companies commence in 2064 B.S. Data shows that 32 percent policies were issued only in FY 066/067 which is very high in comparison to other shown FY's. We can be clearer reviewing trend line below in figure no.4.1.

During the period of 5 years, the issue of policies seems to be in increasing trend. Commencement of new insurance companies, their marketing strategy, their attracting products and somewhat increase in thinking of insurance need in peoples mind might be the reason of increment in insurance policies in Nepal. This is very positive sign for the development of insurance industry.

Trend Line Showing Policies Issued During 5 Years

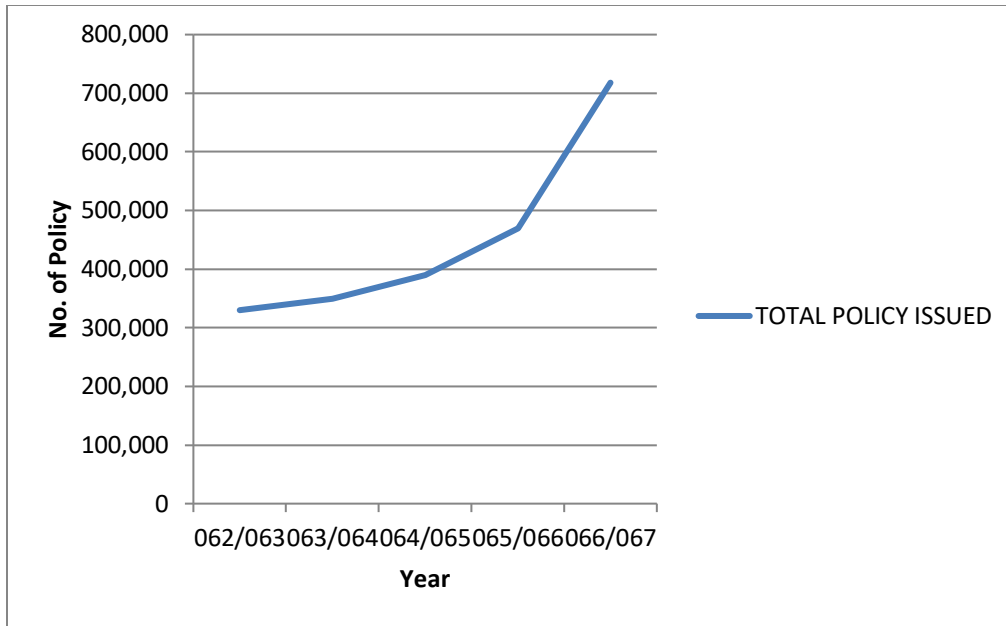


Figure No.4.1

4.2.2 Premium Collections

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

4.2.2.1 Past Trend of Premium Collections

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

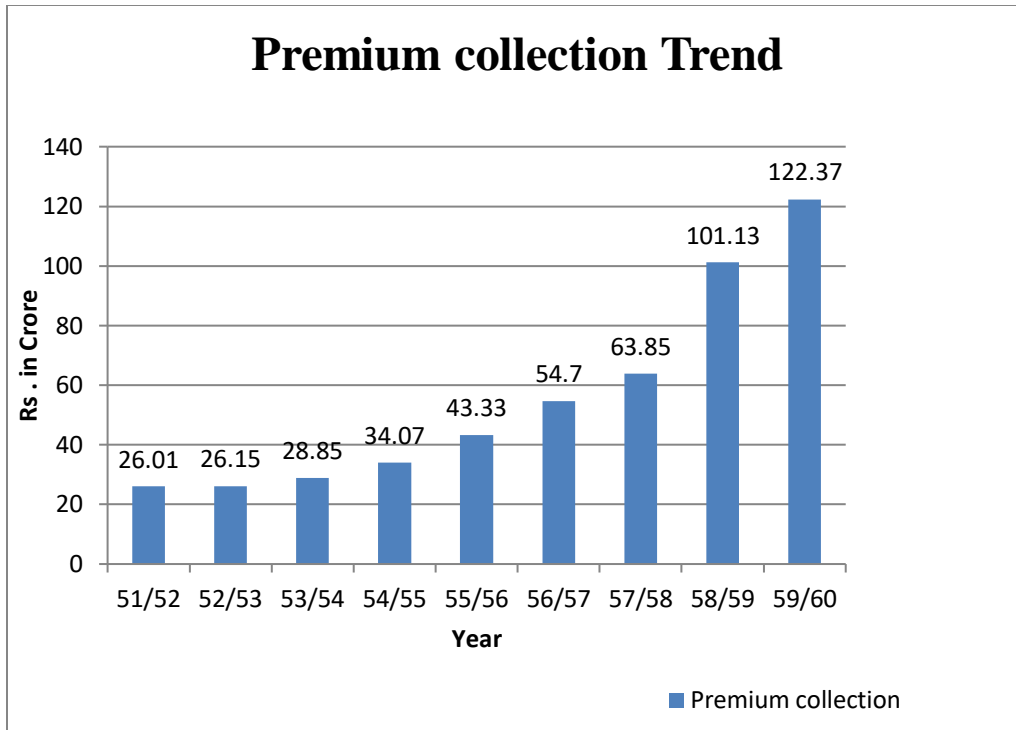


Figure No.4.2

(Source: Beema Samitee, Annual Reports)

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

4.2.2.2 Analysis of Total Premium Collections

Total premium collection during 5 years of study is presented below.

Table No.4.2
Total Premium Collections
AS of FY 062/63 to FY 066/067

Year	062/063	063/064	064/065	065/066	066/067	Total
Total Premium Collected (Rs)	3,788,932	4,623,335	5,489,918	6,635,744	8,766,009	29,303,938
Percentage (%)	0.13	0.16	0.19	0.22	0.3	1

Source: Beema Samitee, Annual Report 066/67

Above table clearly shows that the life insurance premium collection has been quite consistent and anticipatory. Above table shows that out of total Premium collection of Rs. 29,303,938 thousands during 5 years; Rs. 3,788,932 thousands, Rs. 4,623,335 thousands, Rs. 5,489,918 thousands, Rs. 6,635,744 thousands and Rs. 8,766,009 thousands were collected in FY 062/063, 063/064, 064/065, 065/066 and 066/067 respectively by various insurance companies. As per the study; out of total collections, 30 percent were collected only in FY 066/067 which is more than the previous years. Similarly, out of total collections, 13 percent , 16 percent , 19 percent & 22 percent were collected in FY 062/063, 063/064, 064/065, 065/066 .The reasons behind this might be the operation of new companies in the market, continuation of insurance policies by the customers as well as the policy conservation ability of insurance companies. Hence, the total collection undoubtedly helps to develop the insurance industry and a nation as a whole. Graphical presentation below helps us more to understand and assess the premium collections transaction in a systematic pragmatic manner.

Graphs Showing Total Premium Collections during 5 Year

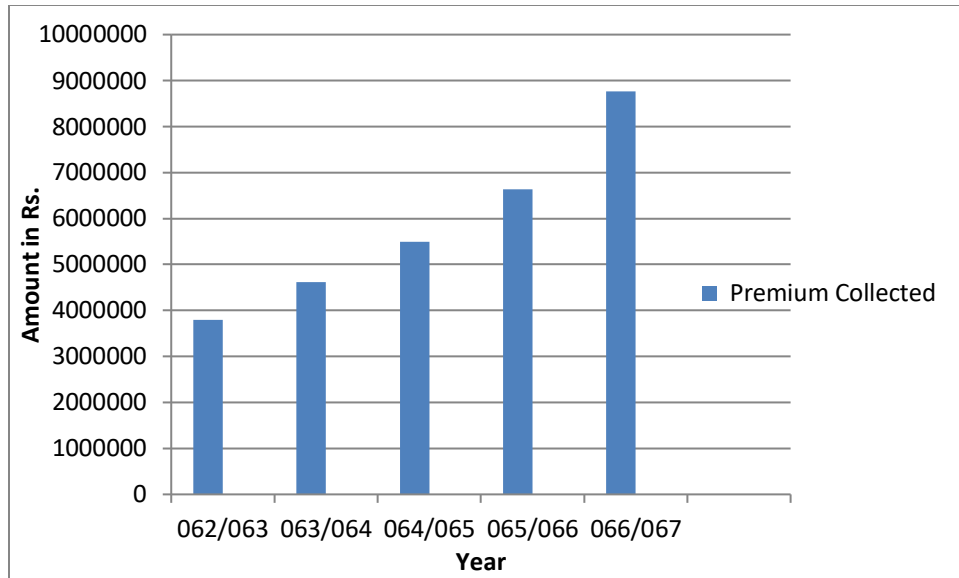


Figure No.4.3

4.2.3 Analysis of Premium collections under various Products

All types of the products or policies are categorized into four segments as per the nature of the policies. The total premium collection policies during five years period are present in tabular form under each product heads, further premium collection is divided into two parts first year premium (FYP) and renewal premium (RNP) so that the researcher and the reviewer themselves can finds, analyze, evaluate and conclude the exact situation of life insurance products and its development in Nepal.

Table No.4.3
Premium Collections under Various Insurance Products
As of FY 062/063 to FY 066/067

Year		062/063	063/064	064/065	065/066	066/067	Total
Products							
Endowment Life Insurance	FYP	334,633	423,799	505,667	1,015,594	1,190,432	3,439,910
	RNP	1,466,400	1,275,409	1,564,992	2,433,422	3,496,712	10,236,190
Anticipated Endowment	FYP	253,024	249,323	121,770	189,055	311,582	1,144,489
	RNP	647,472	742,018	838,893	1,031,770	1,427,804	4,687,957
Juvenile Plan	FYP	167,926	196,392	130,683	314,982	360,615	1,170,598
	RNP	279,672	332,989	760,150	653,835	655,740	2,682,386
Miscellaneous Insurance Plan	FYP	7,091	14,243	66,419	580,881	1,239,203	687,564
	RNP	7,069	10,078	8,729	60,653	22,104	721,626
Total	FYP	762,674	882,757	824,539	2,100,512	3,121,112	7,682,114
	RNP	2,400,613	2,360,494	3,172,764	4,179,680	5,656,576	16005400

(Source: Beema Samitee, Annual Report 066/67)

Table above reveals the premium collections (FYP & RNP) of various life insurance products during 5 years of study period. Among the four major categorized life insurance products, the premium (FYP) collections of Endowment life insurance plan are higher and the collections are increased every year. As per the total FYP collections of Rs. 3,439,910 thousands in Endowment life insurance plan during 5 years of study; Rs. 334,633 thousands, Rs. 423,799 thousands, Rs. 505,667 thousand Rs. 1,015,379 thousands and 1,190,432 thousands were collected during the FY 062/063, 063/064, 064/065, 065/066 and 066/067 respectively. Premium collections are in increasing trend under this plan. Regular good collections of this plan signify a most popular plan in Nepal.

Likewise, while evaluating the Anticipated Endowment plan, out of total FYP collections of Rs.1,144,489 thousands during 5 years of 253,024 thousands, Rs. 249,323

thousands, Rs. 121770 thousands Rs. 189,055 thousands and Rs.311,582 were collected during the in FY 062/063, 063/064, 064/065, 065/066 and 066/067 respectively. There is high degree of fluctuations in the premium collection. There is decrease in collection in FY063/64 and 064/65. Collection start to increase from FY 064/65 to 066/67. There is huge increment in the FY 066/67.

Similarly, collection of Juvenile/Children plans are also increasing in every year, which is basically designed for children. With the development of insurance market, this plan is also becoming more popular in Nepal. Collection of Juvenile plan seems increasing except in FY 0064/65 as per the above data out of total FYP collections of juvenile plan of Rs. 1,170,598 thousands during 5 years of data; Rs. 167,926 thousands, Rs. 196,392 thousands, Rs. 130,683 thousands, Rs. 307,396 and Rs. 360,615 thousands were collected during the FY 062/063, 063/064, 064/065, 065/066 and 066/67 respectively. This shows that immense possibility of development of this product in Nepal.

Term life insurance policy, Whole life insurance policy, Group life insurance policy, Expatriate insurance etc. comes under miscellaneous plan. Out of total FYP collections of Rs. 687,564 in miscellaneous plan during 5 years; Rs. 7,091 thousands, Rs. 14,243 thousands, Rs. 66,419 thousands, Rs. 580,881 thousands and Rs. 1,599,818 were collected during the FY 062/063, 063/064, 064/065, 065/066 and 066/067 respectively. Due to the protection nature with nominal premium, categorized miscellaneous plans premium collections are well increased every year. There is huge increment in FY 066/67 due to the introduction of new insurance plan in which the government has made compulsion to get insured to the people who are going to Gulf countries.

Besides, the FYP, RNP collections shown above during 5 years are in increased trend. RNP collection of all products is increasing, which is very positive signal for life insurance industry as a whole. RNP collection persistency seems to be very encouraging to all of the life insurance companies in Nepal. Hence, the graphical diagram below makes much clear observation to above tabular presentation.

Trend of First Year Premium Collection

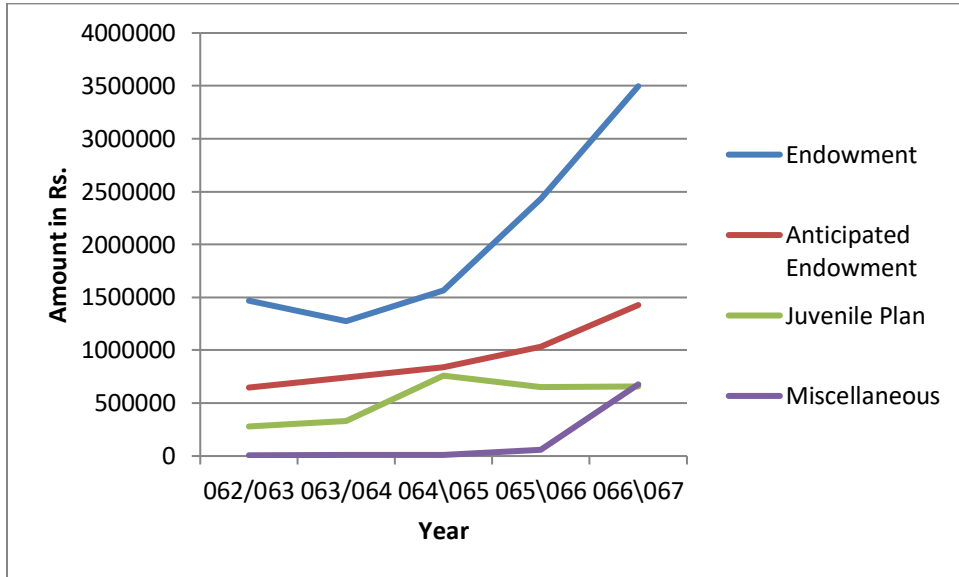


Figure No.4.4

Trend of Renewal Premium Collection

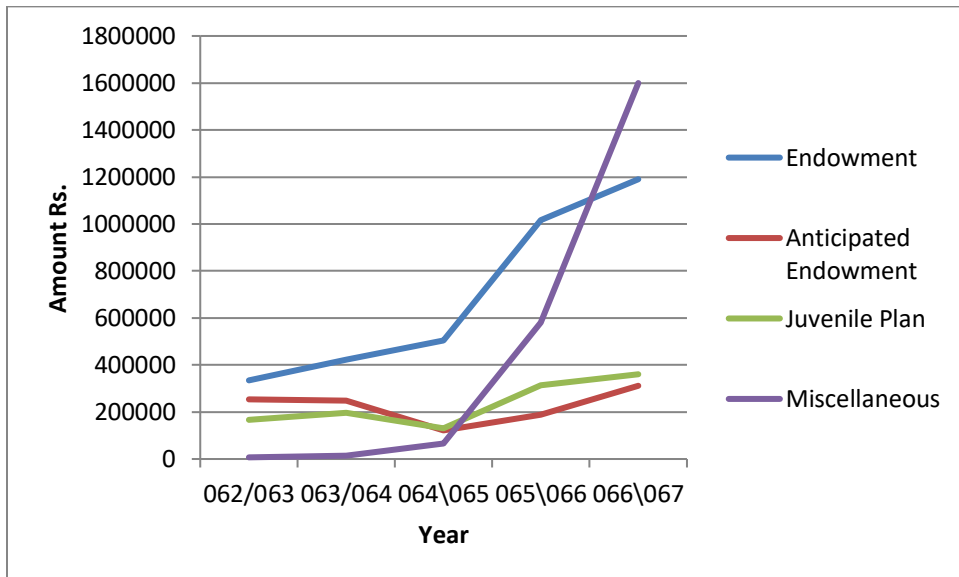


Figure No. 4.5

4.3. Insured Trend of Sample Life Insurance Companies

The following table shows the number of insured or sale of policies of the sample insurance companies: NLIC, LIC and ALICO for the past 5 years. Detail Calculation is presented in Appendix 2-a, b, c, d and e.

Table No. 4.4
Insured Trend of NLIC, LIC and ALICO

Year	NLIC	LIC	ALICO	INDUSTRY
062\063	23,337	22,212	40,988	86,537
063\064	21,468	29,139	45,093	95,700
064\065	34,780	27,975	48,325	111,080
065\066	39,859	52,891	45,083	137,833
066\067	74,986	48,813	39,641	163,440
Mean	38886	36206.4	43,826	118,918
Growth	88.12%	-7.71%	-12.07%	18.75%
Standard Deviation	19319.29	10554.29	3130.33	38624.46
Coefficient of Variance	49.68%	29.15%	7.14%	32.47%

The above table shows the trend of Insured/Sale of Policies of NLIC, LIC, ALICO and Industry. The average insured of different insurance companies: NLIC, LIC, ALICO and Industry are 38,886, 36,206.4, 43,826 and 118,918 respectively. In comparison among the three insurance companies ALICO has the highest number of total insured but NLIC & LIC sold more policy in the recent years. Similarly annual growth rate for the FY 2066/67 of insurance companies NLIC, LIC, ALICO and Industry are 88.12 percent, -7.71 percent, -12.07 percent and 18.75 percent respectively. NLIC has the highest growth rate among the three samples insurance companies ALICO have the negative growth rate.

Standard deviation shows the volatility of the insured/sale of policies trend. From above data, the standard deviation of NLIC, LIC, ALICO and Industry are 19,319.29, 10,554.29,

3130.33 and 38,624.46 respectively. While analyzing the volatility of insured trend, NLIC has the highest volatility among three samples IC but all IC have less volatility than the industry.

The coefficient of variance measures the risk of business, higher the C.V. higher the risk, lower the C.V. lower the risk of business. Form above data, the coefficient of variance of insurance companies NLIC, LIC, ALICO and Industry are 49.68 percent, 29.15 percent, 7.14 percent and 32.47 percent respectively. NLIC has the highest C.V. It shows that NLIC has higher risk than other IC. Similarly ALICO has lowest C.V. and it shows that it has lower risk.

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

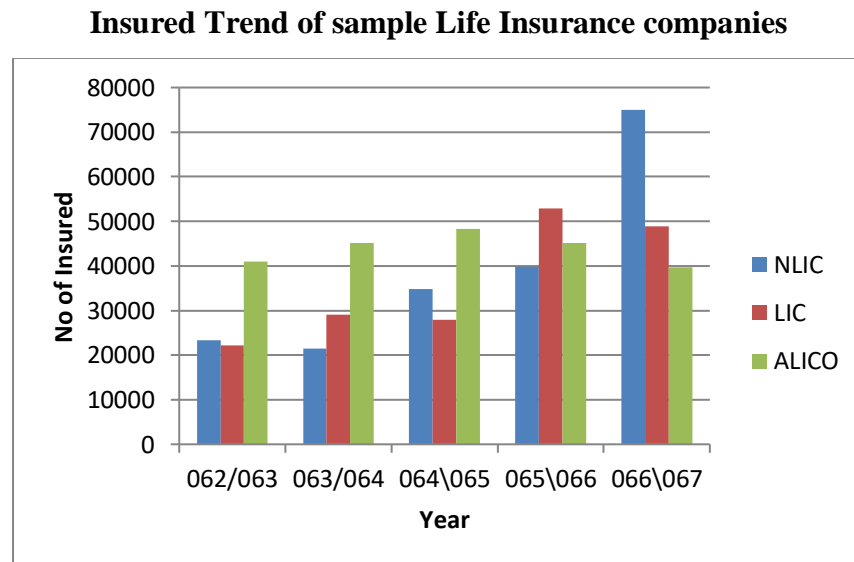


Figure No. 4.6

Insured Trend of Industry

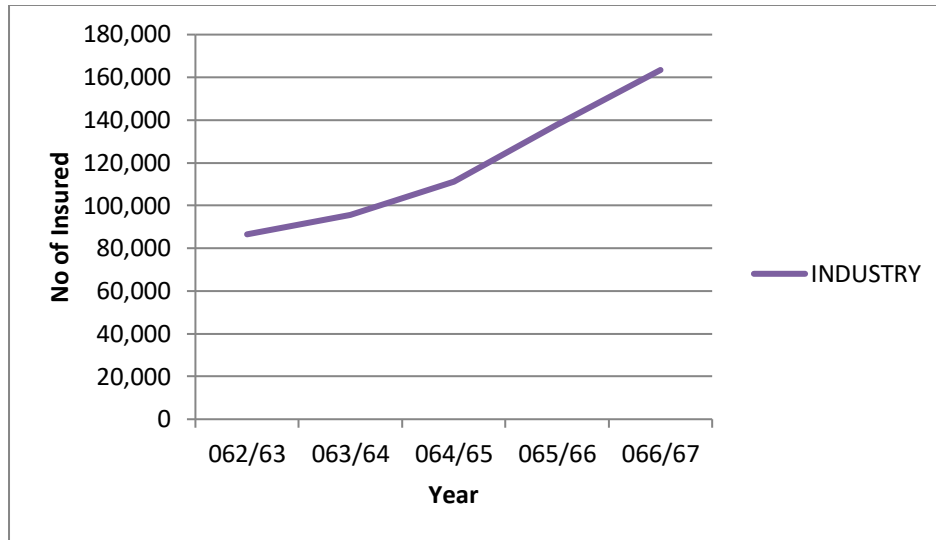


Figure No.4.7

4.4 Market Distribution

Here market distribution notifies as market share. Market share is the portion that individual industry covers. Our financial market is mostly covered by commercial banks. It covers about 66.3 percent of the market while the insurance industry covers 10.07 percent while comparing with the other financial industry. This study gives clear picture of market distribution in terms of premium collection. Basically, this report attempts to analyze the top company with highest share through the topic market distribution.

4.4.1 Present market share hold by different life insurance companies

At present, in Nepalese insurance market there are nine life insurance companies in operations. Their market share in terms of premium collection is presented below.

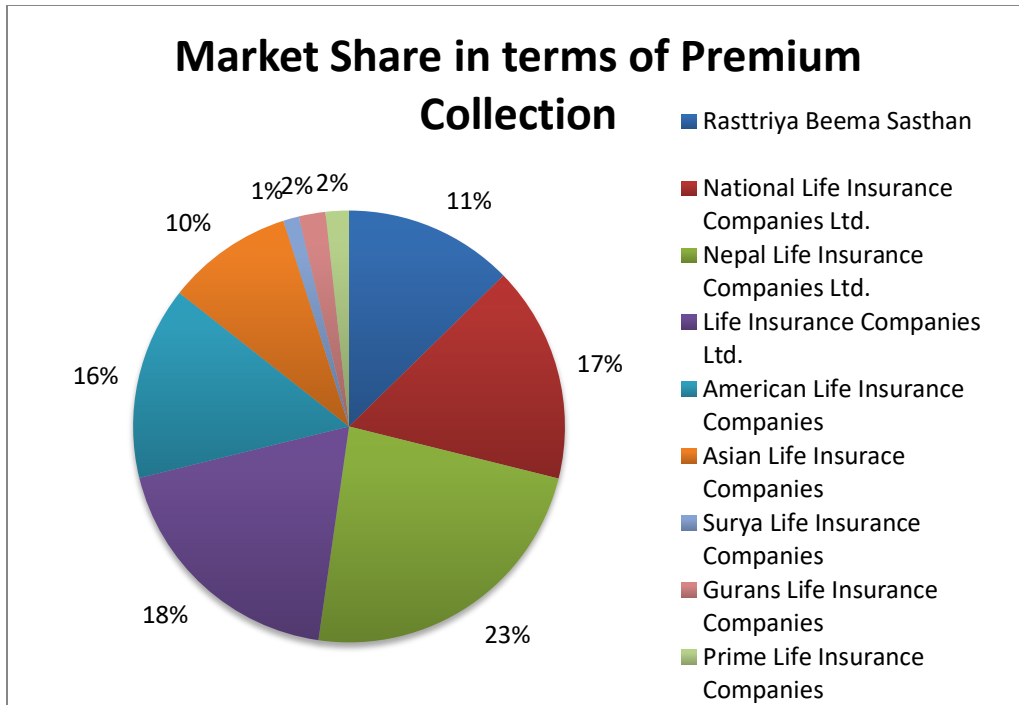


Figure No. 4.8

Source: Beema Samiti Annual Report.

Above figure shows market share in terms of total premium collection of nine life insurance companies in life insurance industry. As per the data of total premium collections RBS, NATIONAL life, NLIC, LIC, ALICO, ASIAN life, SURYA life, GURANS life and PRIME life insurance holds 11 percent, 17 percent, 23 percent, 18 percent, 16 percent, 10 percent, 1 percent, 2 percent and 2 percent respectively. Above figure shows that National life insurance has largest market share while new companies SURYA and GURANS life has lowest share in terms of premium collections. It may be because of its brand name that people have trust on it since it is serving more than a decade and its marketing strategy. Comparing samples insurance companies they have good market share in terms of premium collection. Among them NLIC has highest share then LIC and ALICO

4.4.2 Analysis of Market Share on The Basis of Premium Collection of Sample Companies (NLIC, LIC and ALICO)

Table 4.5
Market share of NLIC, LIC and ALICO
As of the FY 062/63 to 066/67

Companies Year		NLIC	LIC	ALICO	Total Premium
062\063	Premium	575,653	541,807	967,997	3,788,932
	Market share (%)	15.19%	14.29%	25.5%	
063\064	Premium	770,532	723,931	1,280,874	4,623,335
	Market share (%)	16.7%	15.7%	27.7%	
064\065	Premium	962,937	900,682	1,361,673	5,489,918
	Market share (%)	17.5%	16.4%	24.8%	
065\066	Premium	1,318,402	1,195,827	1,522,388	6,635,744
	Market share (%)	19.9%	18.2%	23%	
066\067	Premium	1,942,523	1,543,124	1,465,457	8,766,009
	Market share (%)	22.52%	17.6%	16.7%	

(Source: Beema Samitee, Annual Report 066/67)

As per the above table majority of the market is covered by sample companies. It holds more than 50 percent except in the FY 066/67. Market coverage of three sample companies were, 55.8 percent, 60.1 percent, 60.1 percent, 61.1 percent, 47.4 percent for the FY 062/063, 063/064, 064/065, 065/066 and 066/067 respectively.

Among three sample companies NLIC has 15.19 percent, 16.7 percent, 17.5 percent, 19.9 percent and 22.5 percent for the FY 062/063, 063/064, 064/065, 065/066 and 066/067

respectively. This indicate that market share of NLIC is in increasing trend. There is gradual increment in market share during five years of period. This may be because of its good customer care, good management team, agents and good marketing strategy.

Similarly LIC has 14.5 percent, 15.29 percent, 15.7 percent, 18.2 percent and 17.6 percent for the FY 062/063, 063/064, 064/065, 065/066 and 066/067 respectively. There is consistent growth up to FY 064/65 and then it increases slightly higher in FY 065/66 and again there is slight increment in the FY 066/67. Increase in market share clearly shows that there is increase in premium collection.

In the case of ALICO it is been observe that there is increment in premium collection up to FY 063/64 then start to decrease. It holds market by 25.5 percent, 27.7 percent, 25.4 percent, 23 percent and 16.7 percent for the FY062/063, 063/064, 064/065, 065/066 and 066/067 respectively. There is decrease in market share from the FY 064/65. Decrease in market share indicates decrease in premium. Premium collection may be decrease due to agent problem or other management activity.

Graphical representation of market share of sample companies in terms of premium collection during 5 years of study period is shown below.

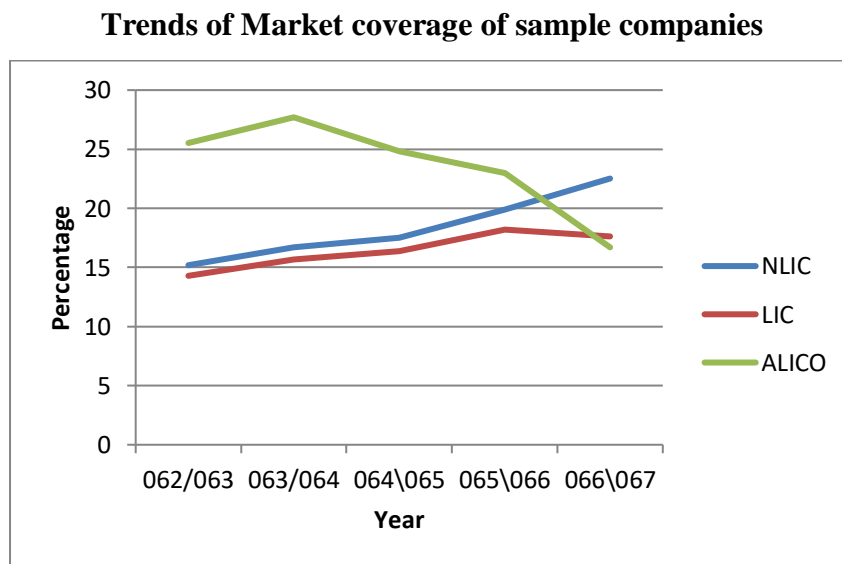


Figure No.4.9

4.5 Measuring Correlation

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

Table No.4.6
Correlation Analysis of NLIC

Tools	NLIC with INDUSTRY
Correlation(No. of Insured)	0.86

According to the above table the correlation between the number of insured/sale of policy NLIC and Industry is 0.86 which indicate NLIC has higher and positive high degree of correlation with Industry. Detail calculation is shown in appendix 2- f.

Table No.4.7
Correlation Analysis of LIC

Tools	LIC with INDUSTRY
Correlation(No. of Insured)	0.20

Above table shows that LIC has less degree of positive correlation with Industry. Which indicate that LIC is moving positively with industry's policy issued. Detail calculation is shown in appendix 2-g.

Table No.4.8

Correlation Analysis of ALICO

Tools	ALICO with INDUSTRY
Correlation(No. of Insured)	-0.40

According to above table, the correlation between the numbers of insured of ALICO with Industry is -0.40. The negative correlation with industry indicates that ALICO is moving in negative direction with other companies or industry. This is because numbers of insured/issued Policy of ALICO is slightly low in recent past years whereas other company sales are increasing some extent. Detail calculation is shown in appendix 2-h.

4.6 Trend Analysis

For obtaining knowledge about the nature of variation of a quantity along with time, time series is used. When a series of data pertaining to a series of continuing periods should be studied, its characteristics and its future direction is best estimated by the time series .The most commonly used method to describe the trend is the method of least square which helps us to know the movement of variables and by using this tool the future value can be predicted. In this analysis for predicting the future value of new number of Policies/Insured for present year 2066/67, least square method is used and the summarized values are given below. Detail calculation is presented in Appendix 2-I,j,k and l

Table No.4.9

Projected values of sample life insurance companies for the year 2067/68

Tools(Least Square)	NLIC	LIC	ALICO	Industry
No. of Policies	75393	56706.8	43015	41969.7

Above figures show the data for year 2067/68. According to table, the number of policies of NLIC in 2068 will be 75393, LIC is 56706.8, ALICO is 43015 and of Industry are 41969.7. The projected values are just a calculation it may not be achieved because in country like Nepal;

life insurance business is still a perceived underdog business sector. Insurance companies are extremely depends upon marketing and situation of country.

4.7 Analysis of Primary Data.

As per figure 4.10; out of 30 respondents, 50 percent is male and 50 percent is female.

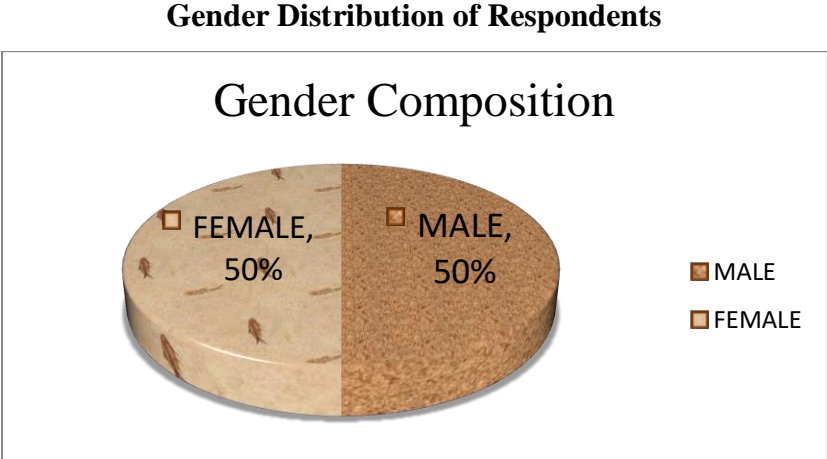


Figure No 4.10

As per figure 4.11; out of 30 people, 46 percent were above 30, 17 percent were between age 26-30, 27 percent were between 21-25 and 10 percent were below 21 years.

Age Distribution of respondent

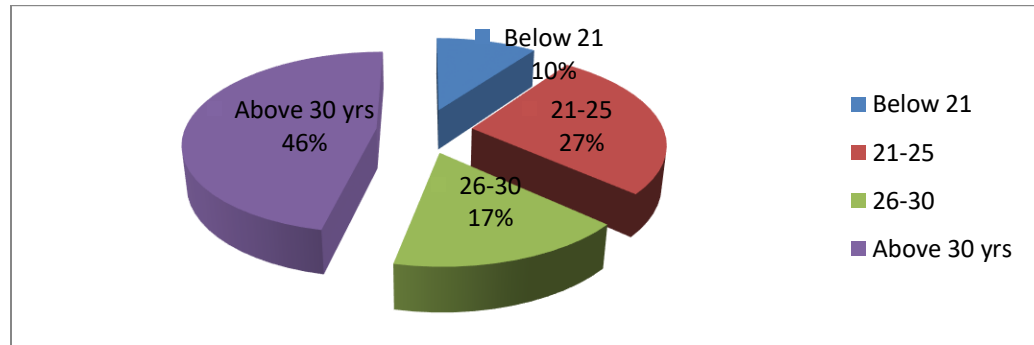


Figure No.4.11

As per the figure 4.12, 16 respondents have done masters, 9 has completed bachelor, 3 people has done +2, 1 is SLC passed and remaining one is doctorate.

Level of Education

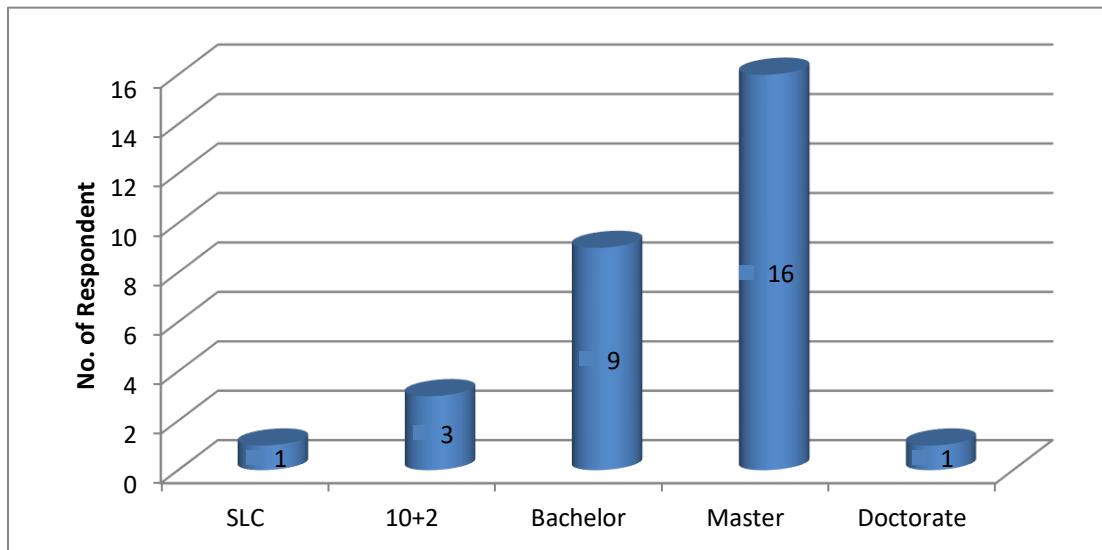


Figure No. 4.12

As per the figure 4.13, 30 percent were work in public sector, 17 percent people were involved in their own business, 23 percent did not work at all (student) and 30 percent were from private sector.

Occupation of Respondent

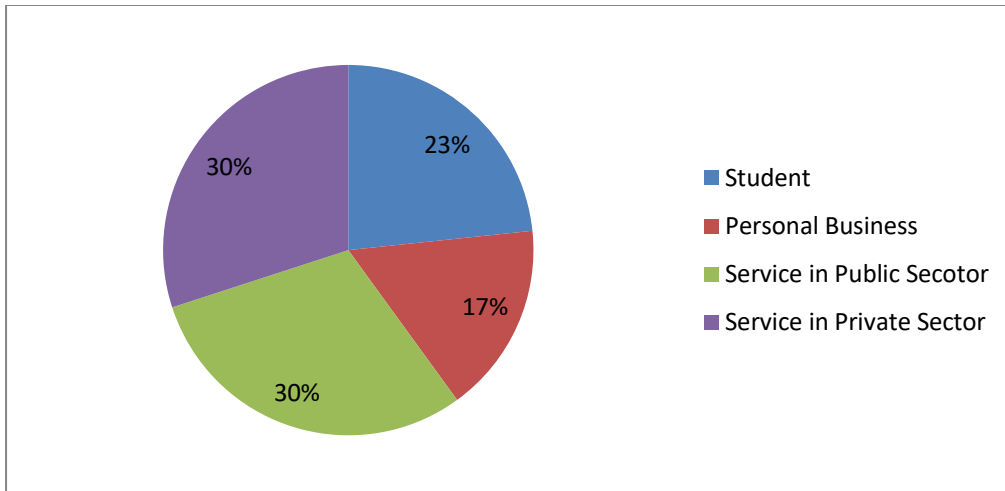


Figure No.4.13

As per the figure 4.14, among the respondent 53 percent were earning 20000-40000, 17 percent earning above 40000, 7 percent earning between 10000-20000 and 23 percent were not having income.

Monthly Income

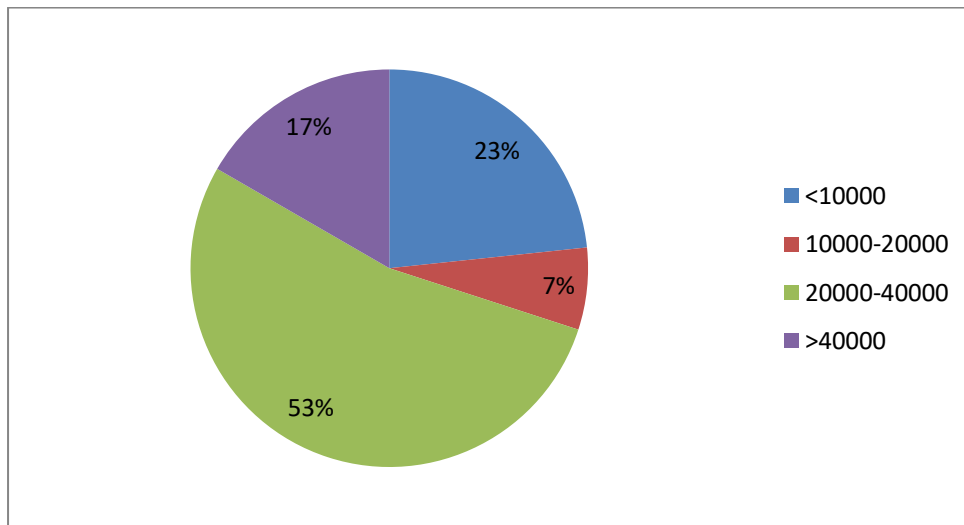


Figure No. 4.14

As per the figure 4.15, 70 percent had any kind of insurance policy where as 30 percent were not purchase any policy.

Number of Insured

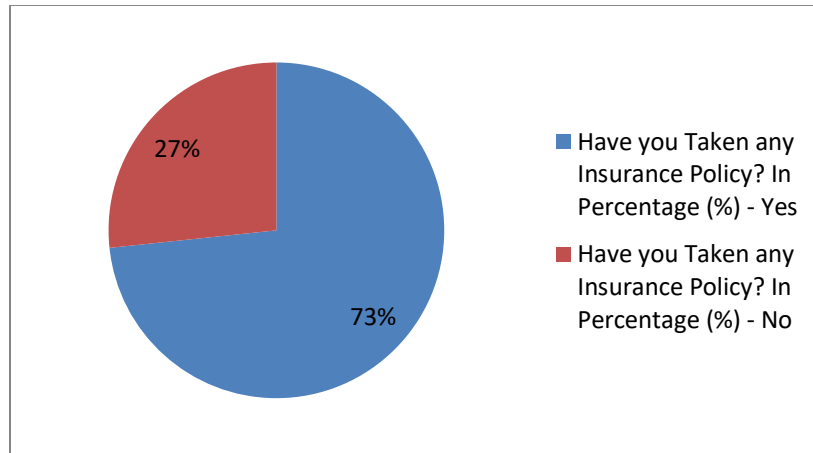


Figure 4.15

As per figure 4.16; out of 73 percent of insured respondents, the majority had taken life insurance plan i.e. 55 percent, 18 percent had taken only non life insurance and 27 percent had taken both policies.

Which insurance policy

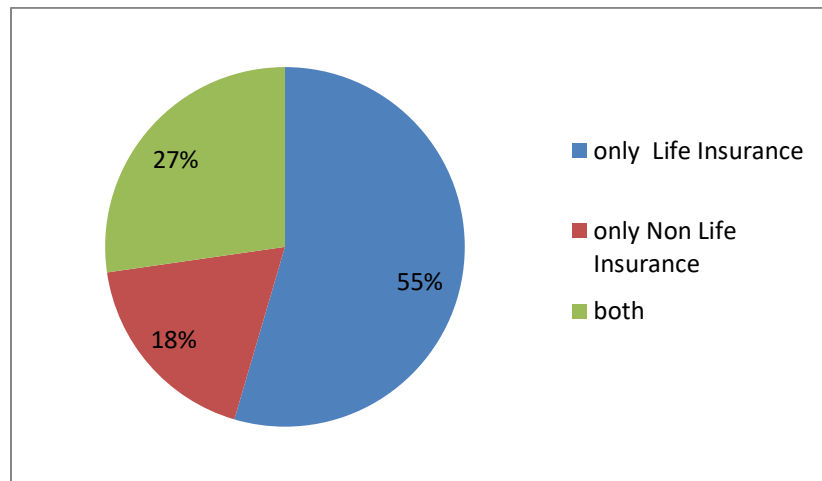


Figure No. 4.16

As per figure 4.17; researcher tries to find out the reason, why people do not acquire insurance plan? 50 percent said due to lack of plan and remaining said they did not have income.

Why People Not Feel For Life Insurance?

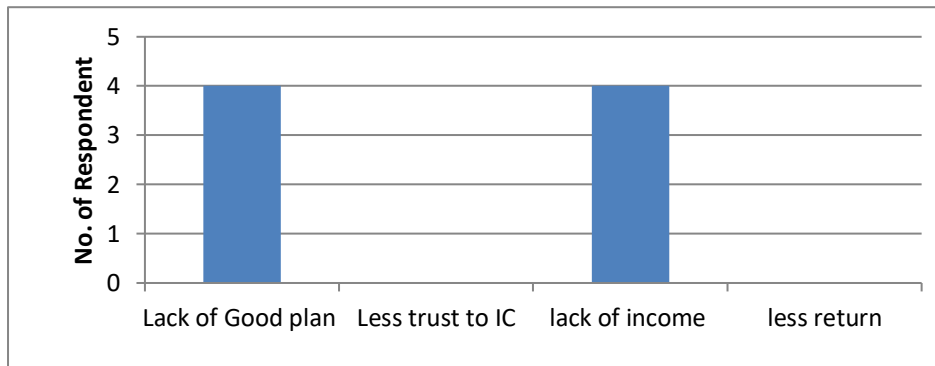


Figure No. 4.17

As per figure 4.18; researcher tries to find out the reason, why people acquire life insurance? Almost 27 percent (8) acquire life insurance for financial protection of family. Similarly, around 11 percent (2), 11 percent (2), 17 percent(3) and 17 percent (3) purchased it for getting double the money paid, for tax exemption, for saving and for force by agent respectively.

Purpose for Acquiring Life Insurance

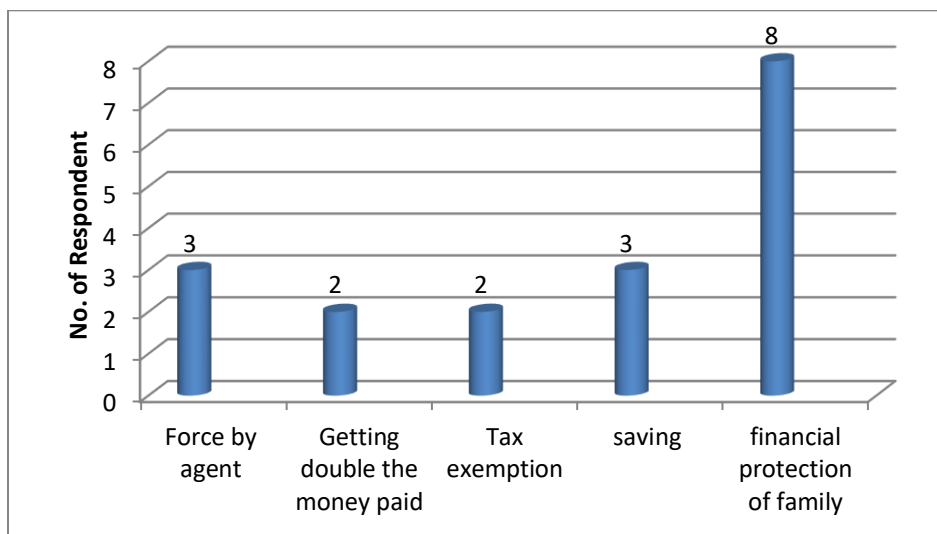


Figure No.4.18

As per figure 4.19; from the questionnaire collected, highest percentage i.e. 45 percent have bought endowment plan. Beside 22 percent said they have bought Anticipated endowment

plan, another 22 percent have Juvenile plan, 6 percent insured under miscellaneous plan and remaining don't know the name of the product.

Types of Life Insurance Purchased

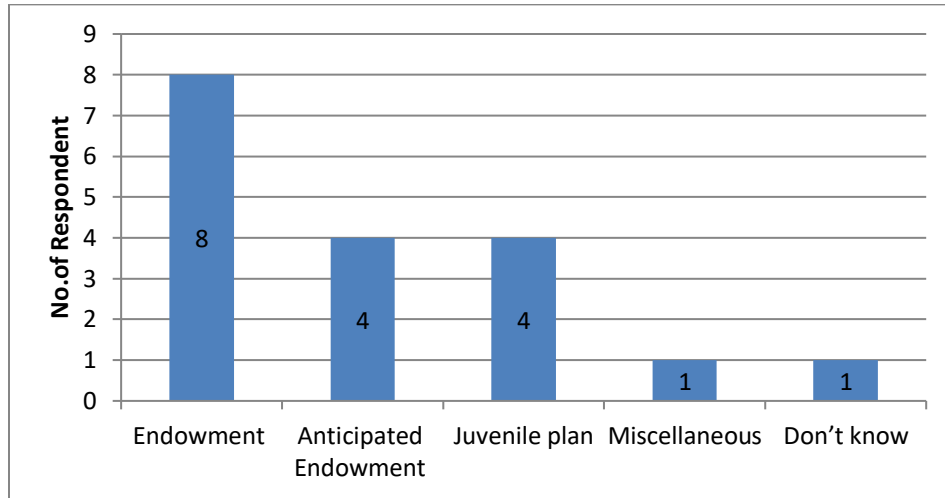


Figure 4.19

As per figure 4.20; to know whether the people who have life insurance familiar with product knowledge and terms & conditions of your insurance plan, almost all replied 'Yes' except one insured.

Knowledge of Life Insurance

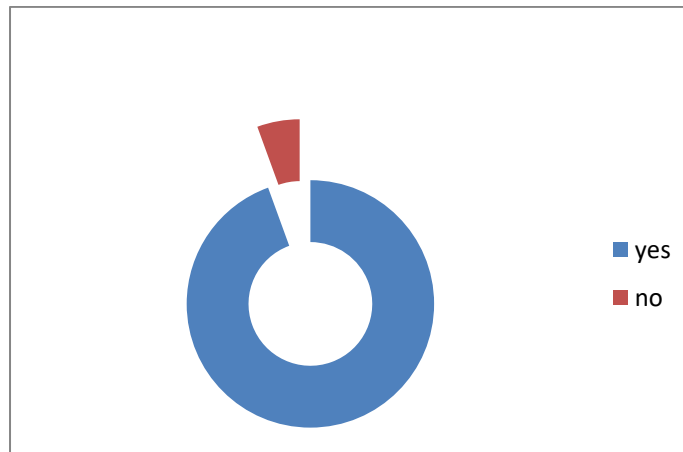


Figure No.4.20

As per figure 4.21, 50 percent agree that life insurance is necessary for all, 13 percent were strongly agreed where as 7 percent were disagree with the statement and 30 percent were neutral.

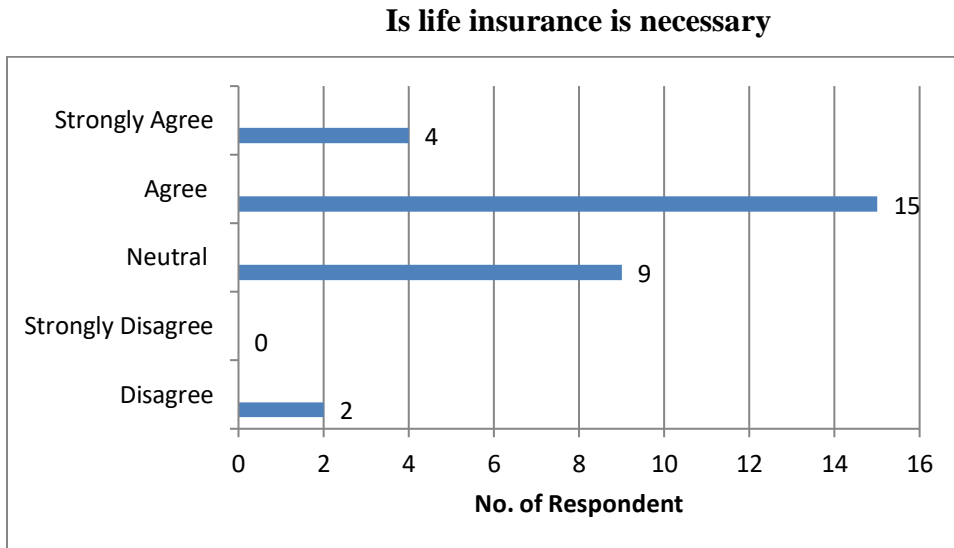


Figure 4.21

As per figure 4.22; almost 38 percent selects insurance company in terms of Bonus Rate. While 17 percent, 17 percent, 6 percent and 22 percent selects in terms of Good Service, Low Premium, Quick Claim Settlement and high benefit Plans respectively.

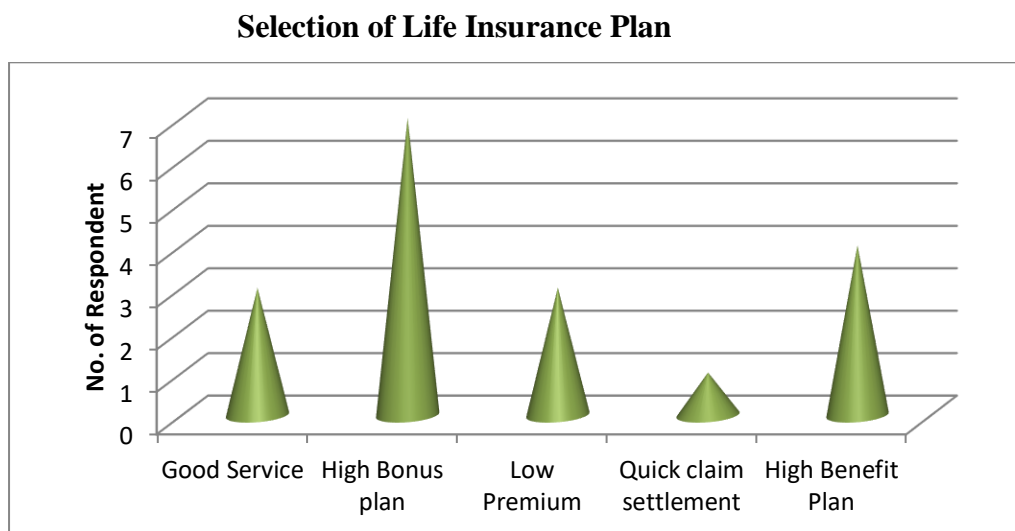


Figure 4.22

As per figure 4.23; 15 percent were satisfied with insurance's company's bonus rate. While 30 percent were unsatisfied and 55 percent said bonus rate should be increased.

Level of Satisfaction with Bonus Rate

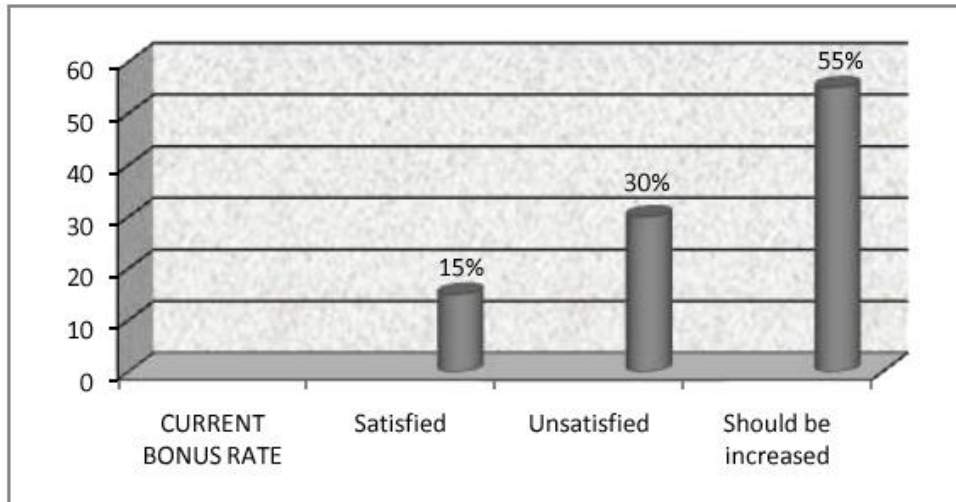


Figure No. 4.23

As per figure 4.24; a question was asked, who are benefited by life insurance? The responses are, almost 28 percent said agent gets benefit from it. While 22 percent, 6 percent, 22 percent and 22 percent responses for insured, agent, company and for all respectively.

Life Insurance Is Benefited For

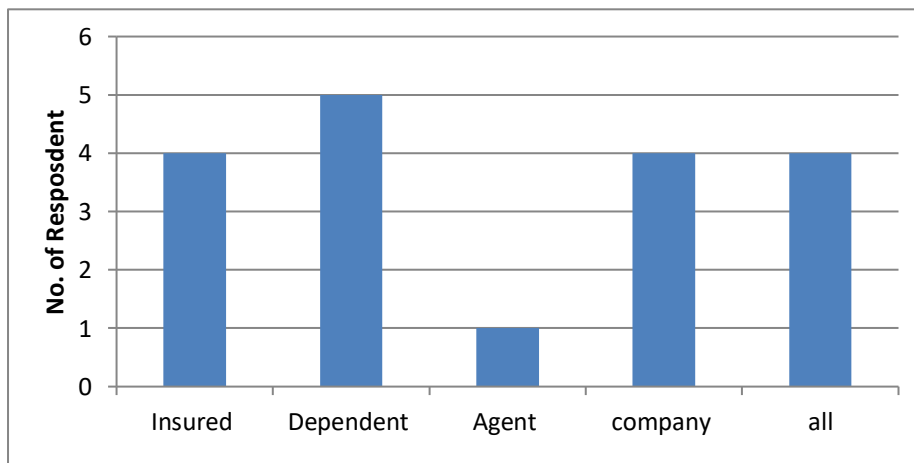


Figure No. 4.24

As per figure 4.25; to know the respondent views, a question asked on the importance of life insurance actually they perceive for; 40 percent said it is important for all. 26 percent said it is best for employee while 18 percent go for children and 16 percent for parents which are charted in figure 4.26 below.

Life Insurance Is Essential For

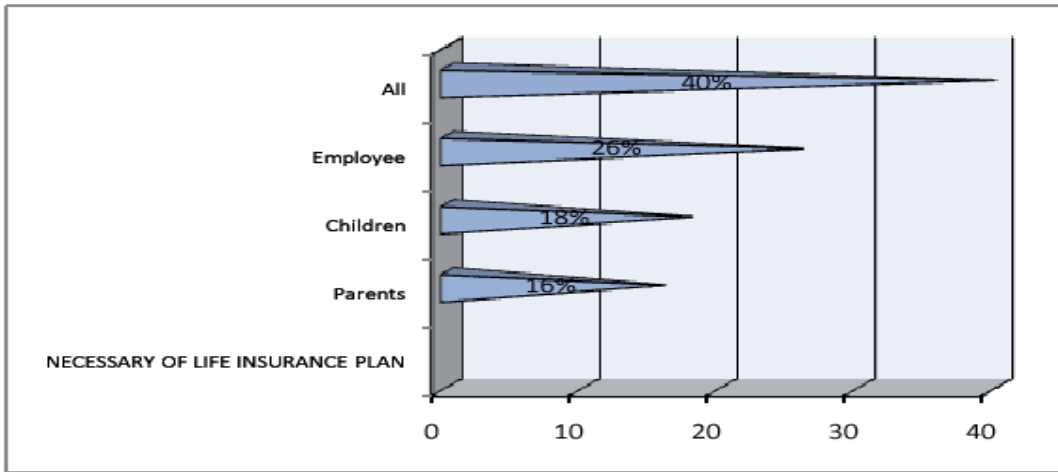


Figure No.4.25

As per figure 4.26; out to total 18 people who have life insurance policy, 2(11 percent) insured faced lack of service by agent, 7(29 percent) insured were not cleared with terms & condition of policy wordings while 6(33 percent) insured experiences late claim settlement and 3(17 percent) insured question on limited branch offices.

Types of Problem Encountered

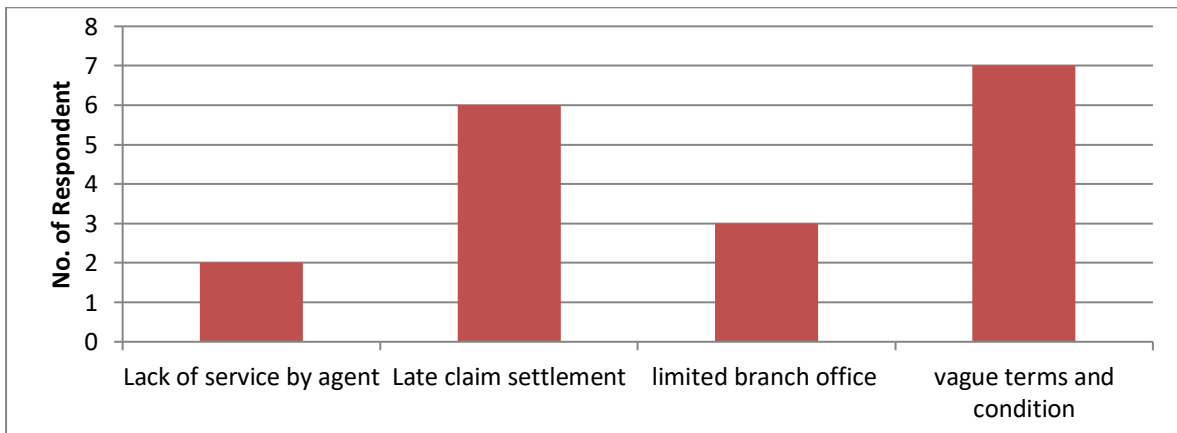


Figure No. 4.26

As per figure 4.27; about 30 percent said that they were not satisfied with the tax exemption limits arranged by government while almost 70 percent felt it should be increase to increase the habit of people and to develop the insurance sector as well.

Provision of Tax Exemption Limits

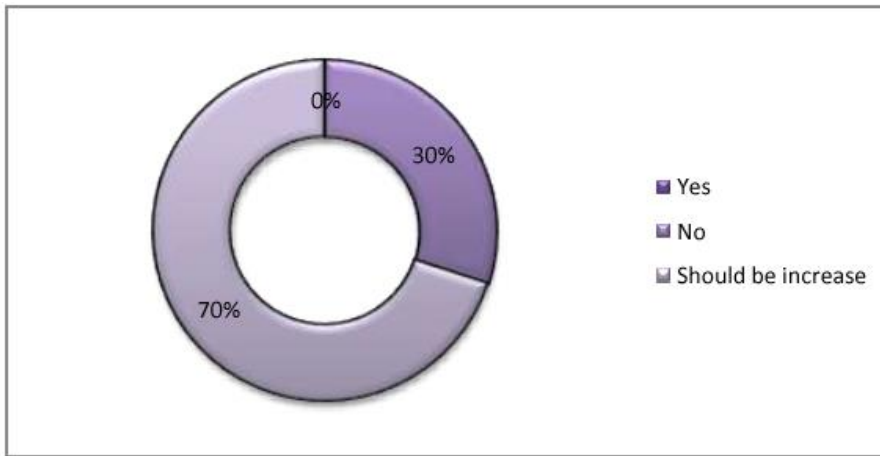


Figure No.4.27

As per figure 4.28; out 50 percent wishes to buy life insurance in future, none were against it while 50 percent gave neutral response i.e. they still want it to decide later.

Plan To Buy Life Insurance In Future

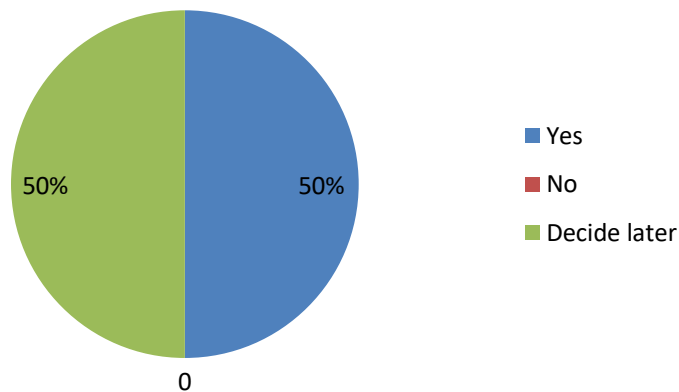


Figure No. 4.28

As per figure 4.29; out of total 30 respondents, 10 percent select agent for development of insurance industry. While 20 percent raised question against Insurance Board, 20 percent perceive companies itself takes major role, 40 percent gives mixed answer i.e. they go for all and 10 percent charges government for smooth operations.

Major Parties for Development of Life Insurance Sector

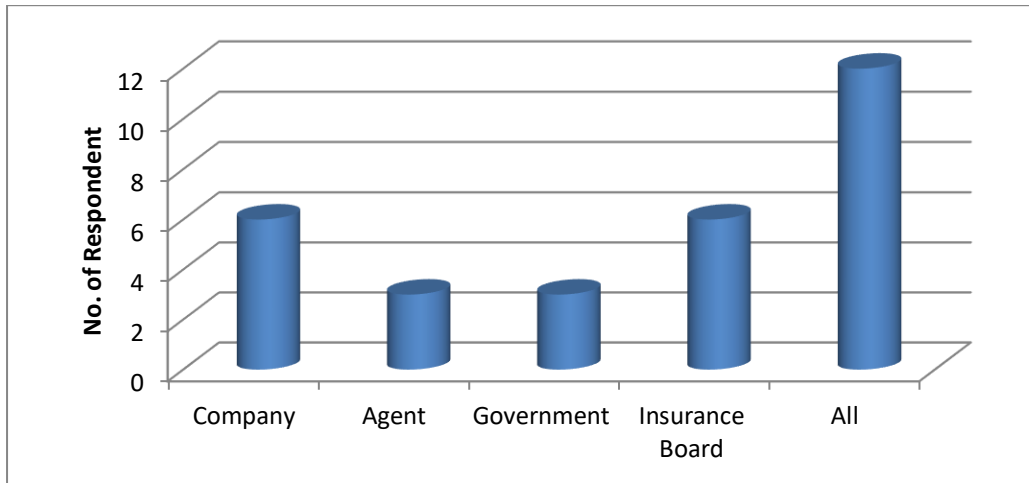


Figure No. 4.29

4.8 Major Findings of the Study

From the analysis of both primary and secondary data, some of the findings have been drawn.

The major findings of the study are as follows:

- ❖ As per Insurance Regulation 2049, it permits insurers to issue three major divisions of policies in Nepal, i.e. Whole Life, Endowment and Term Life Insurance Policies. There are various types of products available in the Nepalese market but Beema Samitee maintains its record by categorizing life insurance policies into four major types i.e. Endowment, Anticipated Endowment, Juvenile Plan and Others. Others include Term Life Insurance, Whole Life Policy, Special Term Policy and Other remaining policies.
- ❖ The issue of policies and premium collection trend are increasing every year as per the data which shows immense possibility of development of insurance industry in Nepal. Although, the issues & collections trend are increasing, the main challenge of insurance companies is to conserve the policies till the maturity.
- ❖ As per the study, Endowment life insurance policy seems most sold among the various life insurance products while Anticipated Endowment and Other products are becoming more popular now a days. Premium collections of all products are in increasing trend.

Primary data also shows that Endowment plan is very famous among the respondents. Majority have endowment plan. Respondents also say that they have plans to buy life insurance in future. So there is great possibility of development of life insurance business in Nepal.

- ❖ As per the study, life insurance business is still in early middle phase in Nepalese market. Hence the insured are subsequently low. Among the three sample insurance companies, ALICO has the highest number of total insured but NLIC & LIC have highest numbers of insured in the latest year than ALICO while LIC has lowest number of insured. Similarly, NLIC has the highest growth rate of insured and ALICO has negative growth rate of insured. NLIC has the greatest volatility and risk among the three sample insurance companies regarding the number of the insured whereas ALICO is the one that has lowest risk while LIC has moderate risk among them. Similarly, NLIC has highest C.V. which means NLIC has higher risk than other insurance companies while ALICO has lowest C.V. which shows that it has lower risk. In spite of having the highest number of insured and growth rate, NLIC has the greatest volatility and risk. ALICO has lowest growth rate but relatively lower risk. ALICO has both consistency & persistency in the number of insured which minimizes the risk of business. But negative growth rate of ALICO definitely hampers the business.
- ❖ In sector wise market distribution insurance business covers only 10.7 percent of the total financial market. In terms of premium collection, NLIC has highest market share among the sample companies and ALICO has lowest market share while LIC is second among three companies. The ranking of the sample companies while looking among the total number of the insurers in Nepal, which is nine, NLIC and LIC stand first and second while ALICO is in the fourth position
- ❖ Market share of sample companies during the five years study period is in increasing trend except in the case of ALICO. ALICO has been experiencing the decreasing trend from FY 064/65.
- ❖ From the study it was found that most of the insured respondents are engaged in private sector and public sector, some of them have personal business and they all are well educated which indicates that people who have enough income and education tend to have purchased life insurance.

- ❖ As per study, various people gave various reasons for not buying life insurance plans. Among the reasons, majority reveal the insurers in Nepal do not have a good insurance plan to suit their requirement. A majority of them cited the reason of not buying a life insurance plan as the insufficient income level to pay premium which means neither people were aware of insurance nor insurance associate and the companies able to make people understand about significance of life insurance. Actually life insurance is not for financial gain, it's for financial protection. At least people can insure their life with protection plan which requires nominal premium.
- ❖ The respondents expressed a very low level of satisfaction with insurance bonus rate and with provision of tax exemption limits by Nepal Government and they also said that these facilities should be increased. By this we can infer that people insure their life for some benefits only. But they are positive towards the life insurance policy. Because most of them agree that life insurance is necessary for all.

CHAPTER - V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary and conclusion

Insurance has more than 60 years of history in Nepal and it has been more than four decades since life insurance business was started by Nepali Insurance Company for the first time. The life insurance business has improved over the years and due to competition among the companies there have been various product innovations to cater the people so as to increase their market share.

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

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

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

During five years, the most sold life insurance product is Endowment life insurance. Similarly, Miscellaneous, Anticipated Endowment and Juvenile plan are also taking market gradually. In Nepal, Endowment life insurance is very old and popular type of plan. The main reason behind popularity is due to the simple & comprehensible features of this plan where the life insured gets the money back as a maturity benefit and the family gets the death benefits in the event of an eventuality. Most of the life insurance companies have Endowment plan.

Mostly, protection plans and non saving plans are categorized under miscellaneous plans. Term life insurance policy, Whole life insurance policy, Group life insurance policy, Expatriate insurance etc. come under miscellaneous plan. Insurance companies have not focused much for the sale of these products because people of Nepal hardly insure their life under saving plans rather than protection plans.

Life insurance premium collection has quite consistent and anticipatory. This is mostly because of the establishment of new life insurance companies and their promotional activities in the market. Commencement of new insurance companies, their marketing strategy, their attracting products and somewhat increase in thinking of insurance need in people's mind might be the reason insurance policies in Nepal. This is very positive sign for the development of insurance industry.

Out of four major categorized life insurance products, the premium collections (FYP) of Endowment life insurance plan is higher which means the collections is increased every year. Premium collections are in increasing trend under this plan. Regular good collections in endowment insurance signify still a most popular plan in Nepal despite its traditional nature. Despite, advanced features of anticipated plan its collection is not much sufficient as expected by the companies. This is because of lack of awareness in people about the benefits of various plans. Collections of juvenile plan are increasing every year which means people are interested to insure themselves. Due to the protection nature with nominal premium, categorized miscellaneous plans premium collections are well increased every year.

While analyzing market coverage of sample companies in terms of premium collection NLIC has the consistently growing market coverage during the five years of study it goes up to 22.52 percent from 15.19 percent this is very optimistic sign for NLIC. But market coverage of ALICO is quite inconsistent, it has highest percentage market share at beginning of the study period but it tends to decrease from FY 064/66 and it has lowest market share among sample companies in FY 066/67 i.e. 16.7 percent. Similarly LIC has quite consistent market coverage, it is in increasing trend. It has 17.6 percent market share among the companies in FY 066/67, while it covered only 14.29 Percent in FY 062/63.

Out of the nine life insurance companies currently working in Nepal, SURYA life has the lowest percentage regarding premium collection in FY066/67. Considering sample insurance companies NLIC, LIC and ALICO rank at 1st, 2nd and 4th place regarding the premium collection respectively.

Basically, the entire research work has focused on the general scenario of life insurance, its market share and its products. Hence, for this study, general available products, market share in terms of premium collections were analyzed and evaluated the current status of life insurance industry in Nepal. Besides, to give the research with statistical touch standard deviation, coefficient of variation, correlation tools have been used to examine and to extract abundant information of life insurance business in Nepal. Also, will the life insurance market keep up with good business or not is predicted through time series analysis by using least square method which results to be quite optimistic.

Primary and Secondary data obtained during research work highly conclude that the life insurance in Nepal have enormous potential of increase in Nepalese market. As per the statistical analysis used in the research work, there is huge volatility of insured between the sample companies. In spite of having the highest number of insured and growth rate, NLIC has the greatest volatility and risk. ALICO has negative growth rate but relatively lower risk. Similarly, there is less correlation between the numbers of insured of life insurance companies as per the statistical findings because in Nepalese insurance market life insurance business is still a matter of high marketing promotion and activities.

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

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

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

5.2 Recommendations

Insurance business is still struggling in Nepalese market. The level of insurance awareness is very low. Only few people have insured. As per the informal study only around ten percent have insurance plan. Hence, although inception of life insurance business was pretty far to recollect, it still has lot to do in coming days in Nepalese market. Therefore, as other sector, Insurance industry is not isolated from drawbacks, improvements, suggestions & recommendations.

On the basis of study, following recommendations are suggested:

- Despite a couple of decade since insurance sector liberalization in Nepal, consumer awareness , consumer are the topics on which a lot is talked but little is done and less achieved. Hence, for the proper development and improvements of life insurance, Beema Samitee, the only Insurance Regulatory Authority of Nepal, should launch the awareness programs about life insurance in coordination with insurance companies.
- The Insurance Act, 2049 and the Insurance Regulation 2049 should be followed by all the life insurance companies strictly to be in compliance and for better market conduct.
- Although the Insurance Act and Regulation are as old as Insurance industry in Nepal, they are not properly followed by the insurance companies so; Beema Samitee should make sure that all the rules and regulations are abided by all the companies. Besides, Beema Samitee should also mention the proper guideline for the agents which should be strictly followed if not then proper action should be taken.

- The Insurance companies should involve in fair competition with each other rather than making false advertisement or spreading false rumors about their competitors and life insurance itself.
- There should be proper coordination between life insurance companies and their respective trade unions. If any problem exists then it should be solved within the organization. As customers are considered as a God, they should not be in trouble due to their internal relationships.
- Life insurance companies in Nepal have falling short of innovative product designs and good product mix. Industry is still depends on the traditional products which is insufficient to improvise the development of life insurance business. Hence, for this company should timely research the market to produce the appropriate plan according to the need and desire of the people.
- I think attaining the trust among the people is another major challenge of the industry. Good customer service, prompt claim settlement and authentic returns are the main issue to earn the better market share by the companies. Therefore, they should always try to win the customer value to sustain in the market.
- The government is presently imposing tax on death claims and final insurance receipts of the clients. This does not match with insurance norms and must be scrapped. Besides, tax exemption limit up to Rs. 20,000/- on payment of premium should be increased which will increase people insuring their life that supports the life insurance industry to grow.
- Reinsurance Company if established can save a large amount of capital flow. Re-insurance is done to minimize risk or transfer of risk from one company to another. Around 65 to 70 crore rupees are paid to foreign re-insurance companies annually through Nepal. But IB has not decided yet for establishment of reinsurance companies in Nepal though it is inevitable in present stage. So proper steps should be taken by the concerned parties.

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APPENDIXES

Appendix 1

Insurance Company who is providing Both Life and Non-Life Insurance Services:

1. Rastriya Beema Sansthan

Insurance Companies who are providing Only Life Insurance Services:

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

Insurance Companies who are providing Only Non-Life Insurance Services:

10. Nepal Insurance Company Limited
11. Himalayan General Insurance Company Limited
12. United Insurance Company (Nepal) Limited
13. Everest Insurance Company Limited
14. Premier Insurance Company (Nepal) Limited
15. Neco Insurance Company Limited
16. Alliance Insurance Company Limited.
17. Sagarmatha Insurance Company Limited
18. NB Insurance Company Limited
19. Prudential Insurance Company Limited
20. The Oriental Insurance Company Limited
21. National Insurance Company Limited
22. Shikhar Insurance Company Limited
23. Siddhartha Insurance Limited
24. Lumbini General Insurance Company Limited
25. NLG Insurance Company Limited

Appendix-2

a) Calculation of standard Deviation and C.V. Of Nepal Life Insurance Company.

Year	No. of Insured (X)	(x- \bar{x})	(x- \bar{x}) ²
2062/63	23337	-15549	241771401
2063/64	21468	-17418	303386724
2064/65	34780	-4106	16859236
2065/66	39859	973	946729
2066/67	74986	36100	1303210000
	$\Sigma X=194430$		$\Sigma(x-\bar{x})^2$ =1866174090

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

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

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

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

Year	No. of Insured (X)	(x- \bar{x})	$\Sigma(x-\bar{x})^2$
2062/63	22212	-13994.4	1958320.36
2063/64	29139	-7067.44	49948142.76
2064/65	27975	-8227.4	67690110.76
2065/66	52893	16686.6	278442619.6
2066/67	48813	12606.6	158926363.6
	$\Sigma X = 181032$		$\Sigma(x-\bar{x})^2$ =556965557.1

$$\bar{x} = \frac{\sum X}{n} = \frac{181032}{5} = 36206.4$$

$$\text{Standard Deviation } (\sigma) = \sqrt{\frac{\sum(x-\bar{x})^2}{n}} = \sqrt{\frac{556965557.1}{5}} = 10554.29$$

$$\text{Coefficient of Variance (CV)} = \frac{\sigma}{\bar{x}} = \frac{10554.29}{36206.4} = 0.2915 = 29.15\%$$

c) Calculation of Standard Deviation and CV of American Life Insurance Company.

Year	No. of Insured (X)	(x- \bar{x})	$\sum(x-\bar{x})^2$
2062/63	40988	-2838	8054244
2063/64	45093	1267	1605289
2064/65	48325	4499	20241001
2065/66	45083	1257	1580049
2066/67	39641	-4185	17514225
	$\sum X=219130$		$\sum(x-\bar{x})^2=48994808$

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

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

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

d) Calculation of Standard Deviation and CV of Industry (Policy Holders)

Year	No. of policy holder (X)	(x- \bar{x})	$\sum(x-\bar{x})^2$
2062/63	86537	-32381	1048529161
2063/64	95700	-63319	4009295761
2064/65	111080	-7838	61434244
2065/66	137833	-18915	357777225
2066/67	163440	44522	1982208484
	$\sum X = 594590$		$\sum(x-\bar{x})^2 = 7459244875$

$$\bar{x} = \frac{\sum X}{n} = \frac{594590}{5} = 118918$$

$$\text{Standard deviation } (\sigma) = \sqrt{\frac{\sum(x-\bar{x})^2}{n}} = \sqrt{\frac{7459244875}{5}} = 38624.46$$

$$\text{Coefficient of Variance (CV)} = \frac{\sigma}{\bar{x}} = \frac{38624.46}{118918} = 0.3247 = 32.47\%$$

e) Calculation of growth rate for the FY 066/67

$$\text{Growth Rate for NLIC: } \frac{\text{Number of insured in FY 066/67} - \text{Number of insured in FY 065/66}}{\text{Number insured in FY 065/66}}$$

$$= \frac{74986 - 39859}{39859}$$

$$= 0.8812 \text{ or } 88.12\%$$

$$\text{Growth Rate for LIC: } \frac{\text{Number of insured in FY 066/67} - \text{Number of insured in FY 065/66}}{\text{Number insured in FY 065/66}}$$

$$= \frac{48813 - 52891}{52891}$$

$$= -0.0771 \text{ or } -7.71\%$$

Growth Rate for ALICO: $\frac{\text{Number of insured in FY 066/67} - \text{Number of insured in FY 065/66}}{\text{Number insured in FY 065/66}}$

$$= \frac{39641 - 45083}{45083}$$

$$= -0.1207 \text{ or } -12.07\%$$

Growth Rate for Industry: $\frac{\text{Number of insured in FY 066/67} - \text{Number of insured in FY 065/66}}{\text{Number insured in FY 065/66}}$

$$= \frac{163440 - 137833}{137833}$$

$$= 0.1857 \text{ or } 18.57\%$$

f) Calculation of Correlation Coefficient of NLIC with Industry (Insured)

Year	No of Insured NLIC (X)	No. of Insured Industry (A)	(x- \bar{x})	(A- \bar{A})	(x- \bar{x}) ²	(A- \bar{A}) ²	(x- \bar{x}) (A - \bar{A})
2062/63	23337	86537	-15549	-32381	241771401	1048529161	503492169
2063/64	21468	95700	-17418	-63319	303386724	4009295761	1102890342
2064/65	34780	111080	-4106	-7838	16859236	61434244	32181828
2065/66	39859	137833	973	-18915	946729	357777225	-18404295
2066/67	74986	163440	36100	44522	1303210000	1982208484	1607244200
	$\sum X$ =194430	$\sum X =$ 594590			$\sum (x-\bar{x})^2$ =1866174090	$\sum (x-\bar{x})^2$ =7459244875	$\sum (x - \bar{x}) (A - \bar{A})$ =3227404244

$$\bar{x} = 38886$$

$$\bar{A} = 118918$$

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

$$= \frac{3227404244}{\sqrt{1866174090 \times 7459244875}} = 0.86$$

g) Calculation of Correlation Coefficient of LIC with Industry (Insured)

Year	No. of Insured LIC (X)	No. of Insured Industry (A)	(x- \bar{x})	(A- \bar{A})	(x- \bar{x}) ²	(A- \bar{A}) ²	(x- \bar{x}) (A - \bar{A})
2062/63	22212	86537	-13994.4	-3231	1958320.36	1048529161	45215906.4
2063/64	29139	95700	-7067.44	-6339	49948142.76	4009295761	44800248.6
2064/65	27975	111080	-8227.4	-7838	67690110.76	61434244	64486361.2
2065/66	52893	137833	16686.6	-18915	278442619.6	357777225	-315621039
2066/67	48813	163440	12606.6	44522	158926363.6	1982208484	561271045.2
	$\sum Y = 181032$	$\sum A = 594590$			$\sum(x-\bar{x})^2 = 556965557.1$	$\sum(A-\bar{A})^2 = 7459244875$	$\sum(x - \bar{x}) (A - \bar{A}) = 400152522.4$

$$\bar{x} = 36206.4$$

$$\bar{A} = 118918$$

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

$$= \frac{400152522.4}{\sqrt{556965557.1 \times 7459244875}} = 0.20$$

h) Calculation of Correlation Coefficient of ALICO with Industry (Insured)

Year	No. of Insured ALICO (X)	No. of Insured Industry (A)	(x- \bar{x})	(A- \bar{A})	(x- \bar{x}) ²	(A- \bar{A}) ²	(x- \bar{x}) (A - \bar{A})
2062/63	40988	86537	-2838	-3231	8054244	1048529161	9169578
2063/64	45093	95700	1267	-6339	1605289	4009295761	-8031513
2064/65	48325	111080	4499	-7838	20241001	61434244	-35263162
2065/66	45083	137833	1257	-18915	1580049	357777225	-23776155
2066/67	39641	163440	-4185	44522	175142	1982208484	-186324570
	$\sum x$ =219130	$\sum A =$ 594590			$\sum (x-\bar{x})^2$ =48994808	$\sum (x-\bar{x})^2$ =7459244875	$\sum (x - \bar{x}) (A - \bar{A})$ -244225822

$$\bar{x} = 43826$$

$$\bar{A} = 118918$$

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

$$= \frac{-244225822}{\sqrt{48994808 \times 7459244875}} = -0.40$$

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

i) Calculation of Projected value of Policies for NLIC

Year (X)	No. of Policies (Y)	X =X-2064	X²	XY
2062	23337	-2	4	-46674
2063	21468	-1	1	-21468
2064	34780	0	0	0
2065	39859	1	1	39859
2066	74986	2	4	149972
	Σy =194430	Σx = 0	Σx²= 10	Σxy =121689

$\Sigma x=0$, now $a = \Sigma y/n = 194430/5 = 38886$

And $b = \Sigma xy / \Sigma x^2 = 121689/10 = 12168.9$

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

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

When, X = 2067, then $x = X - 2064 = 3$

$Y \text{ for } 2067 = 38886 + 12169 \times 3 = 75393$

Hence the projected value for 2067/68 of NLIC is 75393

j) Calculation of Projected value of Policies for LIC, Nepal

Year (X)	No. of Policies (y)	X =X-2064	x ²	XY
2062	22212	-2	4	-44424
2063	23389	-1	1	-23389
2064	29218	0	0	0
2065	27975	1	1	27975
2066	52893	2	4	105786
	Σy =155687	Σx = 0	Σx²=10	Σxy =65948

$\Sigma x=0$, now $a = \Sigma y/n = 155687/5 = 31137.4$

And $b = \Sigma xy / \Sigma x^2 = 65948/10 = 6594.8$

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

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

When, X = 2067, then x = X - 2064 = 3

$$Y \text{ for } 2067 = 31137.4 + 6594.8 \times 3 = 50921.8 \text{ or } 50922$$

Hence the projected value for 2067/68 of LIC, Nepal is 50922

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

Year (X)	No. of Policies (y)	X= X-2008	X²	X Y
2062	40988	-2	4	-81976
2063	45093	-1	1	-45093
2064	48325	0	0	0
2065	45083	1	1	45083
2066	39641	2	4	79282
	Σy=219130	Σx=0	Σx²=10	X Y = - 2704

$\Sigma x=0$, now $a = \Sigma y/n = 219130/5 = 43826$

And $b = \Sigma xy / \Sigma x^2 = -2704/10 = -270.4$

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

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

When, X = 2067, then $x = X - 2064 = 3$

$Y \text{ for } 2067 = 43826 + (-270.4) \times 3 = 43014.8 \text{ or } 43015$

Hence the projected value for 2067/68 of LIC, Nepal is 43015

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

Year	No. of Policies (y)	X =X-2008	x²	X Y
2062	86537	-2	4	-173074
2063	89950	-1	1	-89950
2064	112323	0	0	0
2065	112917	1	1	112917
2066	167520	2	4	335040
	$\Sigma y = 569247$	$\Sigma x = 0$	$\Sigma x^2 = 10$	$\Sigma xy = 184933$

$\Sigma x = 0$, now $a = \Sigma y / n = 569247 / 5 = 113849.4$

And $b = \Sigma xy / \Sigma x^2 = 184933 / 10 = 18493.3$

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

$Y = a + b x = 11389.4 + 18493.3x$

When, X = 2067, then $x = X - 2064 = 3$

$Y \text{ for } 2067 = 113849.4 + 18493.3 \times 3 = 169329.3 \text{ or } 169329$

Hence the projected value for 2067/68 of Industry (Policy Holders) is 169329.

QUESTIONNAIRE

From: Ashok Kafle

MBS Student

St.Xavier College

Dear respondent I am going to conduct a research for my thesis as a partial requirement for Master of Business Studies. This is the set of questionnaires prepared to accomplish information for a research report on “**Market Distribution and Product Analysis of Insurance Company in Nepal**” as per the partial fulfillment of the requirement for the Master degree. The information obtained via this questionnaire will be kept confidential and will be used for this research purpose only. Your kind co-operation in this regard will be highly appreciable.

Please fill up the following (Your personal details will be kept highly confidential and the information provided will be used for research purpose only)

NAME: _____

ADDRESS: _____

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

1. Gender:

Male Female

2. Age:

below 21 21-25 26-30 above 30

3. Level of Education:

Master Doctorate SLC 10+2 Bachelor

4. Occupation

Student Personal Business Service in Public Sector Service in Private Sector
 Any other (Please Specify)

5. Personal Monthly Income:

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

6. Do you have taken any Insurance Policy?

Yes No

7. If “No” then choose

Lack of good plan Less trust to Insurance Companies
 Lack of Income Less Return

8. If “Yes” then which one

Life Non Life

9. Why do you purchase Life Insurance Policy?

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

10. Do you have understood the benefit and terms & conditions of your insurance plan?

(Question for one who have acquire insurance plan)

Yes No

11. Life Insurance is necessary for all the people.

Disagree Strongly Disagree Neutral Agree Strongly Agree

12. Which Insurance plan do you have purchased?

Endowment Anticipated Endowment
 Juvenile Plan Miscellaneous Plan Don't know

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

- Good Services High bonus rate Low premium
 Quick claim settlement High benefits plan

14. Who are benefited by Life Insurance?

- Insured Dependent Agents Company All

15. Whom do you think purchase of Life Insurance plans is essential for?

- Parents Employee Children All

16. What are the most dissatisfying problems, people facing in Life Insurance?

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

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

- Yes No should be increase

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

- Yes No Decide later

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

- Company Agents Government Insurance Board All

Thanking You!

