CHAPTER - I
INTRODUCTION

1.1General Background

Nothing can be done without fund. Fund is the life blood or soul of the body so it is said that no money, nothing. No world can be imagined without money. The growing world recession has more increase the value of money. Not only under-develop country like Nepal but also the developed countries like USA, French, and Japan are also suffering because of lack of fund. Because of high living of people the focus has been on prior. In this modern age, government raises revenue for the social welfare. From past to yet government fulfills its responsibility by spending a certain amount towards its people. It is traced that government used to raise fund for war but the scenario has now changed, government used its fund for social responsibility like health, water, security, physical infrastructure and so on. And even because of growing awareness people want to contribute for the development of the nation in the form of tax.

The growing demand of the people has created more pressure to the government for social development. To raise the fund government has two options, one is internal and another is external. Internal resources are convenient, certain and long different sources. Because depending on other is not making you strong. There are so many reasons that prove the internal sources more convenient.

The main and more reliable sources of fund collection are taxes. Tax is the compulsory contributed by a people without hoping and personal benefit. According to Frindley Shirrag "Taxes are compulsory contribution to the public authorities to meet the generate expenses of government which have been incurred for the public good and without reference to special benefits." The taxes can be divided in to two parts, one is internal and another is external sources. Internal sources of fund are tax and non-tax revenue. Among them tax is the most important sources of government revenue because it occupies largest and part of total revenue. Tax is not a fine. Government collects tax with the permission of legislature to fulfill financial needs of state. It is a compulsory payment to government

for the composition of public expenditure. Tax fulfills the needs of the central and local government to spend for philanthropic work. The main object of tax is to distribute wealth and income equally.

Let's come on the small part of tax that is life insurance premium. Before introducing about life insurance it is better to know about insurance and some history, some growth and its contribution to government revenue.

Modern society bears a major character, the evitable uncertainly surrounding. Due to the uncertainly factor the concept of insurance and its evolution was enforced and it is far more strengthening due to very flexible business environment and many dropped-down stations. Thus, the insurance, as an auxiliary for the modern society is regarded as an essence by the business community as well as by individual.

It is very hard to define the term insurance in words. Insurance be defined as system of combining many loss exposures, with the cost of losses being shared by all of the participants. It may be an economic system to reduce risk through transfer and pooling of losses. Insurance more formally as well as from institutional viewpoint, is regarded as cooperating risk transferring device expressed as contractual agreement between two parties ie insurer and insured. Where insured will be the parties desiring a security against unpredictable looses upon the economic aspect of the life or the property and liability and insurer will be the party willing to provide assurance or insurance to the insured against some specific cost i.e. the premium for the desire of some benefit i.e. surplus. It will be the risk transfer under which an insurer agrees to accept a financial burden arising from loss.

Insurance is of two types. One is life insurance and another is non-life insurance. Both insurance sectors comprise to form whole insurance industry. Insurance companies take insurance premium and they invest them in safe and well earning sectors. The history of life insurance in Nepal is not so long. Nepalese organized insurance has very short history despite of being existence of community insurance since primitive era. Society

used to compensate the victim contributing as their capacity of all members of society. In Nepal, after 1950, insurance companies were established. In Rana regime, United Insurance, Oriental Insurance and so like Indian companies were insuring Nepalese people and their business.

Life incurrence provides protection for two major contingencies. A man insures his life either to make a provision for old age when his earnings capacity deteriorates or for leaving a certain sum for his dependents when he dies, which may happen before he is able to save and accumulate sufficient amount. Life insurance has several business and financial advantage. In life insurance policies it is provided that the insured amount is to become payable on the happenings of death or in some cases on the attainment of certain age, whichever is earlier. Only the man having as insurance is interest in the proposed life can obtain a policy on it the concept of life insurance is based on pooling the risks of many into a group, accumulating a fund by contribution from the members of the group and paying from the collected fund to those who suffer loss.

In Nepal lots of life insurance companies are emerging and doing good business. Some companies are National Life Insurance Company Ltd., Life Insurance Corporation Nepal Ltd., American Life Insurance Nepal Ltd., Asian Life Insurance Ltd., Rastriya Beema Sansthan etc. Life insurance companies has been contributing a in the growing needs of the Nepalese government. It also helps to mobilize a lot of unused fund collected in terms of premium and utilized them in the productive field. Because of the growing insecurities and poor securities system people are also attractive towards the life insurance which help their family financially if their occurred uncertain death.

1.2 Statement of the Problem

Mainly the research is the answer or solution finding process of problem. In our present context, following are the statements of the problem. The problems are:

- What is the present situation of RBS in terms of premium collection?
- How far is the company able to compete in the competitive market?
- What is the investment portfolio of RBS?

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- What are the trend of premium collection and its investment pattern of RBS?
- What is the impact of investment policy in profitability of RBS?

1.3 Objectives of the Study

Every study has its objectives and major objectives of this study are mentioned as follow:
- To observe the present situation of RBS in terms of premium collection.
- To study the trend of premium collection and investment pattern of RBS.
- To know the investment portfolio of RBS.
- To see the policy of RBS to compete in the competitive market.

1.4 Needs of the Study

Government needs money to run the nation properly .To fulfill the need, government collect money from different sources, among them life insurance is one. Life insurance plays a good role in fund fulfillment. Now the target is to know how much and how to improve or can say how to motivate people towards life insurance so that much fund can be collected for development project. The major areas covered by this study are as follows:

1. Trend of investment in life insurance
2. Revenue from life insurance
3. Existence position of life insurance in Nepal
4. Investment pattern of life insurance companies in Nepal

1.5 Limitations of the Study

Limitations of the study are as follows:

1. This study covers only five fiscal years as study period.
2. The study is generalized by taking only one insurance company:; Rastriya Beema Sansthan as sample.
3. The study has ignored all other factors than financial factors.

It is an academic research made as prescribed by Department of Management; T. U. This research is not applicable to general people due to being specific to life insurance sector.

1.6 Scheme of the Study

The study has organized in five chapters as follows:

Chapter I: Introduction which includes general background, statement of problem, objective of the study, needs of the study limitation of the study.

Chapter II: Review of Literature, is about the review of literature through different relevant books, journals and unpublished dissertations.

Chapter III: Research Methodology, which includes types of research, research design, population and sample, nature and sources of data, data collection procedures and data processing and analyzing procedures.

Chapter IV: Data Presentation and Analysis, contains collection of insurance premiums, and its mobilization in various profitable sectors.

Chapter V: Summary, Conclusion and Recommendation include summarized briefing as well as conclusion of the study. Recommendations are also added as per suggested by the result of study.

CHAPTER - II
REVIEW OF LITERATURE

This chapter is concerned with review of literature related to the premium collection and investment position of Rastriya Beema Sansthan (RBS). Past knowledge and finding are very much important. It plays vital role in every research works, which provides foundation to the present study. It is divided into following two parts.

- Conceptual Framework
- Review of Thesis

2.1 Conceptual Framework

Insurance guarantees protection against large and uncertain losses in return of small but certain payment. This payment is called premium. Premium is fixed with the past experiences and probability of happening certain event.

"Insurance means of spreading over the many losses, which would otherwise be borne by the individual. It provides in effect a pool to which the many contributes, out of which the few who suffer losses are compensated *(Dinsdale;1958:3).*

"Insurance is a co-operative device to spread the loss by a particular risk over a number of persons, who are exposed to it and who agree to insure themselves against the risk" *(Mishra; 1995:3).*

"Insurance is a co-operative form of distributing a certain risk over a group of persons exposed to it" *(Ghosh;1959:5).*

"Insurance may be defined as a system of combining many loss exposures, with the cost of the losses being shared by all of the participants" *(Crane; 1980:8).*

"Insurance as a contract settled between the parties on is insurance company and another is insured party who, insure his properties as well as lives. They have stated as, it

undertakes to indemnity the loss suffered (due to specified cased) by the other party known as the insured in consideration for a sum of money known as premium. Since the amount of the premium is generally small, insurance contract spreads the losses suffered by one person over a large number of persons. Everyone pays a premium, those who suffer a loss are paid a sum of equivalent to loss (loss according to the term of contract) and those who do not suffer loss by the premium paid. The protection against unforeseen event is purchased through a contract of insurance *(Shukla and Grewal; 1990:6)*

2.1.1 Historical Background of Insurance

The origin of insurance is lost in antiquity. It is difficult to fix the date when insurance began. From the very beginning of society, men have been following the way to share loss and profit, suffering and prosperity mutually with one another. In Rigveda, the most sacred book of Hindu, references were made to the concept "Yogakshema" more or less akin to the well-being and security of the people. However, there is no evidence that insurance in its present form was practiced prior to the twelfth century. The development of modern formal insurance can be described in the following phases.

Marine Insurance

The marine insurance is the oldest form of insurance. It is the first modern form of insurance in the history of insurance. In 1300 AD, the first insurance contract called Polizza, was made in Italy. Later on the word "Policy" was developed from Polizza. The Lombard of Northern Italy had main role in bringing of the international extension of marine insurance in England. Later, the Jewish Lombard was banished, then, they settled in different countries of Europe. The name of a street, "Lombard Street" of London was called the central point of the marine insurance. The Lioyd's coffee house gave an impetus to develop the marine insurance. The Lioyd institution established in 1771A.D. is the first institution to make formal marine insurance which is most popular insurance company till now.

Fire Insurance

After marine insurance, fire insurance developed in present form. It had been originated in Germany in the beginning of sixteenth century. The fire insurance got momentum in England after the great fire in 1666 AD. The fire losses were tremendous in which 85% of the houses were burnt to ashes and property worth of sterling ten crore were completely burnt off. With colonial development of England the fire insurance spread all over the world in present form. The Sun fire office established in the year 1710 AD is the most successful insurance in fire record.

Life Insurance

The first recorded life insurance being the policy on life of William Gibbons in June 18, 1653 AD. At that time, the life insurance was for only one year and it have to be renewed every year. In nineteenth century, the life insurance took the modern developed phase with the availability of scientific mortality table.

Miscellaneous Insurance

Many types of risks rise with the development of human society and industrial development. Miscellaneous insurance developed for this reason. Under the miscellaneous insurance, fidelity guarantee insurance started from 1848 A.D., personal accident insurance from 1880, liability insurance from 1875A.D. public liability insurance from 1877A.D. burglary and house breaking insurance from 1887, motor insurance form 1903A.D. and aviation insurance from 1911A.D. came in practice. Recently other developed insurance are cattle insurance, earthquake insurance, the vocal insurance, model beauty insurance etc.

2.1.2 Sources of Investment Funds

The sources of investment fund for insurance companies are given below:

Premium

The main source of funds is the premium collected by the insurers. Excess of this premium over the needed premium for meeting claims and expenses is the source of funds.

Interest

Interest is also the source of investment fund. It is the excess interest earned over the assumed rate of interest.

Capital

Capital is the funds obtained from the sale of share capital and debenture. It also contributes as the investment fund.

Saving in Expenses

Saving in expenses loading, bonus loading, mortality saving, accident minimizing are also contributing to the funds of the insurers.

Non-payment of Claim

In pure endowment or term insurance, the claims may not arise therefore, the premium paid for such benefits are saved. Sometimes in certain cases, the claimants do not come for payment at all. The saved money also form investment fund.

2.1.3 The Principles of Investment

Safety

The primary purposes of investment are not to earn maximum profit but to maintain a complete security. Safety includes safety of principal amount and interest thereon. Thus, while investing, the principal of safety is very much important.

Profitability

The insurer must earn at least the assured rate of interest. The investment should be made in such securities, which yield the highest return consistent with the principle of safety. The safety and the profitability principles are opposite to each other. The safest security earns little profit and vice-versa. Safety and profitability principles are fully observed in government securities and bonds.

Liquidity

Liquidity means availability of cash in time of need. It represents convertible of investments into cash without undue loss of capital. Liquidity is necessary for the

payments of claims, surrender values, policy loans and regular expenses. The principle of liquidity is against the principle of profitability because the idle cash that will earn nothing and invested cash will have no liquidity. That's why liquidity must be managed carefully with right estimation.

Diversification

Diversification of investment means spreading investment over different channels. According to Insurance Act 2049 BS, insurance companies of Nepal must invest their investment funds of 75% in priority sectors (traditional sectors) and rest 25% in whatever they wished. Diversification is done to minimize the risk.

2.1.4 Development of Insurance in Nepal

The concept of insurance was developed in Nepal in the ancient period. However the cooperative and security activities similar to insurance were being held since the ancient time, the history of modern insurance business was only four decade. The Guthi can be taken as the starting point for the development of insurance. The income from such Guthi was used to build building temple and repairing etc, so the concept of insurance was emerged with the religious view but not a commercial view.

"The modern insurance business is relatively new in Nepal. Indian insurance companies from the late 1930 initiated the insurance business in Nepal. The Indian insurance companies were enjoying monopoly over the insurance business and had a well developed business network in Nepal. Later in 1948A.D. (2004 B.S.) the first Nepalese insurance company,' Nepal Mal Chalani Ra Beema Company Limited 'was established by Nepal Bank Limited" *(Adhikari; 2000).* This pioneering insurance company has changed its name into Nepal insurance and transport company Limited in 2016 B.S. and Nepal Insurance Company Limited since 2048 B.S. It carried out only non-life business. There was not any insurance company to carry out life insurance business until 2024 B.S. and the government realized the necessity for the establishment of insurance company to execute life insurance business. As a result His Majesty's Government established Rastriya Beema Sansthan (Private) Ltd. in 2024 B.S. under the company Act. The

government enacted Rastriya Beema Sansthan Act 2025 and changed Rastriya Beema Sansthan (private) Limited into Rastriya Beema Sansthan under this Act. It has provided life and non life insurance service all over the country. After the restoration of democracy and the liberal economic policy of government make establishment of more insurance companies. Insurance Board (Beema Samittee) was established in 2025 B.S. under the Insurance Act 2025 to regulate and enforce rules and regulation regarding insurance business in the nation as an authorized body of government. Nineteen insurance companies are in existence. They are as in following table.

Table: 2.1

Insurance Companies of Nepal

	Name of Company	Head Office
1	Nepal Insurance Company Limited.	Kathmandu
2	Rastriya Beema Sansthan.	Kathmandu
3	National Life and General Insurance Company Ltd.	Kathmandu
4	National Insurance Company Ltd.	Kathmandu
5	The Oriental Insurance Company Ltd	Kathmandu
6	Himalayan General Insurance Company Limited.	Kathmandu
7	United Insurance Co. Ltd.	Kathmandu
8	Premier Insurance Co. Ltd.	Kathmandu
9	Everest Insurance Co. Ltd.	Kathmandu
10	Neco Insurance Co. Ltd.	Kathmandu
11	Sagarmatha Insurance Co. Ltd.	Kathmandu
12	Alliance Insurance Co. Ltd.	Kathmandu
13	N.B. Insurance Co. Ltd.	Kathmandu
14	Nepal Life Insurance Co. Ltd.	Kathmandu
15	Life Insurance Corporation(Nepal) Co. Ltd.	Kathmandu
16	American Life Insurance Co. Ltd.	Lalitpur
17	Prudential Insurance Co. Ltd	Kathmandu
18	Shikhar Insurance Co. Ltd.	Kathmandu
19	Lumbini General Insurance Co. Ltd.	Kathmandu
20	Gurans Insurance Co. Ltd.	Kathmandu

(Source: Beema Samitti; 2010)

2.1.5 Importance of Life Insurance

The role of insurance is great to bring our world in this stage. It has contributed a lot for the development of business and industrial revolution. The insurance principle comes to be more and more used and useful in modern affairs. As such, insurance is the main element which help to minimize risk of loss in business activities, individual activities and in social activities and necessity of insurance may be studies under the following heading:

2.1.5.1 Uses to an Individual

a) Insurance Provides Security and Safety

The insurance provides safety and security against the loss on a particular event. In case of life insurance payment is made when death occurs or the term of insurance is expired. The insurance provides safety and security against the loss of earning at death or in old age, against the loss at fire, against the loss at damage, destruction or disappearance of property, goods, furniture and machines etc.

b) Insurance Affords Peace of Mind

Insurance affords peace of mind. The security banishes fear and uncertainty, fire, wisdom, automobile accident damage and death are almost beyond the control of human agency and in occurrence of any of these event may frustrate or weaken the human mind. By means of insurance, however, much of the uncertainty that centers about the wish for security and its attainment may be eliminated.

c) Insurance Protects Mortgaged Property

When the owner of the mortgaged property is dead, the property is taken over by the lender of money and the family will be deprived of the uses of the property. Insurance is the solution for this problem. Mortgagee also wishes to get the property insured because at the damage or destruction of the property he will lose his right to get the loan repaid.

d) Insurance Eliminates Dependency

At the death of the husband or father, the destruction of family need no elaboration Similarly , the destruction of property and goods the family would suffer a lot living

standard of the family would be low and suffering may to any extent of begging from the relatives, neighbors or friends. The insurance is here to assist them and provide adequate amount at the time of suffering.

e) Life Insurance Encourages Saving

Life insurance encourage saving. Once the person is life insured, he has to pay certain premium for the specified period. Systematic saving is possible because regular premiums are required to be compulsorily paid.

f) Life Insurance Fulfils the Needs of a Person

Life Insurance fulfills the needs of a person as family needs, old age needs, re-adjustment needs, special needs and the clean-up needs.

2.1.5.2 Uses to Business

a) Uncertainty of Business Losses is Reduced

In a business, with a slight slackness or negligence, the property may be turned into ashes. The accident may be fatal not only to the individual or property but to the third party also. New construction and new establishment are possible only with the help of insurance. Without insurance, uncertainty will be to the maximum level and nobody would like to invest a huge amount in the business or industry. So, insurance play important role in the development of business and its activities.

b) Business-efficiency is Increased with Insurance

Insurance make the owner free from botheration of losses. This helps them to devote much time to the business. As business man devotes much time to the business, business efficiency is increased.

c) Enhancement of Credit

The business can obtain loan by pledging the policy as collateral for the loan. The insured persons are getting more loans due to certainty of payment at their death. So insurance is very much useful to the business.

d) Business Continuation

The property insurance of the business protects the property of the business. It protects against disasters and the chance of disclosure of the business due to tremendous wasted of loss.

e) Welfare of Employee

The business should be very much useful for the welfare of employees. The employer has to look after the welfare of the employee which can be provision for early death provision for disability and provision for old age. There requirements are easily met by the life insurance, accident and sickness benefit and pension which are generally provided by group insurance.

2.1.5.3 Use to the Society

a) Wealth of the Society is Protected

The loss of a particular wealth can be protected with the insurance. Life insurance provides loss of human wealth. The loss of damage of property at fire, accident, etc. can be well indemnified by the property insurance, cattle, crop, profit and machines are also protected against their accidental and economic losses. With the advancement of the society, the wealth or the property of the society attracts more hazardous and so new types of insurance are also invented to protect them against the possible losses. Each and every member will have financial security against old age, death, damage, destruction and disappearance of his wealth including the life wealth. The happiness and prosperity are observed everywhere with the help of insurance.

b) Economic Growth of the Country

Development of insurance in the country is the sign of economic growth of the country. Insurance provides strong hand and mind for the economic growth of the country. As the protection is given by the insurance, it stimulated more production in agriculture, in industry, the factory premises, machines, boilers and profit insurances provide more confidence to start and operated the industry.

C) Reduction in Inflation

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The insurance reduces the inflationary in two ways. First, by extracting money in supply to the amount of premium collected and secondly, by providing sufficient funds for product narrow down the inflationary gap.

2.1.6 Legislation Relating to Insurance in Nepal

Law is necessary in every field. Law makes the things controlled. Every business is directed and controlled by the legislation and regulation. The insurance toll is governed by the Insurance Act 2049 B.S. (1992 A.D.).The Rastriya Beema Sansthan and other more than 17 insurance companies from the private sectors are running. The Rastriya Beema Sansthan is governed by Rastriya Beema Sansthan Act 2025 B.S. and Insurance Act 2049 B.S. (1992 A.D.). The private insurance companies are run by the company Act 2053(1996 A.D.), Contract Act 2056 B.S. (1999 A.D.), Insurance Act 2049(1992 A.D.) and the rules 2049 B.S. (1992 A.D.).The Insurance companies should also follow their own memorandum, article of association and memorandum of understanding. They should obey the policy, instruction and the circulars issued by the Insurance Board from time to time *(Bhandari; 2003:415-416).*

The legislation and regulation related with the insurance activities in Nepal are as follows:

1. Insurance Act 2049(1992) with amendment
2. Rastriya Beema Sansthan Act 2025(1968)
3. Insurance Rules 2049 (1992) with amendment.
4. Company Act 2053 (1996)
5. Contract Act 2056 (1999)

The main features of the insurance Act and Rules of Nepal are as follows:

1. Provision of the Insurance Board

Insurance Board is an organized supervisory body of government to regulate insurance business in the country. It is formed under the insurance Act 2049 B.S. (1992A.D.) Section 3, of the Insurance Act 2049(1992), mention in details about the members of the

Board. The board is formed to manage, to regulate, to develop and to control insurance board.

a) A person appointed or designated by Nepal Government...	Chairman
b) Representative, Ministry of law, Justice and Parliamentary Affairs	Member
c) Representative, Ministry of Finance	Member
d) A person nominated by NG from among persons specializing in Insurance business	Member
e) A person nominated by NG from among insurers	Member

The employee designated by the Board shall function as it secretary. The Board may, if it so seems appropriate, invites any local or foreign expert to attend its meetings in the capacity of an observer. The nominated members of the Board shall have a term of four years. They may be re-nominated for not more than two terms after the expiry of their term.

The head office of the board shall be located in the Kathmandu Valley *(Bhandar; 2003: 416-417).*

2. Insurance Board is an Autonomous Body

Insurance Board (Beema Samitte) is an autonomous body as it is formed under the insurance act 2049 B.S. (1992A.D.). Such provision is made in Section 4 of the Insurance Act 2049 B.S. (1992A.D.).The board may acquire, sell or otherwise dispose of movable or immovable property like an individual. It can sue and be sued too. It has its own name seal.

3. Specific Function, Duties and Power of the Insurance Board

The functions, duties and power of the insurance board are specified by the section 8 of the insurance Act 2049(1992). Similarly, in the section 9, there is a provision that the insurance board can form the sub-committee according to needs to operate its function continuously. The functions, duties and powers of the board are as follows:

a. To offer necessary suggestion to GoN to formulate policies for systematizing, regularizing, developing and controlling the insurance business.

b. To formulate policies and fix priority sectors for investing the insurance proceeds.

c. To register and renew (the certificate of) insurers, insurance agents, surveyors or brokers, and cancel such registration, or make arrangement for doing so.

d. To mediate in disputes between the insurer and the insured.

e. To justify on complaints filed by the insured against the insurer in regard to the assessment of the insurance liability.

f. To issue necessary directives to the insurers from time to time in regard to the insurance business.

g. To formulate necessary criteria for protecting the interest of the insured.

h. Make arrangement for performing other necessary functions related to the insurance business.

4. Provision about Registration, Renewal and Cancel of the Registration of the Insurer

In Section 10, of the Insurance Act 2049 B.S. (1992 A.D.), there is the provision of the registration of the insurer and in Section 11 of the same act, there is provision of the renewal of the registration of the insurer. Similarly, in Section 12, there is provision that the registration of the insurer can be cancelled in certain conditions. According to the Insurance Act 2049 (1992), without obtaining a license no one shall engage in the insurance business. Any local or foreign corporate body desirous of carrying out insurance business as an insurer should give an application form with the prescribed fees and the necessary documents in prescribed fees and the necessary documents in a prescribed form. While checking under this cut it is right to give its notice to the insurer. There is provision to the effect that every last day of the month of Chaitra of every year the insurer should give the application for the renewal of his registration with the prescribed fees and in the prescribed form to the office of the board. In section 13, of the insurance Act, 2049(1992), also it has been provided for the Board can cancel the registration of the insurer on a certain conditions *(Bhandari; 2003:417-419).*

5. Provision of the Payment of the Insurance Claim after the Cancellation of the Insurer

In case any insurer is dissolved as a result of the cancellation of its registration under Section 13, the concerned insurer must refund the amount received by it on the course of insurance to the policy holder and institutions within time to time the procedure prescribed by the board. In the case of life insurance business, along with a bonus as prescribed by the board, while in the case of non life insurance business, it shall refund the principal amount prescribed by the board on a proportionate basis.

6. Provision to keep the Separate Fund and Separate account for the Separate Insurance Business

If any insurance is involved in more than one insurance business, it should maintain clearly separate account for each insurance business. The insurer should keep the separate fund for deposit the amount received from the business to the related fund. There is a provision it can't borne the liability from the fund maintained for one business to another business.

7. Provision to Pay the Premium before the Risk Taken

The risk is taken by the insurer only after the premium is received. In some special condition, if there is practical difficulty to pay the whole sole amount, fixing the period to pay the rest of the amount, there is legal provision, not to restrict for issuing the insurance policy with the guarantee of the GON or the Bank.

8. Provision Made About the Reinsurance

There is no reinsurance company in Nepal yet. There is provision in the act for establishing Reinsurance Company. Under section 28 of the act the insurer by taking the risk that it is supposed to take, should do the reinsurance as the insurance board fixed for the rest of the risk *(Bhandari; 2003:419-420).*

9. Provision for the Registration Renewal and Cancellation of the Insurance Agent

Provision are made regarding registration of the insurance agent in the Section 30 of the insurance Act 2049 (1992), qualification of the insurance agent is made in Section 32 and there is the provision for the cancellation of the license of the insurance agent in Section 33. The person, who wants to act as an insurance agent with the approval letter or recommendation letter of the related insurer, should give the application to the office of the insurance board. After receiving the application, with the necessary change (fee), the board gives the license to the applicant. If it is found any reason not to give the license the board should give the notice about the related applicant. Similarly, the license should be renewed by the end of Chaitra of every year with the renewal charge as the priority of the provision of Section 31.If it is not renewed there is provision for the cancellation of the license.

10. Provision for the Registration, Renewal and Cancellation of the Insurance Surveyor

There are provision for the registration of the license in the Section 30, qualification in 32 and cancellation of the license in the Section 33 of the Insurance Act 2049 (1992).The person, who wants to work as an insurance surveyors with the written approval, should give the application to the office of the insurance board. After the application received, the insurance board checks up the document with the application and if correct, there is provision to give him/her the license of the insurance surveyors by taking the necessary fees as fixed by the Board. If the board not concludes to give the license notice should be given to the related person. The license should be renewed every year the end of Chaitra as the provision of Section 31. If the license is not renewed there is provision to cancel the license in Section 33(c) of the Insurance Act 2049 (1992).

11. The provision to get the Insured Amount by the Designee

Under the Section 38(1) of the Insurance Act 2049(1992), in case any life insurance policy holder dies before the expiry of the term of his policy the amount mentioned in such policy shall be paid to the person designated by him therein. In case he has not designated any person, or in case the designee has already died, payment shall be made to any of his surviving related dependents as following in the following order:

a. Husband or Wife

b. Unmarried sons and daughters (equal shares)

c. Parents

d. Married sons in equal shares

e. Sons and daughters of the deceased son, in equal shares.

f. Widowed wife or son.

g. Unmarried brothers in equal shares.

h. Unmarried sisters in equal shares.

i. Grandfather and grandmother on the father side.

12. Provision for the Classification of the under subject to the act of Rules, the Insurance Business to be undertaken; by an Insurer shall be Classified into the following Categories

a. Life insurance business

b. General Insurance business

c. Reinsurance business

Under the life insurance business, an insurer may undertake the following insurance business:

a. whole life insurance

b. Endowment life insurance

c. Term life insurance

Under the general insurance business, an insurer may undertake the following insurance business.

a. Fire insurance

b. Motor insurance

c. Marine insurance

d. Engineering and contractors risk insurance

e. Aviation insurance

13. Provision for Insurance Rate Advisory Committee

For the purpose of offering necessary advice and suggestion to the board in determining insurance rated of insurance business, GoN shall form an Insurance rates Advisory committee comprising the following members.

a. Chairman - Insurance Board ...Chairman

b. Three persons nominated by GoN from among the chief of insurers

…Members

c. Secretary- Insurance Board …..Member secretary

The working procedures relating to the meeting of the advisory committee shall be as determined by the committee itself, and the functions, duties and powers of the Advisory committee shall be as prescribed *(Bhandari; 2003:421-422).*

14. Legal Provision for the Appeal

According to the Section 37 of the insurance act 2049 (1992), there is a legal provision that if a person or an organized institution is not satisfied with the decision of the insurance board, the related person, a institution can appeal to the related court within 35 day of the decision made. This provision is really very important. The person can get entry to the court under this provision.

15. Provision made for the Appointment of Liquidator

Under the Section 18 of the Insurance Act 2049(1992), in case an insurer is dissolved as a result of the cancellation of its registration under Section 13, GoN may appoint a liquidator. The functions, duties and powers of the liquidator appointed shall be equivalent to those of a government liquidator under the Company Act *((Bhandari; 2003:422-423).*

2.2 Review of Thesis

The history of insurance is not long in our country Nepal. At present 18 insurance companies are operating in Nepal. Many researchers have conducted a number of researches on insurance. The gist of some reviewed studies is presented below.

Sharma (2002) had a study on "*Financial Performance of Rastriya Beema Sansthan and Nepal Life and General Insurance Co. Ltd"*. The study mainly concentrates on analytical study of insurance premium collection and its utilization in different headings such bank fixed deposits, government securities and policy loans.

His major research findings are:

1. Absolute value of premium collecting has been increasing but it is in decreasing trend in respect of GDP.
2. Claim outstanding and premium outstanding are increasing year by year since overall liquidity position is weakening.
3. Net premium to claim ratio gradually decreasing.
4. Investment portfolio is mainly composed of bulk fixed deposit account and Government securities.

Shrestha (2002) had a study on *"Premium Collection and Investment Position of Nepal Life and General Insurance Co. Ltd"*. The researcher chiefly studied on the premium collection and its mobilization as investment taking NLGI as the sample organization. Various types of insurance premiums are the sources and how it can be mobilized in the best way is the main objective of the study.

Objectives of his study are:

The main objective of his study is to find out the position of National Life & General Insurance Co. Ltd. in the industry of Nepal and to suggest recommendation based upon it. The specific objectives of this study are:-

1. To study the trend of premium collection and investment pattern of National Life & General insurance Co. Ltd.
2. To compare the trend of premium collection and investment of National Life & General Insurance Co. Ltd. with whole industry throughout various years.
3. To find out the position of National Life & Genera Insurance Co. Ltd. in the insurance industry of Nepal.

4. To provide suggestions based on the findings of the analysis to the management of National Life & General Insurance Co. Ltd. for improving the existing position of premium collection an investment.

His major research findings are:
1. The company should be secured by issuing more life insurance policy, as it is long-term contract.
2. The company's share in life insurance industry should be increased.
3. The company should introduce new policies like: household policy, umbrella policy, health insurance policy, medical insurance policy, overseas policy etc in order to increase its general premium collection.
4. The company should prohibit proxy agents.
5. The company should diversify its life investment in sectors like, finance company's fixed deposits, corporate securities, hydropower projects, real states and housing etc.
6. Claims should be paid in time as it strengthens the trust of the company.

Thapa (2002) had a study on Insurance Industry in Nepal: *"A Comparative study on Premium Collection and Investment Pattern"*.

Objective of his study are:
The basic aim of his study is to define current situation of insurance industry in Nepal and find out premium collection and investment position Nepalese insurance company. For this purpose, these specific objectives are spelled out as:
1. To compare the various companies premium collection and investment pattern.
2. To examine the trend and pattern of investment and premium collection.
3. To analyze the management opinion instance's premium collection and investment system.
4. To recommend probable corrective measures relating to the improvement on the premium collection and investment aspect.
5. The study is to analyze the current situation of the Nepalese insurance business.

His major research findings are:

1. Terrorism and Recession are the main problems of insurance business in Nepal.
2. There is delay in claim paying pattern.
3. Insurance business should extend its business and services in remote areas too.
4. Insurers are trying to form reinsurance agency in Nepal which will be beneficial for them and national economy also grow up.

Shrestha (2008) had a study titled *"A Premium Collection and Investment Position of National Life and General Insurance Company Ltd."* This study was undertaken to find out the premium collection and investment position of NLGI.

Objectives of his study are:

The basic objective of his study is to analyze the position of NLGI CO.LTD. To the insurance industry of Nepal in term of premium collection and investment. Objective can be stated as follows:

1. To observe the situation of the company in terms of premium collection.
2. To analyze the policy of company to compete in the competitive market.
3. To provide suggestion that will strengthen the future performance of NLGI.
4. To study the trend of premium collection and investment pattern of NLGI Co.LTD.
5. To know the investment portfolio of the company.

His major research findings are:

Insurance business plays the great role in the national financial system. The growing numbers of insurance companies are competing with each other to attract policyholders with different types of insurance policies. In this regard Nepal Life and General Insurance Company Limited played vital role for socio-economic development within the nation either by transferring risks of by collecting scattered resources. In his study an attempt is made to provide independent view of the premium collection and investment position of NLGI. On the basis of study some findings and recommendation are identified. The position of premium collection and investment of NLGI has been already analyzed by

using various financial and statistical tools. Based on the analysis some of the major findings are as follows.

1. Premium Collection on First Life Premium to Total Life Premium Collection:

From the analysis he found that the company's ratio on first life premium to total life premium collection ratio are in fluctuate trend .The highest ratio of 25.95 % in the fiscal year 058/59 and least ratio of 16.76 % in the fiscal year 057/58. The average ratio was 20.5 %.The CV is 15.46 %. It shows that the ratios were little consistent and stable.

2. Premium Collection on Renewal Life Premium to Total Life Premium:

The analysis showed the ratio between renewal life premium and total life premium. The ratio varied between 74.05 to 83.24%.Highest ratio was in FY 057/58 and the least was in the FY 058/59.The calculated C.V. 3.97 % showed the satisfactory result and reveal that the company was suffering negligible risk.

3. Life Premium Collection to Total Premium Collection

From the analysis, it is clear that life premium to total premium collection of NLGI was in increasing trend except in the fiscal year 060/61.The highest ratio was 73.20 % in the fiscal year 061/62 and least was 51.38 % in the fiscal year 057/58. Life premium collection covered 67.08 % on an average to total premium collection by the company. The calculated C.V. 12.10 % showed that there is little consistency in this ratio.

Ghimire (2009) "*Premium Collection and Claim Payment of Insurance Companies of Nepal"* This study was undertaken to find out Premium Collection and Claim Payment of insurance companies of Nepal.

Objectives of his study are:
1. To study the premium collection and claim paid on non-life insurance policies.
2. To study the states of provision on re-insurance of non-life insurance policies of the sample companies.
3. To study the profitability of non-life insurance of the sample companies

His major research findings are:

1. The premium collection on FI by HGICL is seen more consistent than the other sample ICs. The highest average premium collection from FI on TPC was seen of UIC(N)L Similarly the ratio of contribution to TPC from FI was AICL.

2. The least CV was seen of EICL under the MI premium collection among the sample ICs which reflect its consistency in premium collection. The most inconsistency on the premium collection on MI was by UIC(N)L Similarly, the highest average ratio of MI premium collection to TPC was seen of UIC(N)L.

3. The premium collection proportion from AI is seen nil for the UIC(N)L. It has not handled the business of AI for not a single F/Y. The portion of premium collection from the AI business is seen very inconsistent for the sample ICs. The most inconsistent on premium collection from the AI business among the sample ICs was of AICL. The HGICL has maintained the consistency on the AI business.

4. The premium collection from the MoI business was seen increasing for the all sample ICs. Similarly, the business on MoI for the entire sample ICs is also seen in good position. The collection of premium from the MoI business in the TPC of the ICs was seen most consistent for the UIC(N)L and inconsistent for NICL.

5. The premium collection from E and CI was highest of UIC(N) in the TPC. Similarly, the premium collection from E and CI was seen higher than other sample ICs of EICL. The premium collection from E and CI was seen consistent for AICL with the least CV and most inconsistent premium collection was of UIC(N)L.

6. The premium collection from OI than the major insurance business portfolio was seen highest in average of HGICL But the consistent premium collection from the OI business was seen of the AICL. The most inconsistent premium collection from the OI business was for UIC(N)L .

7. The claim payment for the FI on TCP among the sample ICs was seen lowest of the UIC(N)L. The highest average ratio of the claim paid for FI on TCP was seen of EICL. The most consistent on the claim payment on FI among the sample ICs.

8. The claim payment for the MI was seen extremely inconsistent for the HGICL. The average ratio of the claim payment for the MI on TCP was seen highest for EICL and the lowest for AICL.

9. UIC(N)L have not paid a rupee claim for the AI during the five year period from F/Y 2058/59 to F/Y 2063/64. Similarly, NICL have not paid a single rupee of claim from the F/Y 2062/63. The highest average claim payment made by the sample.

10. The average ratio of claim payment on MoI to TCP was seen the highest of UIC(N)L The least average ratio of claim payment on MoI was seen of EICL.The CV analysis shows the most consistent on the claim payment made was of UIC(N)L with the least CV.The most inconsistent on the claim payment made on MoI was seen of EICL among the sample ICs.

Research Gap

There are lot of researches can be found related to insurance business, some of the studies focus on only premium collection, and some of the studies only concentrate only on financial performance of the company. Findings of the study are considered most reliable, accurate and authentic, when most recent data are applied. Due to unavailability of recent data after the fiscal year 2009, the research takes 2004 to 2008 as sample period.

This study concentrates on premium collection and its utilization to earn the revenue of Rastriya Beema Sansthan for the study period 2004 to 2008. For data analysis procedure financial tools as well as Statistical tools are used and diagrams are also used to make the research more comprehensively understandable way.

CHAPTER - III
RESEARCH METHODOLOGY

Research is a system and organized effort to investigate a specific problem that needs a solution. This process of investigation involves a series of well- thought out activities of gathering, recording, analyzing and interpreting the data with the purpose of finding answer to the problem. It is a careful search or inquiry into any subject or subject matter, which is a endeavor to discover or find out valuable facts which would be a useful for further application or utilization. The basic objective of this study is to study the trend of insurance business in context of Nepal, volume of insurance premium collected and investment pattern of insurance companies of Nepal. The study follows the following research methodology in order to achieve its objective.

3.1 Research Design

The research design is the strategy for conducting research work, which describes the general framework for collection, analysis and evaluation of identified data. A research design is the arrangement of condition, for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. In fact, the research design is the conceptual structure within which the research is conducted. Useful research design can produce the answer to the proposed research, questions. The research design is thus an integrated frame that guides the researcher in planning and executing the research works.

3.2 Population and Sample

Population means the whole industry and for this study, nineteen insurance companies operating in the country is considered as population. Out of nineteen insurance companies, the selected one insurance company Rastriya Beema Sansthan, which serves the nation in life and non-life insurance sector, is the sample of this study.

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3.3 Nature and Source of Data

The research study is based on the secondary data that are available in the published form. The required data for the study has been collected from the Rastriya Beema Sansthan, Head Office and the Insurance Board (Beema Samittee). Thesis and reports conducted by various master's degree students relating insurance field are also taken as sources. In the same way different journals, articles, report, newspaper etc. has been collected for the study.

3.4 Data Collection Techniques

In order to make the study more reliable and authentic, different tools and techniques are used throughout the study. For secondary data annual reports, brochures, newsletters etc has been collected from different departments of RBS and as well websites were also used for downloading the necessary information.

For the reference material, the researcher visited Shanker Dev campus and Central Department of Management T.U. and Insurance Board (Beema Samittee).Many visits in management department and various sections of central library, T.U. led the researcher be successful in conducting the study.

3.5 Data Processing

Data obtained from the various sources cannot be directly used in their original form. Further, they need to be verified and simplified for the purpose of analysis. The data supplied by RBS, Beema Samittee and other authorities have been reorganized and refined in the form of tables and then necessary items out of many have been picked up for analysis and interpretation.

3.6 Tools and Techniques used

The data collected and obtained are scanned and tabulated under various needs for the purpose of study. Two sorts of tools are used to achieve the results.

3.6.1 Financial Analysis Tools

Financial tools are those which are used for the analysis and interpretation of financial data. There tools can be used to get the precise knowledge of a business which in turn, are fruitful in exploring the strengths and weakness of the financial policies and strategies. There are various tools in financial sector but for the purpose of this study and in accordance to the studies objectives ratio analysis was performed in this study. Ratio analysis certainly showed the position of premium collection investment and return and their contribution on overall performance.

3.6.1.1 Ratio Analysis

For Proper financial analysis of data, ratio analysis is the best tool. It is a very simple analyzing tool under which ratios are taken to express the relation between two or more data. Simply relation between two figures is known as ratio. Under ratio analysis following ratio related to premium collection and investment position are analyzed.

- First Life Premium collection to total life premium collection: First life premium collection/Total life premium collection.

- Renewal Life Premium Collection to total life premium collection: Renewal life Premium collection/Total life premium collection.

- Life premium collection to total premium collection: Life premium collection/Total premium collection.

- General Premium Collection to Total Premium Collection: General Premium Collection/Total Premium Collection.

- Marine Premium Collection to Total General Premium Collection: Marine Premium: Marine Premium Collection/Total General Premium Collection.

- Fire Premium Collection to Total General Premium Collection: Fire Premium Collection/Total General Premium Collection.

- Miscellaneous Premium Collection to Total General Premium Collection: Miscellaneous Premium Collection/Total General Premium Collection.

- Premium Collection on Motor Insurance to Total General Premium collection ratio: Premium collection on motor insurance/Total General Premium Collection.

- Investment on Government Saving Bonds to Total Life Investment: Investment on Government Saving Bonds/Total life Investment.

- Investment on Bank Fixed Deposit to total Life Investment: Investment on Bank Fixed Deposits/Total Life Investment.

- Investment on Policy loans to Total life Investment: Investment on Policy loans/Total life investment.

- Investment on government saving bonds to total general investment: Investment on Government Bonds/Total General Investment.

- Investment on Bank Fixed Deposit to Total General Investment: Investment on Bank Fixed Deposits/ Total General Investment.

- Investment on Finance Company Fixed deposit to total General Investment: Investment on Finance Company fixed deposits/Total General Investment.

- Total Investment to Total Premium Collection: Investment/Total Premium Collection.

- Return on Investment: Net Income/Total Investment.

- Claim Paid to Total Premium Collection: Claim Paid/Total Premium Collection.

- Interest Earned to Total Premium collection: Interest/Total Premium Collection.

3.6.2 Statistical Analysis Tools

Statistical tools are used for attaining accuracy on analysis and study. Various statistical mathematics are studied which are related to decision making for premium collection and investment pattern under statistical analysis, mean, standard deviation, coefficient of variation, correlation coefficient and trend analysis are performed.

Mean

The simple arithmetic mean is the sum of total values to the number of values in the sample, thus

$$\text{Mean} = \frac{\text{Sum of Total Value}}{\text{Number of Values}}$$

$$\overline{X} = \frac{\sum X}{N}$$

Standard Deviation (S.D.)

The Standard deviation shows the deviation of actual value with average mean value of the variable. A small standard deviation means high degree of uniformity of observation as well as homogeneity of a series.

Coefficient of Variation (C.V.)

The coefficient of variance is the relative measure of dispersion, comparable across distribution which is defined as the ratio the standard deviation to the means expressed in percent. It is calculated as follows.

$$C.V. = \frac{\sigma}{\overline{X}} \times 100\%$$

Coefficient of Correlation

Correlation analysis is the statistical tool that can be used to describe the degree to which one variable is linearly related to other variables. Correlation is an analysis of the covariance between two or more variable and correlation analysis deals to determine the degree of relationship between two or more variables. It refers the closeness of relationship between two or more variables. Among the various method of finding out co-efficient of correlation, Karl person's (product moment) method was applied in this study.

$$r = \frac{\sum XY}{\sqrt{\sum X^2}\sqrt{\sum Y^2}}$$

Probable error of correlation was calculated by the following:

Formula:

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

Trend Analysis

Some statistical tools are used to draw the valid conclusion of the variables. Among them trend analysis is used here to show the basic tendency of investment and premium components.

CHAPTER - IV

DATA PRESENTATION AND ANALYSIS

This part of the study intends to collect and analyze the secondary data and interpret the result, as well. In this chapter, it has been focused on the analysis of premium collection and investment position of Rastriya Beema Sansthan (RBS). Required data are firstly placed on summary sheets and then data analysis is carried out. Usually when the data is arranged on the summary sheets it is possible to get some ideas from the results. After that the data is tabulated and statistically analyzed. Secondary data are collected and used for the purpose of analysis.

Evaluation of Premium Collection and Composition

Premium is the main source of income for all the insurance companies .The collected premium is invested in different sectors. Investment is done according to the rules and regulation of Insurance Board. Since higher premium tends the higher volume of transaction leading to high income through investment, all the insurer tries to collect higher premium.

In this part of the study, quantitative analysis is done relating to the premium collection and its composition. Mean, standard deviation, coefficient of variation and trend analysis, are used for the purpose of the evaluation of the premium collection and composition of all the respective matter on premium collection, various ratio analysis are computed which will give the actual scenario of particular insurance company in totality.

The analysis chapter is separated in two parts as financial analysis and statistical analysis.

4.1 Financial Analysis

This analysis is deal with various financial ratios, which are related to premium collection. Financial ratios are studied to evaluate and analyze the performance of Nepal Life and General Insurance Company. Ratios are calculated as follows.

4.1.1 Life Insurance

4.1.1.1 Premium Collection on First life Insurance Premium to Total Life Premium Collection

Life insurance premium is the premium paid to the insurance company for insuring his life and contract to pay that amount for certain period. The insurer get amount back with bonus in expiry of the time or his beneficiary will get contract amount in expiry his life.

First premium of life insurance hold significant important role in total life premium collection. It is regular amount that the policy holder should pay to the company till the expiry of time or his death. The ratio, premium collection on first life premium to total life premium collection is used to measure the contribution of premium collection on first life premium to total life premium.

It is computed using following equation.

Premium Collection on First Life Premium to Total Life Premium Collection

$$= \frac{\text{First Life Premium Collection}}{\text{Total life Premium Collection}}$$

Table: 4.1

First Life Premium to total life Premium Collection

(Rs in millions)

Year	2004	2005	2006	2007	2008	Mean	S. D.	C. V.
First Premium	41.23	64.61	65.90	67.22	67.90	61.37	11.33	18.46
Total Life Insurance Premium	919.04	816.23	832.55	849.21	857.70	854.95	39.21	4.59
Ratio	4.49	7.92	7.92	7.92	7.92	7.23	1.37	18.97

(Source: Annual Report of RBS 2004 to 2008 & Annex I and Annex II)

Figure: 4.1

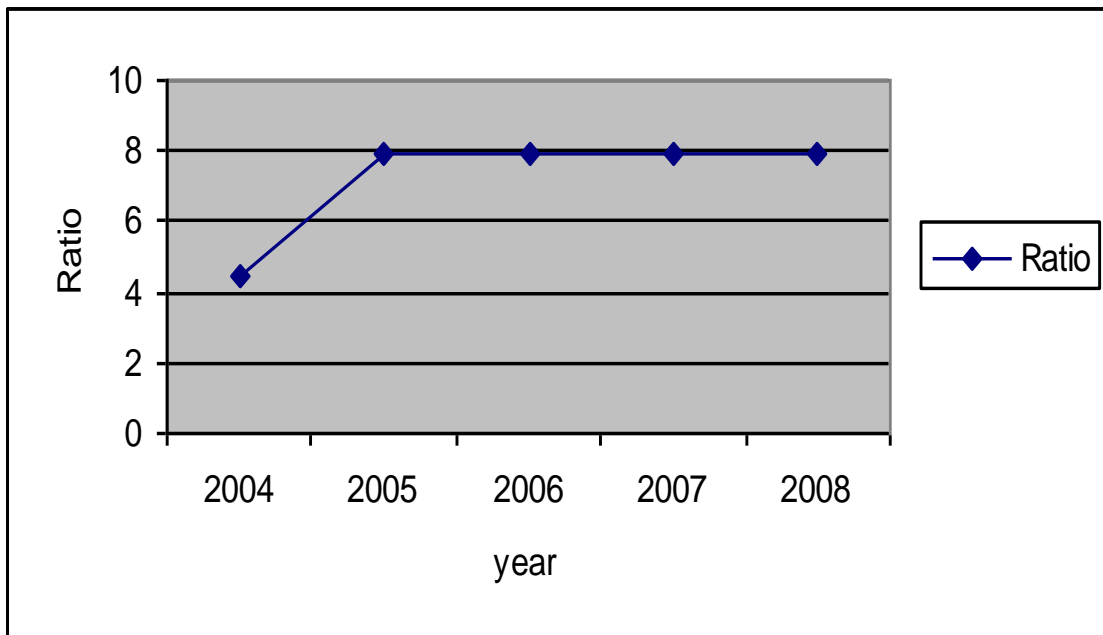**Ratio of First Life Premium Collection to Total Life Premium Collection**

Table 4.1 and Fig 4.1 reveal that the company's ratio on first life premium to total life premium collection ratio is in increasing trend. The least ratio was 4.49% in the year 2004 then increase to the highest ratio of 7.92% in the year 2004 to 2008; giving average ratio of 7.23% and standard deviation of 1.37% The CV is 18.97 %. It shows that the ratios were consistent and stable during the study period.

4.1.1.2 Premium Collection on Renewal Life Insurance to Total Life Insurance Premium Collection

Life premium collection of person is continuous till the last date of policy period otherwise death of a policyholder and breaking of contract by any of party. Renewal life premium held the majority of life premium collection. This ratio shows the weight of renewal life premium collection to total life premium collection. Following equation depicts these ratios.

Renewal Life Premium Collection to Total Life Premium Collection

$$= \frac{\text{Renewal Life Premium Collection}}{\text{Total Life Premium Collection}}$$

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Table: 4.2

Renewal Life Premium Collections to Total Life Premium Collection

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(Rs in millions)

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Year	2004	2005	2006	2007	2008	Mean	S. D.	C. V.
Renewal Premium	877.81	751.62	766.65	781.98	789.80	793.57	49.32	6.21
Total Life Insurance Premium	919.04	816.23	832.55	849.21	857.70	854.95	39.21	4.59
Ratio	95.51	92.08	92.08	92.08	92.08	92.77	1.37	1.48

(Source: Annual Report of RBS 2004 to 2008 & Annex I and Annex II)

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Figure: 4.2

Ratio of Renewal Life Premium Collection to Total Life Premium
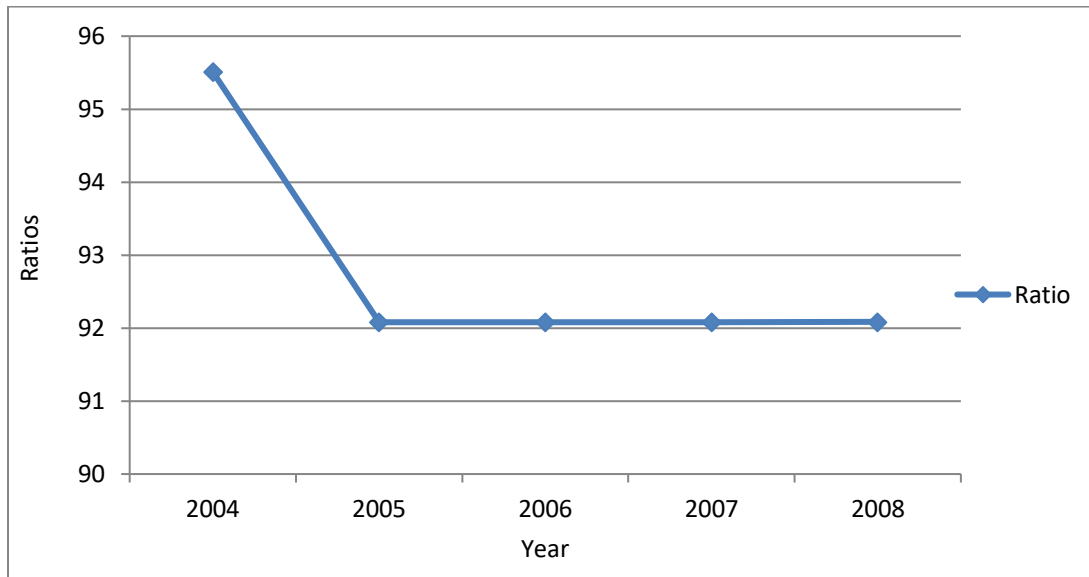
</div>

Table 4.2 showed the ratio between renewal life premium and total life premium collection. The ratio varied from 92.08% to 95.51%. Highest ratio was in FY 2004 and dropped to around 92.08%.The average value of the above ratio is 92.77%, standard deviation is 1.39% giving the result of C.V. 1.48% indicating only the satisfactory result and reveal that the company was suffering with decreasing renew of policy

4.1.1.3 Life Premium Collection to Total Premium Collection

Rastriya Beema Sansthan underwrote both life and non life premium collection. This ratio measures the contribution of life insurance premium collection toward the total premium collection by the company.

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It is calculated as follows:

Life Premium to Total Premium Collection

$$= \frac{\text{Life Premium Collection}}{\text{Total Premium Collection}}$$

Table: 4.3

Life Premium Collections to Total Premium Collection

(Rs in millions)

Year	2004	2005	2006	2007	2008	Mean	S. D.	C.V.
Total Life Insurance Premium	919.04	816.23	832.55	849.21	857.70	854.95	39.21	4.59
Total Premium Collection	1308.64	1159.54	1132.24	1127.06	1080.35	1161.56	87.01	7.49
Ratio	70.23	70.39	73.53	75.35	79.39	73.78	3.41	4.62

(Source: Annual Report of RBS 2004 to 2008 & Annex I and Annex II)

The life premium collection of the company is in increasing trend. This shows that the company's life insurance premium collection is satisfactorily increasing. It's ratio with total premium collection increases from 70.23% in the year 2004 to 79.39 % in the year 2008. In the fiscal year 2005 it is slightly increased to 70.39 %. Again it rose to 73.53 % in the fiscal year 2006; and finally increased to 79.39% in the year 2008, giving average value of 73.78% and standard deviation of 3.41% so that CV 4.62 % shows that the company's ratios were not stable.

Figure: 4.3

Ratio of Life Premium Collection to Total Premium Collection
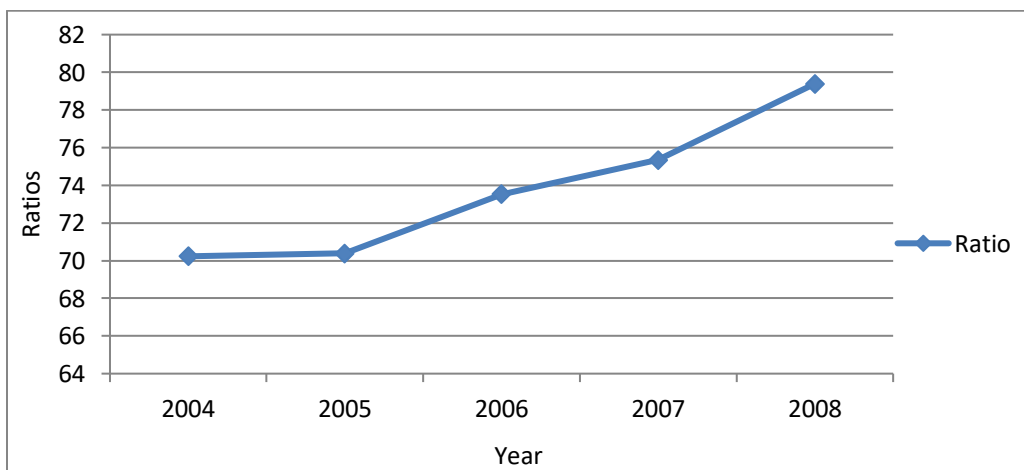
4.1.1.4 Fire Premium Collection to Total General Premium Collection

The ratio is used to measure the contribution of the fire premium collection in total general premium collection in total general premium collection. It depicts the weight of fire premium collection in total general premium collection of RBS. It is calculated as follows.

Fire Premium to Total General Premium Collection

$$= \frac{\text{Fire Insurance Premium Collection}}{\text{Total General Insurance Premium Collection}}$$

Table: 4.4

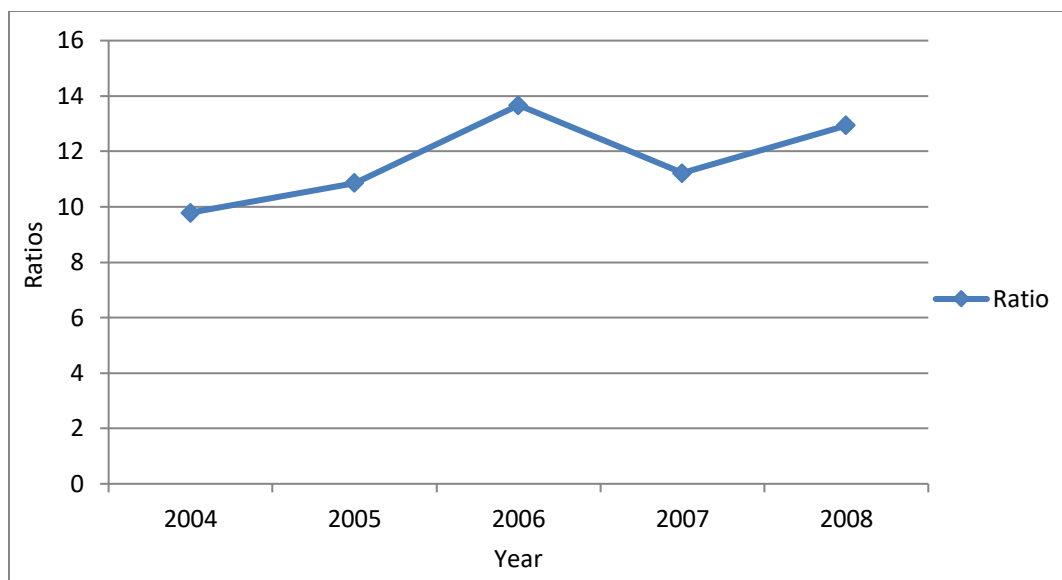**Fire Premium Collections to Total General Premium Collection**

(Rs in millions)

Year	2004	2005	2006	2007	2008	Mean	S. D.	C. V.
Fire Insurance Premium	38.15	37.29	40.96	31.17	28.81	35.27	5.08	14.40
Total General Insurance Premium	389.59	343.31	299.68	277.85	222.65	306.62	63.55	20.73
Ratio	9.79	10.86	13.67	11.22	12.94	11.70	1.41	12.08

(Source: Annual Report of RBS 2004 to 2008 & Annex I and Annex II)

Figure: 4.4

Ratio of Fire Premium Collection to Total General Premium Collection

The above table 4.4 shows the contribution of fire premium on total general premium collection. In the fiscal year 2004 the contribution was only 9.79%. It rose up to 13.67 % in the fiscal year 2006.Then it falls to 11.22% in the fiscal year 2007. Again it rose up to 12.94% in the fiscal year 2008. The average contribution is 11.70% and standard deviation is 1.41 giving C.V. of 12.08% which shows that the contribution of Fire Insurance Premium is quite stable.

4.1.1.5 Marine Premium Collection to Total General Premium Collection

Marine Premium Collection to total general Premium collection is the ratio which depicts the contribution of marine premium in total general premium collection.

Marine Premium Collection to Total General Premium Collection

$$= \frac{\text{Marine Insurance Premium Collection}}{\text{Total General Insurance Premium Collection}}$$

Table: 4.5

Marine Premium Collections to Total General Premium Collection

(Rs in millions)

Year	2004	2005	2006	2007	2008	Mean	S. D.	C. V.
Marine Insurance	16.70	31.76	28.78	24.10	33.09	26.89	6.66	24.77

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Premium								
Total General Insurance Premium	389.59	343.31	299.68	277.85	222.65	306.62	63.55	20.73
Ratio	4.29	9.25	9.60	8.67	14.86	9.34	3.36	36.03

(Source: Annual Report of RBS 2004 to 2008 & Annex I and Annex II)

Figure: 4.5

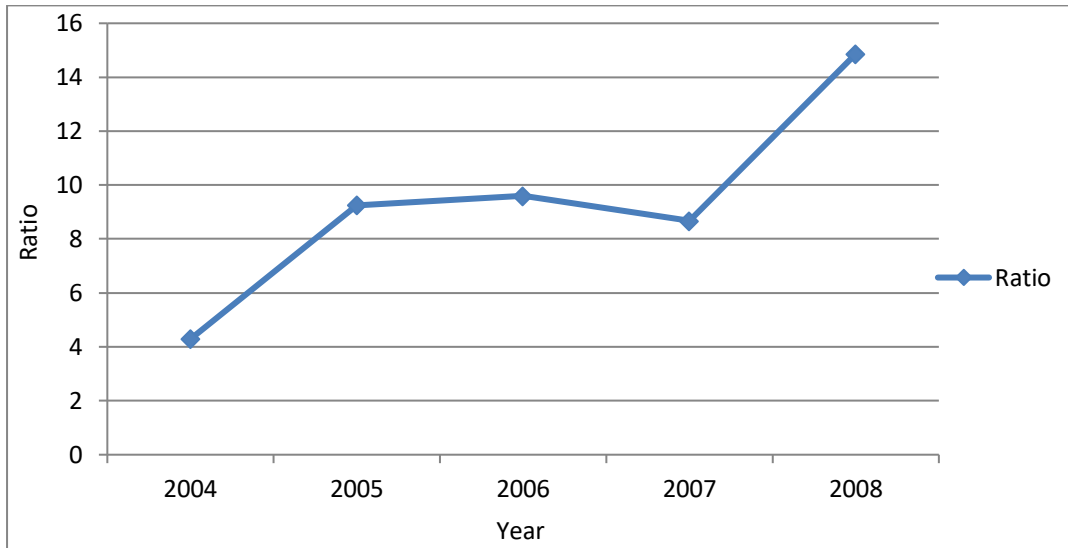**Ratio of Marine Premium Collection to Total General Premium Collection**

Table 4.5 reveals that the contribution of marine insurance premium to total general premium collection is least .It was only 4.29% in the fiscal year 2004. After that it rose up to 9.25% in the fiscal year 2005. Again after it rose up to9.25% in the year 2005 and 9.60% in the fiscal years 2006 then it dropped to 8.67%, finally it stood up to14.86% in the fiscal year 2008.. The average contribution was 9.34% and the standard deviation is recorded at 3.36% respectively. The calculated CV 36.03 % indicate that there is little consistency and stability in the calculated ratios.

4.1.1.6 Motor Premium Collection to Total General Premium Collection

Motor Premium Collection to total General Premium Collection ratio shows the average premium of motor insurance in total general premium collection. The ratio measures the percentage rate of premium collection on motor insurance to total general insurance premium.

Motor Premium to Total General Insurance Premium

$$= \frac{\text{Motor Insurance Premium Collection}}{\text{Total General Insurance Premium}}$$

Table: 4.6

Motor Premium Collections to Total General Premium Collection

(Rs in millions)

Year	2004	2005	2006	2007	2008	Mean	S. D.	C. V.
Motor Insurance Premium	33.30	51.19	45.15	17.24	12.95	31.97	16.76	52.44
Total General Insurance Premium	389.59	343.31	299.68	277.85	222.65	306.62	63.55	20.73
Ratio	8.55	14.91	15.07	6.20	5.82	10.11	4.09	40.49

(Source: Annual Report of RBS 2004 to 2008 & Annex I and Annex II)

Figure: 4.6

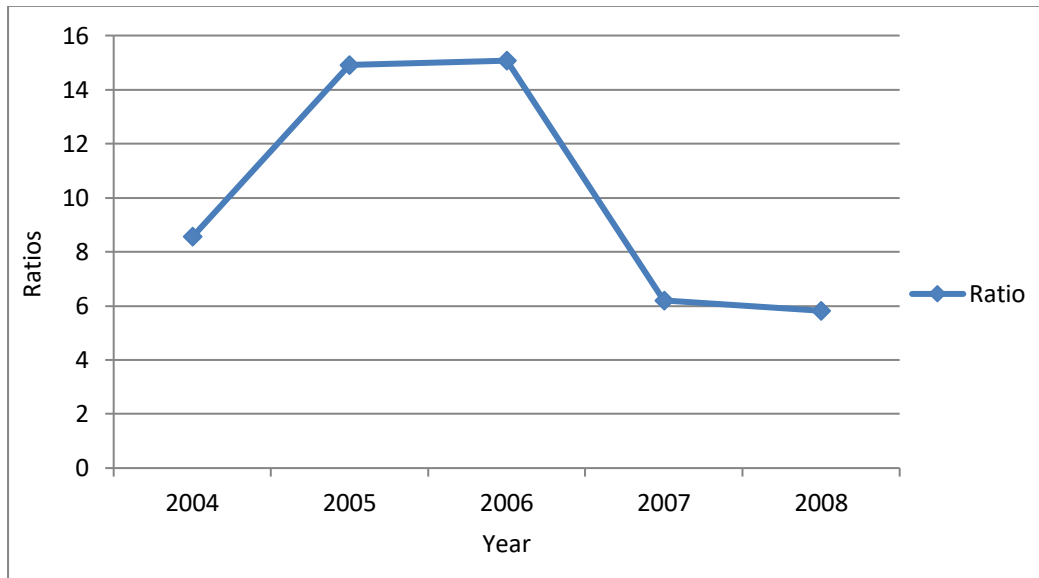**Ratio of Motor Premium Collection to Total General Premium Collection**

Table 4.6 and Fig: 4.6 shows that the contribution of motor insurance to total general insurance is tremendously fluctuating. The highest percentage was in the fiscal year 2006 i.e. 15.07%, and the least contribution recorded was 5.82% in the year 2008 but it was 8.55% in the first year of the study. The mean contribution was 10.11% and standard deviation was 4.09%, giving C V of 40.49 % indicate that the ratio were quite unstable and inconsistent comparing to other components.

4.1.1.7 Engineering Premium Collection to Total General Premium Collection

This is the ratio which shows the proportion of engineering policies premium with comparison to total general premium collection. The ratio is calculated by using following equation.

Engineering Premium Collection to total General Premium Collection

$$= \frac{\text{Engineering Insurance Premium Collection}}{\text{Total General Insurance Premium Collection}}$$

Table: 4.7

**Engineering Premium Collections to Total General Premium Collection**

(Rs in millions)

Year	2004	2005	2006	2007	2008	Mean	S. D.	C. V.
Engineering Insurance Premium	1.64	1.10	0.13	0.61	0.08	0.71	0.66	93.27
Total General Insurance Premium	389.59	343.31	299.68	277.85	222.65	306.62	63.55	20.73
Ratio	0.42	0.32	0.04	0.22	0.04	0.21	0.15	72.85

(Source: Annual Report of RBS 2004 to 2008 & Annex I and Annex II)

Figure: 4.7

Ratio of Engineering Premium Collection to Total General Premium Collection

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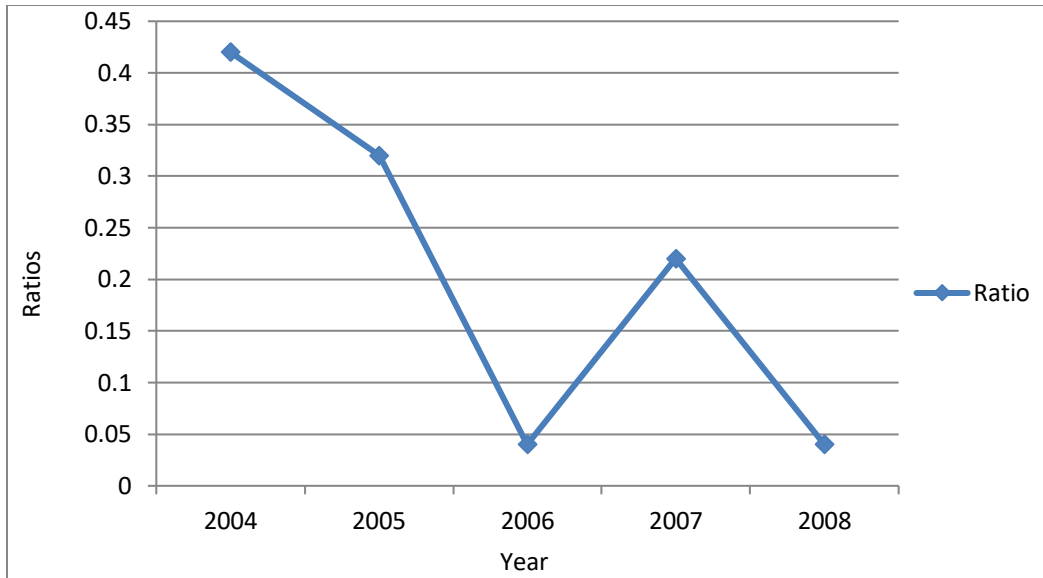
Regarding the engineering insurance premium to total premium ratio of the company, the collected premium average is very low with comparison to other policies. It is in decreasing trend from 2004 to 2008.This is due to abnormal situation of the country. It was 0.42% in the fiscal year 2004. After that it goes down to 0.32%, 0.04%, 0.22%, and finally 0.04% during the study period, average contribution is 0.21% its standard deviation value is 0.15% giving CV 72.85% which is highly inconsistent.

4.1.1.8 Miscellaneous Insurance Premium Collection to Total General Insurance Premium Collection

This ratio is used to measure the weight of miscellaneous premium to total general premium collection of Nepal life and General Insurance Company Ltd.

Miscellaneous Collection to Total General Premium Collection

$$= \frac{\text{Miscellaneous Insurance Premium Collection}}{\text{Total General Insurance Premium Collection}}$$

Table: 4.8

Miscellaneous Collections to Total General Premium Collection

(Rs in millions)

Year	2004	2005	2006	2007	2008	Mean	S. D.	C. V.

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Miscellaneous Insurance Premium	37.59	13.91	38.80	59.52	46.31	39.22	16.63	42.39
Total General Insurance Premium	389.59	343.31	299.68	277.85	222.65	306.62	63.55	20.73
Ratio	9.65	4.05	12.95	21.42	20.80	13.77	6.63	48.17

(Source: Annual Report of RBS 2004 to 2008 & Annex I and Annex II)

Figure: 4.8

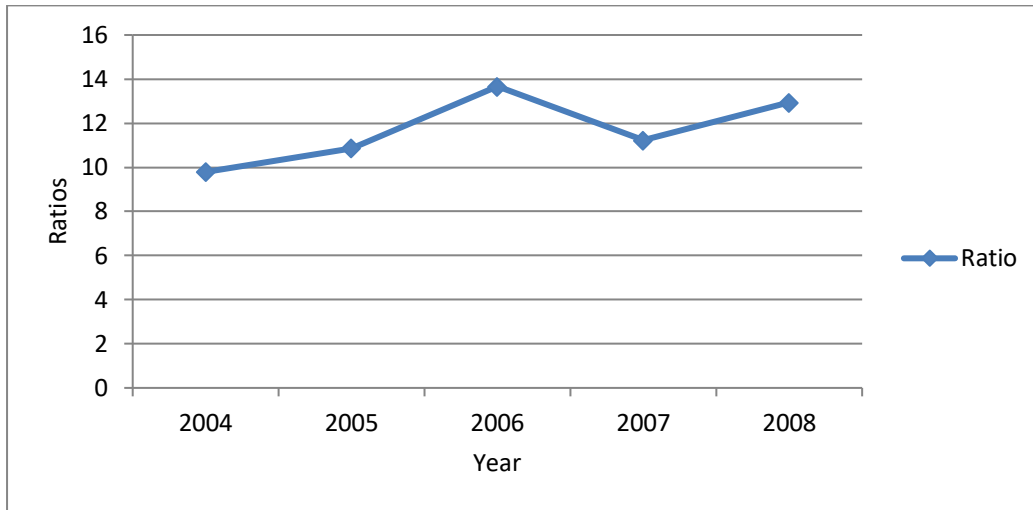**Ratio of Miscellaneous Premium Collection to Total Premium Collection**

Table 4.8 and Fig 4.8 it is seen that the ratio of miscellaneous premium to total general premium collection is ups and downs. The contribution is 9.65%% in the fiscal year 2004 then fell to 4.05% % in the fiscal year 2005. Again it rose up to 12.95% and 21.42 % in the fiscal years 2007 and 2008 respectively. Again it dropped to 20.80% in the fiscal year 2008 giving average value of 13.71% and standard deviation of 6.63% and CV 48.17 % shows that the contribution of miscellaneous is inconsistent.

4.1.1.9 General Premium to Total Premium Collection

All the insurance beside life insurance is called general insurance. It is a contract for one year and is renewed every year. General insurance is non refundable .General premium to total premium collection ratio measure the weight of general premium collection in total premium collection of the company.

General Premium Collection to total Premium Collection

$$= \frac{\text{General Insurance Premium Collection}}{\text{Total Insurance Premium Collection}}$$

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Table: 4.9

General Premium Collections to Total Premium Collection

(Rs in millions)

Year	2004	2005	2006	2007	2008	Mean	S. D.	C.V.
Total General Insurance Premium	389.6	343.3	299.7	277.9	222.7	306.6	63.6	20.7
Total Insurance Premium Collection	1308.6	1159.5	1132.2	1127.1	1080.4	1161.6	87.0	7.5
Ratio	29.8	29.6	26.5	24.7	20.6	25.3	3.3	12.8

(Source: Annual Report of RBS 2004 to 2008 & Annex I and Annex II)

The calculation made in Table 4.9 shows that the ratio were in decreasing during the study period It was 29.77% % in the fiscal year 2004 and fall down to 29.61%, 26.47%, 24.65% and 20.61% throughout the study period till 2008. The average contribution is 26.22% and standard deviation is 3.3% resulting C V of 12.8% for this it can be considered as the consistent comparing to other insurance premium.

Figure: 4.9

Ratio of General Premium Collection of Total Premium Collection
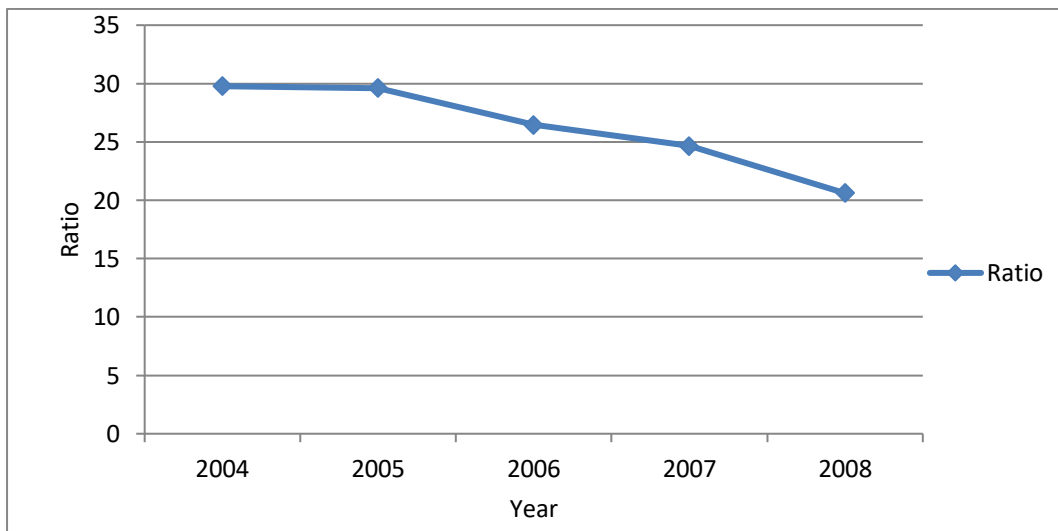
4.1.1.10 Total amount of Life Premium Collection by RBSI

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The total amount of life premium collected by RBSI covers the large portion of total premium collection .The total amount of life premium collected by the company in different years are shown below.

Table: 4.10

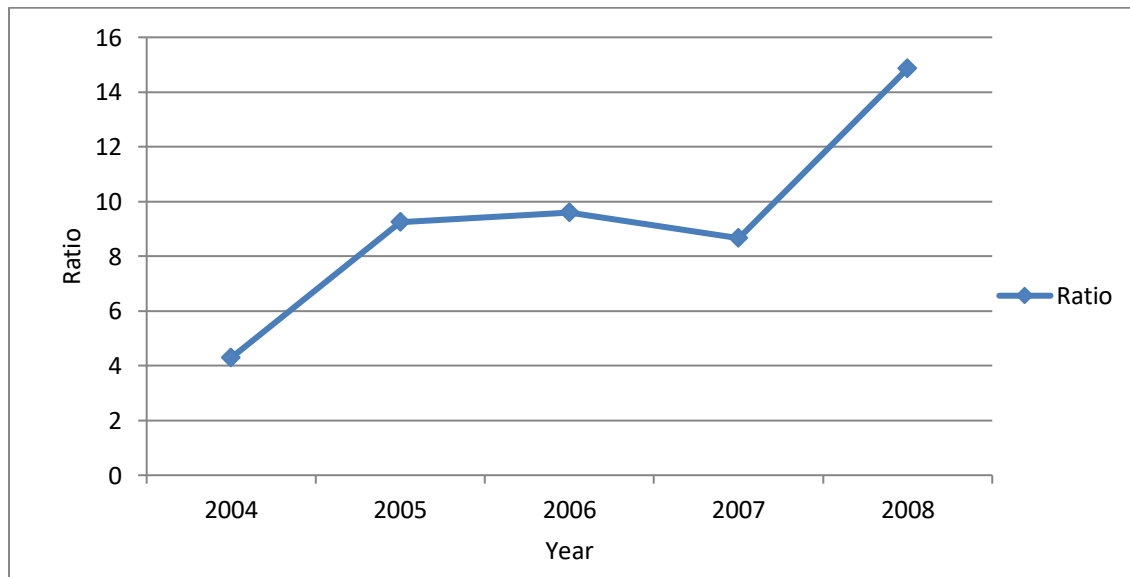**Life Insurance Premium Collections of RBS**

(Rs. In millions)

	2004	2005	2006	2007	2008	Mean	S. D.	C. V.
Ratio	919.04	816.23	832.55	849.21	857.70	854.95	39.21	4.59

(Source: Annual Report of RBS 2004 to 2008 & Annex I and Annex II)

Table 4.10 revealed that the majority part of life premium collection consist of renewal life premium. Life premium amount were Rs919.04million, Rs816.23million, Rs832.55million, Rs849.21million and Rs857.70million respectively. Fig 4.10 shows the trends of life insurance premium collection of RBS and it sharply dropped to Rs816.23million in 2005 from Rs919.04million in 2004 but then after slowly took the pace and increase Rs832.55million, Rs849.21million and Rs857.70million during the study period.

Figure: 4.10

Life Insurance Premium Collection of RBS

4.1.1.11 Aviation Premium Collections to Total General Premium Collection

Table: 4.11

Aviation Premium Collections to Total General Premium Collection

(Rs in millions)

Year	2004	2005	2006	2007	2008	Mean	S. D.	C. V.
Aviation Insurance Premium	262.22	208.06	145.87	145.21	101.42	172.55	62.89	36.45
Total General Insurance Premium	389.59	343.31	299.68	277.85	222.65	306.62	63.55	20.73
Ratio	67.31	60.60	48.67	52.26	45.55	54.88	7.99	14.57

(Source: Annual Report of RBS 2004 to 2008 & Annex I and Annex II)

Figure: 4.11

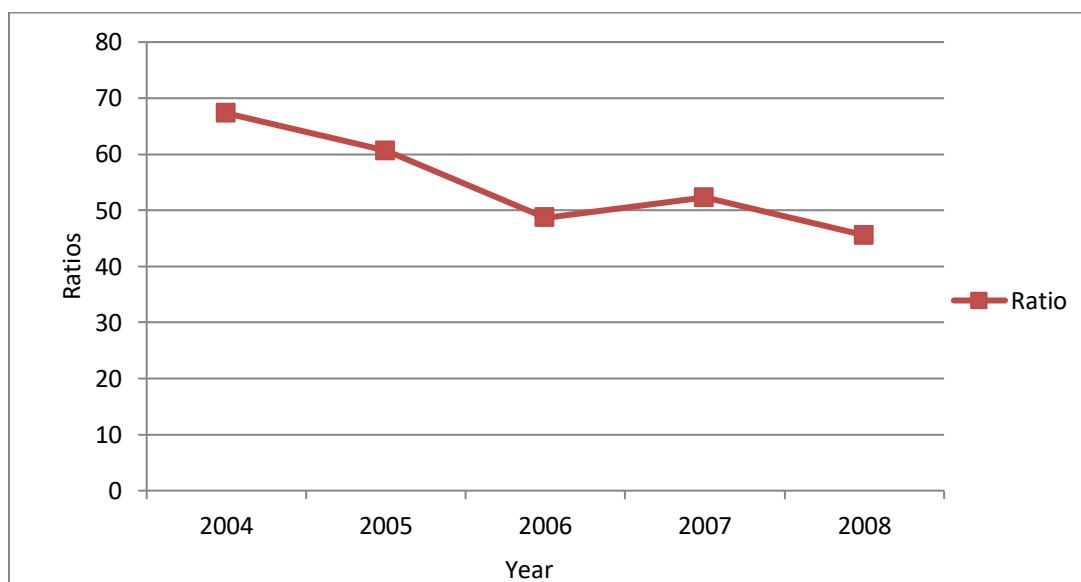**Ratio of Aviation Premium Collection to Total General Premium Collection**

Table 4.11 revealed the contribution of aviation insurance premium collection to general premium collection. The highest contribution is in the year 2004 is 67.31% then slowly start to decline because of unstable political situation in the country. In the year 2005, it was 60.61%, again dropped to 48.76% in the year 2006 then rose to 52.26% in 2007 and again dropped to 45.55% in the year 2008. Thus it can be said the contribution of aviation to general premium collection is highly dependent in the **Peace Process** of the country.

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4.1.1.12 Life Insurance Business in Nepal

There are five life insurers in Nepal. Rastriya Beema Sansthan is the first to undertake life insurance business in Nepal since 2029 B.S. Nepal Life and General Insurance Corporation is second to undertake the business since 2044 B.S. These two companies undertake both life and non life business. Though, Nepal life and General Insurance Company has done life and non life business with separate company since April, 2006. Three New life insurers are Nepal life Insurance Co. Ltd, Life Insurance Corporation (Nepal) Ltd. and American Life Insurance Co. Ltd.

4.1.2 General Insurance Business in Nepal

There are seventeen general insurance companies underwriting general insurance business.

1. Nepal Insurance Company Limited.
2. Rastriya Beema Sansthan.
3. National Life and General Insurance Company Ltd.
4. National Insurance Company Ltd.
5. The Oriental Insurance Company Ltd.
6. Himalayan General Insurance Company Limited.
7. United Insurance Co. Ltd.
8. Premier Insurance Co. Ltd.
9. Everest Insurance Co. Ltd.
10. Neco Insurance Co. Ltd.
11. Sagarmatha Insurance Co. Ltd.
12. Alliance Insurance Co. Ltd.
13. N.B. Insurance Co. Ltd.
14. Prudential Insurance Co. Ltd.
15. Shikhar Insurance Co. Ltd.
16. Lumbini Insurance Co. Ltd
17. Siddhartha Insurance Co. Ltd.

(Source: Insurance Views and News, Beema Samitti)

4.1.3 Evaluation of Investment Pattern and Composition through Financial Tool

Investment is the crucial activity of every insurance company. It collected investment fund in form of premium and invests in various sectors for profit motive. It has to follow the rules and regulation of investment regulated by Insurance Board of Nepal. They have to invest 75 % of their investable fund in compulsory sectors and rest 25 % in other sectors.

For the purpose of the evaluation of the investment pattern and composition among the portfolios, the trend analysis is used. For the comparison of all respective matter on investment, the mean, standard deviation and coefficient of various is also used. Likewise, the ratio analysis is used to evaluate the return on respective portfolio and investment amount. To attain the objectives of the study, all the concerned studies and analysis are done. The evaluation chapter is separated in two parts as financial analysis and statistical analysis.

4.1.4 Life Fund

Life Premium is collected through the life insurance policies. This premium is returnable along with bonus to the policy holder. So the life fund should be invested in areas having higher return and thus the company able to give more bonuses to their customer. The life insurer preferred govt. saving bonds, bank fixed deposits and policy bonds, and bank fixed deposits and policy loans to invest their life fund.

4.1.4.1 Investment on Government Saving Bonds to Total Investment

The ratio measures the portion of total life investment on government saving bonds. The ratio is computed using following equation.

Investment on Government Saving bonds to total life Investment:

$$= \frac{\text{Investment on Government Securities}}{\text{Total Investment}}$$

Table: 4.12

Investments on Government Securities to Total Investment

(Rs in millions)

Year	2004	2005	2006	2007	2008	Mean	S. D.	C.V.
Investment in Government Securities	1480.67	1554.71	1610.80	1659.97	1718.16	1604.86	91.99	5.73
Total Investments	7263.55	7626.36	8048.89	8470.38	8320.79	7946.00	498.48	6.27
Ratio	20.38	20.39	20.01	19.60	20.65	20.21	0.37	1.81

(Source: Annual Report of RBS 2004 to 2008 & Annex I and Annex II)

Figure: 4.12

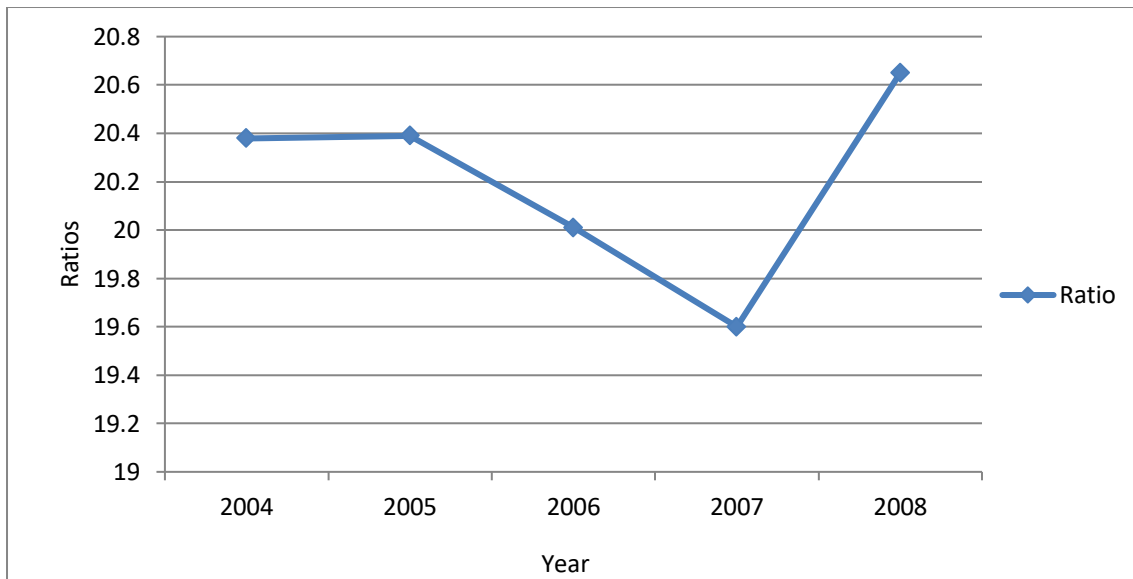**Ratio of Investment on Government Securities to Total Investment**

Table 4.12 revealed that the investment on government saving bond fluctuated .It was 20.38 % in the fiscal year 2004. It decreased to 19.60% in the fiscal year 2007. Then it rose up to 20.65 % in the fiscal year 2008. The average investment is 20.21%. The C.V. is 1.81% .This shows the consistency of investment in government saving bonds.

4.1.4.2 Investment on Bank Fixed Deposits to Total Investment

The ratio measures the portion of total life investment on bank fixed deposit. It is the popular investment sector for life insurance company .The ratio is computed using the following equation.

Investment on Bank Fixed Deposit to Total Life Investment

$$= \frac{\text{Investment on Bank Fixed Deposit}}{\text{Total Investment}}$$

Table: 4.13

**Investment on Bank Fixed Deposits to Total Investment**

(Rs in millions)

Year	2004	2005	2006	2007	2008	Mean	S. D.	C.V.
Investment in Bank Fixed Deposits	5545.53	5822.81	6139.27	6502.12	6288.16	6059.58	379.06	6.26
Total Investments	7263.55	7626.36	8048.89	8470.38	8320.79	7946.00	498.48	6.27
Ratio	76.35	76.35	76.27	76.76	75.57	76.26	0.39	0.51

(Source: Annual Report of RBS 2004 to 2008 & Annex I and Annex II)

Above calculation in Table 4.13 revealed that RBS had invested its major portion of life fund investment on bank fixed deposits. The ratio was 76.35% in the fiscal year 2004.. It reached to 76.76% in the fiscal year 2007 which was the highest during the study period. Then it fall down to 75.57% in the fiscal year 20.08%, giving the average investment of 76.26%. The calculated standard deviation is 0.39% and C.V. is 0.51%. This indicates that the investment is nearly consistent.

Figure: 4.13

Ratio of Investment on Bank Fixed Deposit to Total Investment

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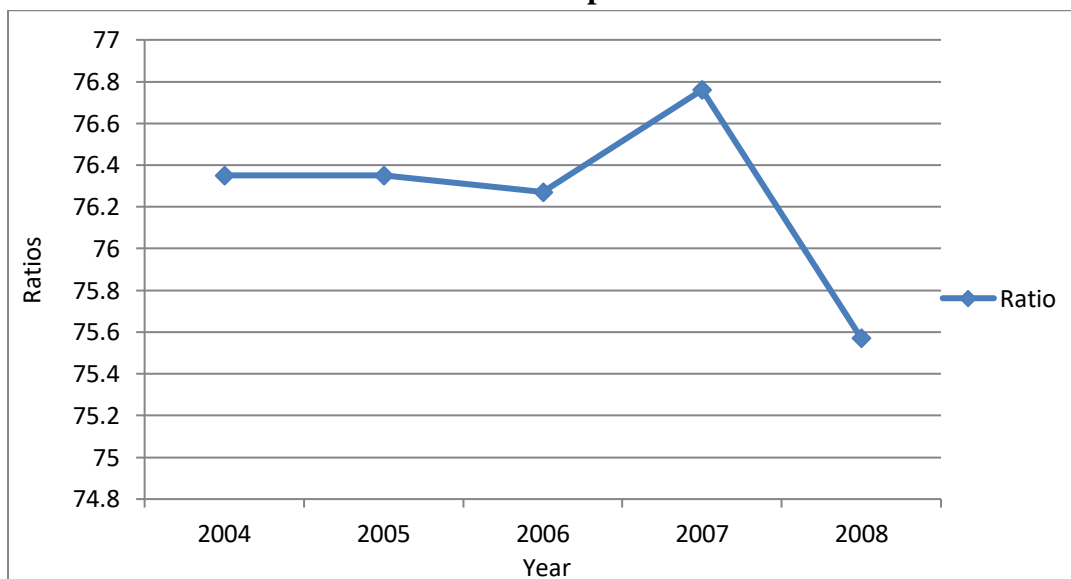
4.1.4.3 Investment on Corporate Securities to Total Investment

The ratio shows the percentage of investment in corporate securities. The weight of investment in corporate securities to total general investment made by the company is depicted by the ratio. Corporate securities mean ordinary share, right share, debenture and bonds of the private enterprises.

Investment on corporate securities to total general investment

$$= \frac{\text{Investment on Corporate Securities}}{\text{Total Investment}}$$

Table: 4.14

Investment on Corporate Securities to Investment

Year	2004	2005	2006	2007	2008	Mean	S. D.	C. V.
Investment in Corporate Securities	7.30	7.30	7.45	12.56	12.81	9.48	2.92	30.83
Total Investments	7263.55	7626.36	8048.89	8470.38	8320.79	7946.00	498.48	6.27
Ratio	0.10	0.10	0.09	0.15	0.15	0.12	0.03	22.89

(Source: Annual Report of RBS 2004 to 2008 & Annex I and Annex II)

Table 4.14 shows that the average investment in corporate securities is 0.12% during the study period. It was 0.10% in the fiscal year 2004. Then after that it increased to 0.15%% in the fiscal year 2007 and 2008 respectively. The calculated C.V. is 22.89% which indicates little consistency in investment.

Figure: 4.14

Ratio of Investment on Corporate Securities to Total Investment
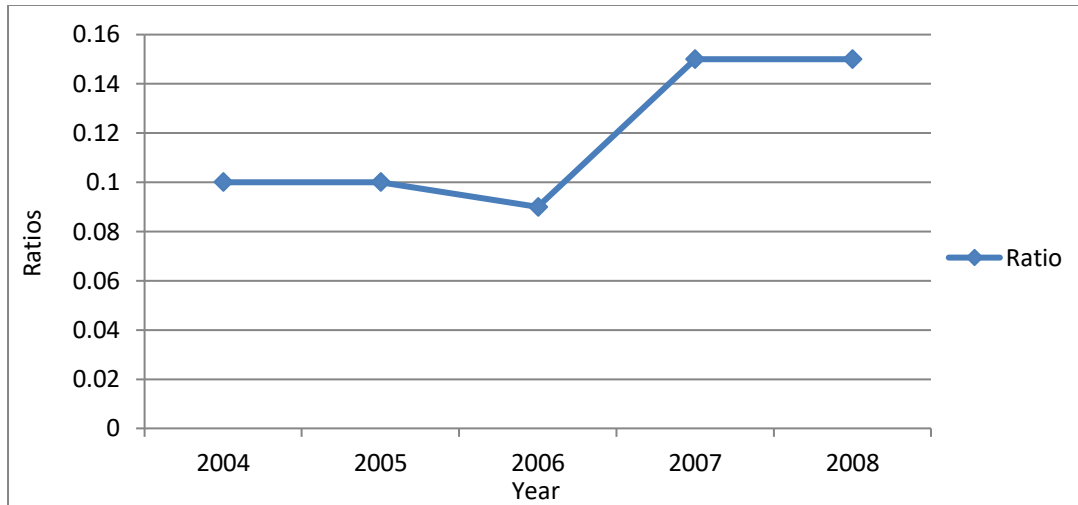
4.1.5 Claim Paid

Insurance company ensures compensation that if the accident, damage, death, disablement, theft happened to property and life of the policy holder with in the policy period. Delay in claim paying may damage the goodwill of the company. Customer may run away from their hand. On the other hand if claim paid held the majority part of the total premium collection, insurance company cannot arrange other management expenses and return to owners

Table: 4.15

Claims Paid to Total Life Insurance Premium Collection

(Rs in millions)

Year	2004	2005	2006	2007	2008	Mean	S. D.	C. V.
Life Insurance Claim Paid	499.13	576.26	593.53	617.29	645.07	586.26	49.33	8.41
Total Life Premium Collection	919.04	816.23	832.55	849.21	857.70	854.95	39.21	4.59
Ratio	54.31	70.60	71.29	72.69	75.21	68.82	7.42	10.79

(Source: Annual Report of RBS 2004 to 2008 & Annex I and Annex I)

Figure: 4.15

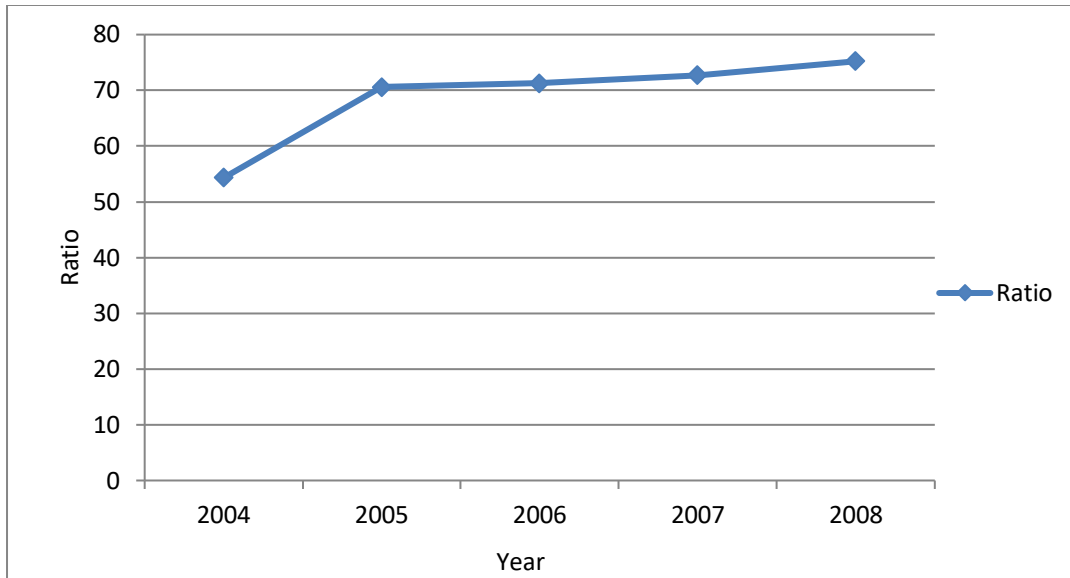**Ratio of Claims Paid to Total Life Insurance Premium Collection**

Table 4.15 and Fig 4.15 reveal that the claim paid to total life premium collection were 54.31%, 70.60%, 71.29 %, 72.69 % and 72.69% respectively during the fiscal year 2004 to 2008. It showed that the life insurance was lowered risky. Claim paid range from 54.31% to 75.21% .The highest claim paid was 75.21% in the fiscal year 2008. The lowest was 54.31% in the fiscal year 2004. The average of 68.82% covered the life claim paid to total life premium collection. Its CV was 10.79% indicates that claims paid to life insurance can be satisfactory.

4.1.5.1 General Claims Paid to Total General Insurance Premium Collection

This ratio measures the percentage of general claims paid to general premium collection. The ratio help the underwriter to calculate risk involve in particular insurance business. This can be computed using the following equation.

General Claim paid to total General Premium Collection

$$= \frac{\text{General Claim Paid}}{\text{Total General Premium Collection}}$$

Table: 4.16

Claims Paid to Total General Insurance Premium Collection

Year	2004	2005	2006	2007	2008	Mean	S. D.	C. V.
Non Life Ins Claim Paid	49.91	57.61	59.34	61.71	64.50	58.61	4.93	8.41
Total General Insurance Premium	389.6	343.3	299.7	277.9	222.7	306.6	56.8	18.5
Ratio	12.81	16.78	19.8	22.21	28.97	20.11	5.43	26.99

(Source: Annual Report of RBS 2004 to 2008 & Annex I and Annex II)

Figure: 4.16

Ratio of Claims Paid to Total General Premium Collection
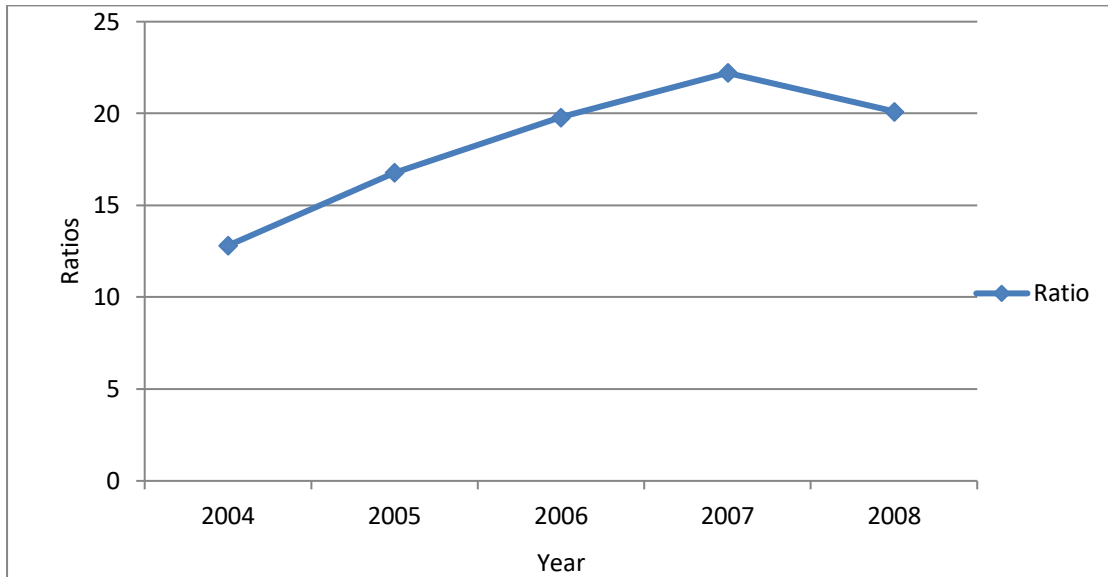

Table 4.16 revealed that the total claim paid held the large portion of general premium. It showed that the general insurance was more risk than the life insurance. The highest claim paid were 28.97 % in the fiscal year 2008 and lowest claim paid was12.81% in the fiscal year 2004. During the study period the average value is 20.11% of general premium collection went to claim paid. The C.V. 26.99% indicates less homogeneous in general claim paid by the company.

4.1.5.2 Total Claim paid to Total Premium Collection

It is the ratio that measure the total risk involves in total premium collection by the company. It reveals the portion of total premium that goes to total claim paid by the company. Following equation is used for the ratio.

Total Claim Paid to Total Premium Collection

$$= \frac{\text{Total Claim Paid}}{\text{Total Premium Collection}}$$

Table: 4.17

Total Claim Paid to Total Insurance Premium Collection

(Rs in millions)

Year	2004	2005	2006	2007	2008	Mean	S. D.	C. V.
Total Claim Paid	549.04	633.86	652.87	679.00	709.58	644.87	60.66	9.41
Total Insurance Premium Collection	1308.64	1159.54	1132.24	1127.06	1080.35	1161.56	87.01	7.49
Ratio	41.96	54.67	57.66	60.25	65.68	56.04	7.92	14.13

(Source: Annual Report of RBS 2004 to 2008 & Annex I and Annex II)

Table 4.17 it is clear that the total claim paid by the company fluctuate year to year. The highest portion was 59.71% in the fiscal year 2008 and lowest was 38.14% in the fiscal year 2004. The average of 50.95% of total premium collection went to claim paid by the company. The C.V. of 14.13 % indicates the consistency in total claim paid to total premium collection ratio.

Figure: 4.17

Ratio of Claim Paid to Total Insurance Premium Collection
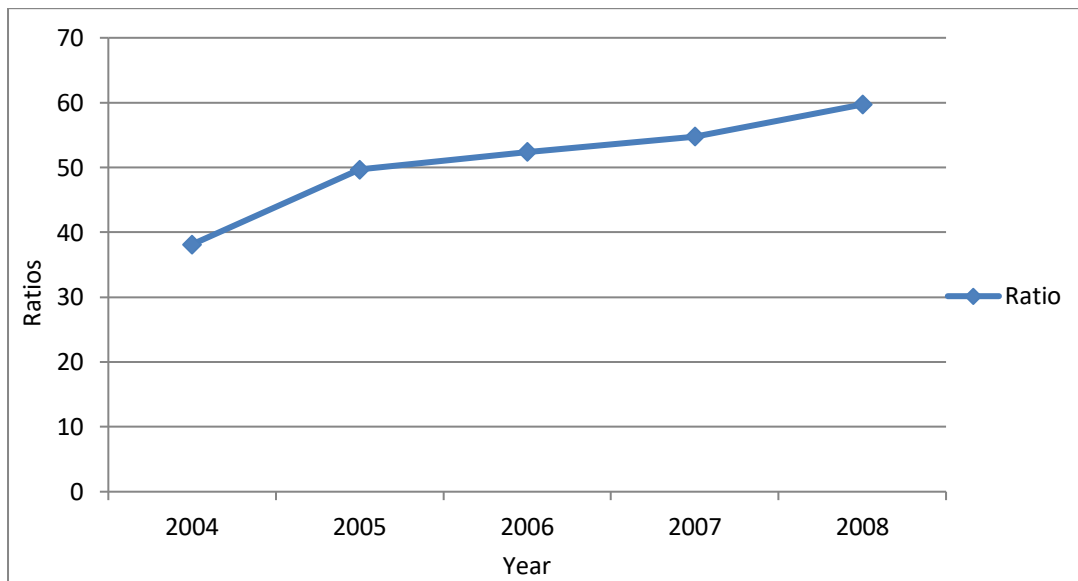
4.1.6 Return on Investment

Earning is very important in any company. Insurance company also thinks about profit or return. It invests its fund in different sectors hoping for better return from it. The ratio reveals which of the investment sector earning in respect of investment on these sectors.

Return on Investment

$$= \frac{\text{Interest Earned from Govt. Securities}}{\text{Investment in Govt. Securities}}$$

Table: 4.18

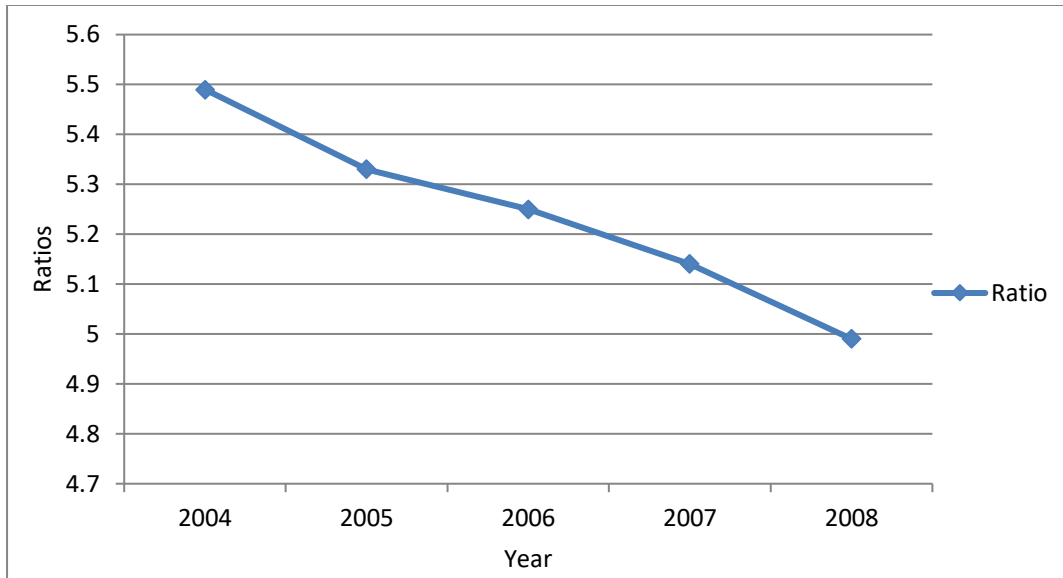**Return from Government Securities**

Year	2004	2005	2006	2007	2008	Mean	S. D.	C.V.
Interest Earned from Government Securities	81.25	82.88	84.53	85.38	85.81	83.97	1.69	2.01
Investment in Government Securities	1480.67	1554.71	1610.80	1659.97	1718.16	1604.86	82.28	5.13
Ratio	5.49	5.33	5.25	5.14	4.99	5.24	0.17	3.19

(Source: Annual Report of RBS 2004 to 2008 & Annex I and Annex II)

The return from government securities were 5.49%, 5.33%, 5.25%, 5.14% and 4.99 % from the fiscal year 2004 to 2008 respectively. The highest return was 5.49% in the fiscal year 2004 and the lowest return was 4.99% in the fiscal year 2008.The average return was 5.24%. The calculated C.V. is 3.19% which shows that the ratio were little consistent. The ratio of return from government securities is continuously decreasing during the period.

Figure: 4.18

Trends of Return from Government Securities

4.1.6.1 Return from Corporate Securities

Return from investment is very important in any company. Insurance company also thinks about profit or return. It invests its fund in different sectors hoping for better return from it. The ratio reveals which of the investment sector earning in respect of investment on these sectors.

Return on Investment from Corporate Securities

$$= \frac{\text{Return from Corporate Securities}}{\text{Total Investment in Corporate Securities}}$$

Table: 4.19

Return from Corporate Securities

Year	2004	2005	2006	2007	2008	Mean	S. D.	C. V.
Earning from Corporate Securities	0.06	0.64	0.68	0.66	0.67	0.54	0.24	44.24
Investment in Corporate Securities	7.30	7.30	7.45	12.56	12.81	9.48	2.61	27.58
Ratio	0.86	8.81	9.10	5.27	5.20	5.85	3.00	51.27

(Source: Annual Report of RBS 2004 to 2008 & Annex I and Annex II)

4.1.6.2 Return from Investment in Policy Loan

Policy loan is the loan given to by insurer i.e. insurance company to its life policyholder. The loan is available to the customer after the stated time generally two years of the start of policy and limited to ninety percent of surrender value. Life policy holder can get this facility very easily to use money in their needy work. The ratio measures the portion of total life investment on policy loans.

Return from Investment in Policy Loan

$$= \frac{\text{Earning From Policy Loan}}{\text{Investment in Policy Loan}}$$

Table: 4.20

**Return from Investment in Policy Loan**

Year	2004	2005	2006	2007	2008	Mean	S. D.	C. V.
Earning from Policy Loans	14.01	11.59	11.82	11.94	12.00	12.27	0.88	7.15
Insurance Policy Loans	230.04	241.55	291.38	295.75	301.66	272.07	30.02	11.03
Ratio	6.09	4.80	4.06	4.04	3.98	4.59	0.81	17.56

(Source: Annual Report of RBS 2004 to 2008 & Annex I and Annex II)

Table 4.20 revealed that the portion of policy loan in total life Investment is very little. It is not more than seven percent during the study period. The ratio is in decreasing trend .It was 6.09% in the fiscal year 2004 which was highest during the study period. Then it dropped to 4.80%, 4.06%, 4.04% and 3.98% in the fiscal years 2005 to 2008 respectively. The average investment is 4.59% and the C.V. was 17.56%. This revealed that the ratios were not stable and the trend is also decreasing one.

Figure: 4.20

Return from Investment in Policy Loan
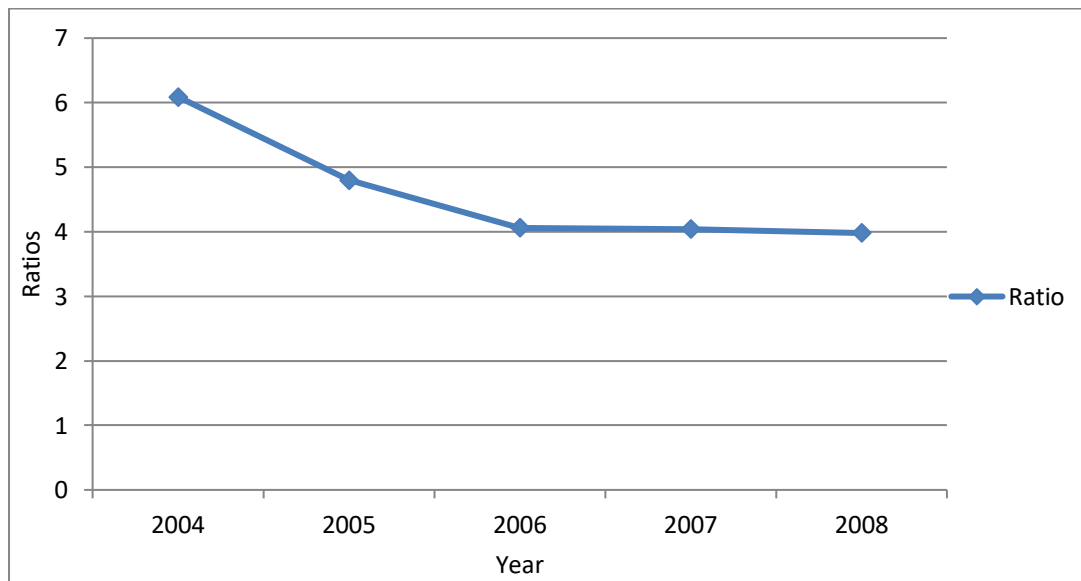
4.1.6.3 Return from Bank Fixed Deposits

The ratio measures the portion of total life investment on bank fixed deposit and its return. It is the popular investment sector for life insurance company .The ratio is computed using the following equation.

Earning from Bank Fixed Deposit

$$= \frac{\text{Earning from Bank Fixed Deposit}}{\text{Investment on Bank Fixed Deposit}}$$

Table: 4.21
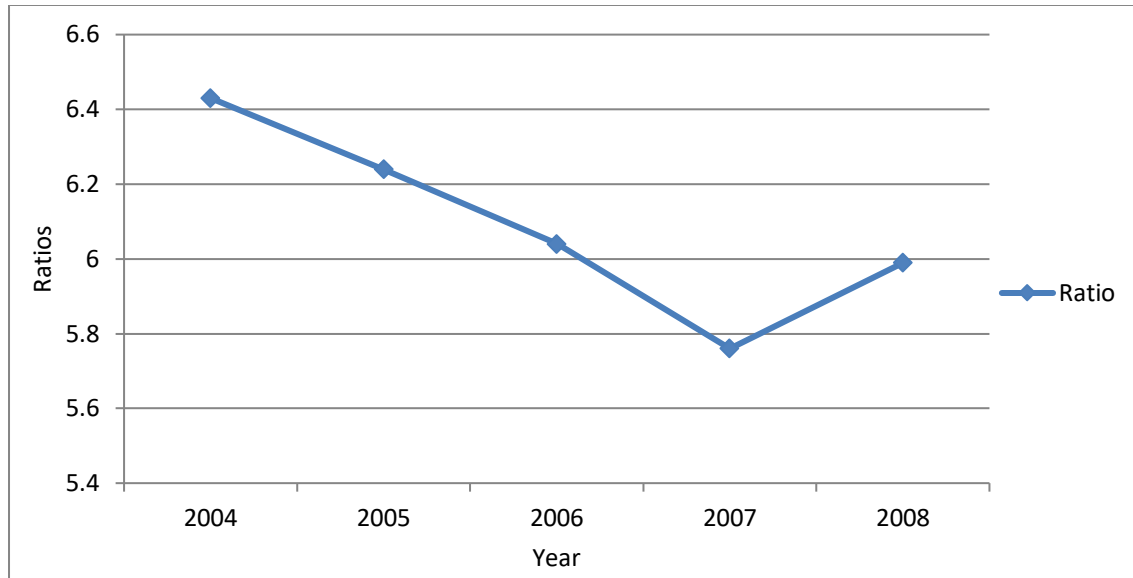
Return from Bank Fixed Deposits

Year	2004	2005	2006	2007	2008	Mean	S. D.	C. V.
Interest Earned from Fixed Deposits	356.45	363.58	370.85	374.56	376.43	368.37	7.41	2.01
Investment in Bank Fixed Deposits	5545.53	5822.81	6139.27	6502.12	6288.16	6059.58	339.04	5.60
Ratio	6.43	6.24	6.04	5.76	5.99	6.09	0.23	3.74

(Source: Annual Report of RBS 2004 to 2008 & Annex I and Annex II)

Above calculation in Table 4.21 revealed the RBS had invested its major portion of life fund investment on bank fixed deposits. The ratio was 6.43% in the fiscal year 2004 which was highest during the study period. It reached to 5.76% in the fiscal year 2007 that is the least point and rose to 5.99% in the year 2008. The average investment was 6.09% the calculated standard deviation is 0.23% and C.V. is 3.74%.This indicate that the investment is consistent.

Figure: 4.21

Returns from Bank Fixed Deposits

The above Fig 4.21 revealed the return on bank fixed deposits. The return ranged from 6.43% to 5.76%, then rose to 5.99% or in other words continuously decrease from the year 2004 to 2007 then after only tried to increase. The average return of bank fixed deposit was 6.09%. The C.V 3.74% indicates little consistency of its return with decreasing in nature.

4.2 Statistical Analysis

a) Trend Analysis of Total Life Insurance Premium Collection

Life Insurance Premium Collection is one of the important factors to assess the financial position of the insurance company. In this part of the study, the life insurance of the sample insurance company RBS is analyzed by using Least Square Method (LSM), to get the trend values and to find out the deviation from actually realized Life Insurance Premium.

Table: 4.22

Trend Analysis of Life Insurance by Least Square Method of RBS

Year (X)	Premium (Y)	t=X-2001	t^2	t*Y	Trend value (Y_c)	Y-Y_c
2004	919.04	-2	4	-1838.08	874.89	44.15
2005	816.23	-1	1	-816.23	864.92	-48.69
2006	832.55	0	0	0	854.95	-22.4
2007	849.21	1	1	849.21	844.98	4.23

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| 2008 | 857.70 | 2 | 4 | 1715.4 | 835.01 | 22.69 |
| Total | 4274.75 | 0 | 10 | -89.7 | | |

$$Y = 854.95 - 9.97t$$

By putting the value of arbitrary year, t = -2, -1 ... and 2, trend values of life insurance premium for the year 2004, 2005… and 2008 are predicted. Then difference (short term fluctuation) in between actual life insurance premium and predicted life insurance premium are also carried out.

Figure: 4.22

Trend Lines of Actual and Projected Life Insurance Premium
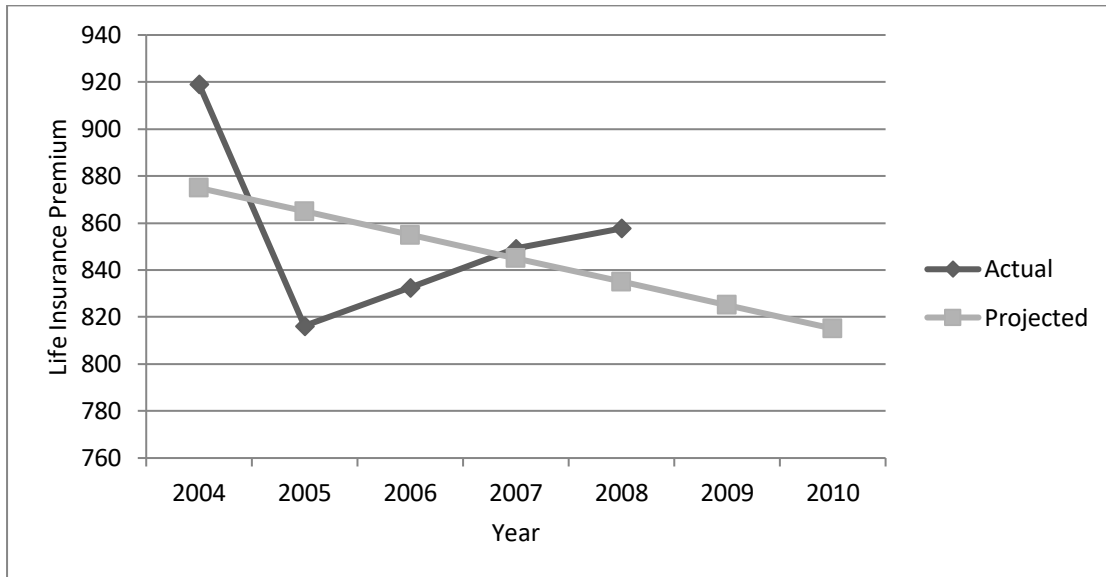
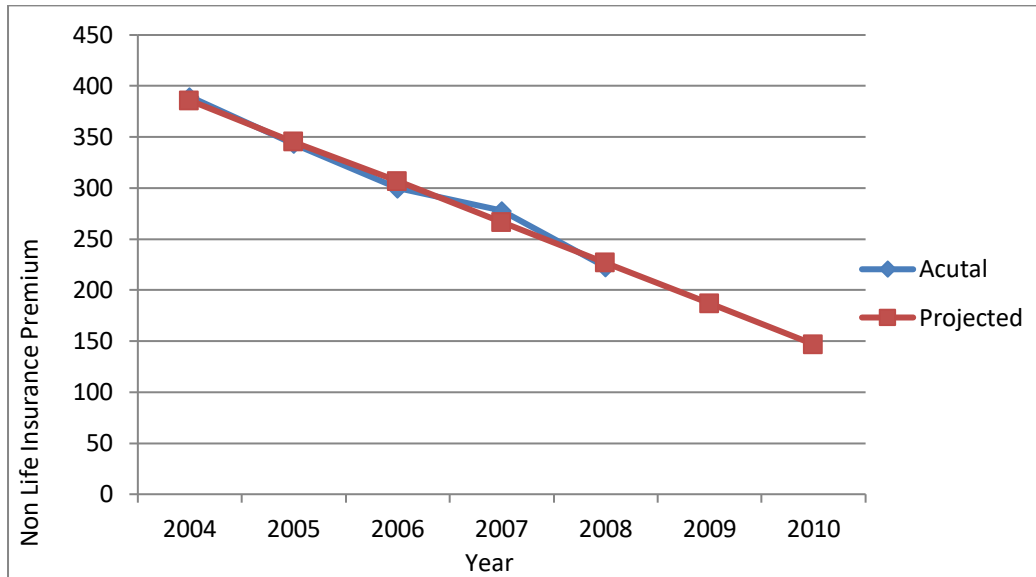Transforming the above value in the equation of Least Square Method y = a + bx, it is derived as Y = 854.95 - 9.97t

If the difference (Y- Y_c) is positive the actual value is more than the predicted one and if the difference (Y- Y_c) is negative, the predicted value is more and the actual value is less i.e. the firm could not attain the target in that particular year.

b) Trend Analysis of Total Non Life Insurance Premium Collection

Non life Insurance Premium Collection is another important factor to assess the financial position of RBS. In this part of the study, the non life insurance of the sample insurance company, RBS is analyzed by using Least Square Method (LSM), to get the trend values and to find out the deviation from actually realized Non Life Insurance Premium.

Trend Lines of Actual & Projected Non Life Insurance Premium

Transforming the above value in the equation of Least Square Method y = a + bx, it is derived as Y= 306.62 – 39.93t

If the difference (Y- Y_c) is positive the actual value is more than the predicted one and if the difference (Y- Y_c) is negative, the predicted value is more and the actual value is less i.e. the firm could not attain the target in that particular year.

Table: 4.23

Trend Analysis of Non Life Insurance by Least Square Method of RBS

Year (X)	Premium (Y)	t=X-2001	t^2	tY	Trend value (Y_c)	Y-Y_c
2004	389.59	-2	4	-779.18	385.85	3.74
2005	343.31	-1	1	-343.31	345.30	-1.99
2006	299.68	0	0	0	306.62	-6.94
2007	277.85	1	1	277.85	266.69	11.16
2008	222.65	2	4	445.3	226.76	-4.11
Total	1533.10	0	10	-399.34		

Y = 306.62 – 39

c) Trend Analysis of Net Income of RBS

Net Income is one of the important factors to assess the financial position of the insurance company. In this part of the study, the life insurance of the sample insurance company is analyzed by using Least Square Method (LSM), to get the trend values and to find out the deviation from actually realized Net Income.
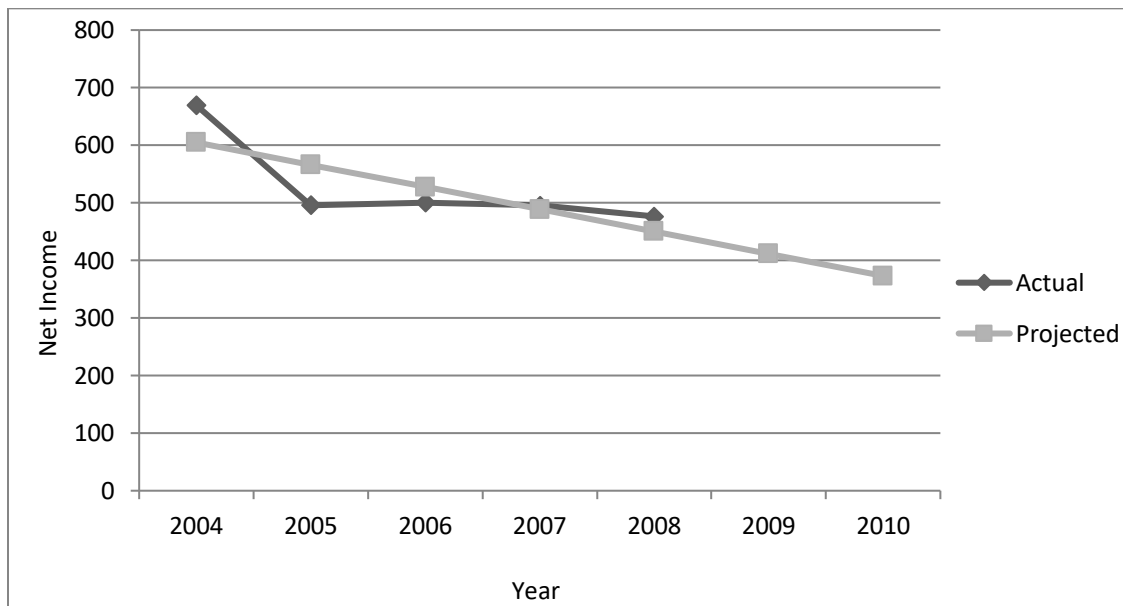
Table: 4.24

Trend Analysis of Net Income by Least Square Method of RBS

Year (X)	NI (Y)	t=X-2001	t^2	tY	Trend value (Y_c)	$Y-Y_c$
2004	669.19	-2	4	-1338.38	604.77	64.42
2005	496.11	-1	1	-496.11	566.16	-70.05
2006	500.55	0	0	0	527.55	-27
2007	495.50	1	1	495.5	488.94	6.56
2008	476.43	2	4	952.86	450.33	26.1
Total	2637.75	0	10	-386.13		

$$Y= 527.55 – 38.61t$$

Figure: 4.24

Trend Lines of Actual and Projected Net Income

Transforming the above value in the equation of Least Square Method $y = a + bx$, it is derived as $Y= 527.55 – 38.61t$

If the difference $(Y - Y_c)$ is positive the actual value is more than the predicted one and if the difference $(Y - Y_c)$ is negative, the predicted value is more and the actual value is less i.e. the firm could not attain the target in that particular year.

4.3 Finding of the Study

Insurance business plays the great role in the national economy. The growing numbers of insurance companies are competing with each other to attract policyholders with different types of insurance policies. In this regard Rastriya Beema Sansthan played vital role for socio economic development within the nation either by transferring risks or by collecting scattered resources. In this study an attempt is made to provide independent view of the premium collection and investment position of RBS. On the basis of study some findings and recommendation are identified. The position of premium collection and investment of RBS has been already analyzed by using various financial and statistical tools. Based on the analysis some of the major findings are as follows.

1. Premium Collection on First Life Premium to Total Life Premium Collection
From the analysis it is found that the company's ratio on first life premium to total life premium collection ratio are in fluctuating trend .The highest ratio of 7.92% in the fiscal year 2005 to 2008 and the least ratio of 4.49% in the fiscal year 2004. The average ratio was 7.23%. The CV is 18.46%. It shows that the ratios were little consistent and stable.

2. Premium Collection on Renewal life Premium to Total Life Premium
The analysis showed the ratio between renewal life premium and total life premium. The ratio varied from 92.08% to 95.51%. Highest ratio was in FY 2004 (95.51%) and the least was in the FY 2008 (92.08%).The calculated C.V. 1.48% showed the satisfactory result and reveal that the company was suffering only negligible risk.

3. Life Premium Collection to Total Premium Collection
From the analysis, it is clear that life premium to total premium collection of RBS was in increasing trend during the study period. The highest ratio was 79.39% in the fiscal year 2008 and least was 70.23% in the fiscal year 2004. Life premium collection covered

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73.78% on an average to total premium collection by the company. The calculated C.V. 4.62% showed that there is consistency in this ratio.

4. Fire Premium Collection to Total General Premium Collection

From the analysis it was found that ratios were varied from 9.79% to 13.67%.The average fire premium collection was 11.69%. The calculated C.V. is 115.42 % which show that there is less consistency in the ratio.

5. Marine Premium Collection to Total General Premium Collection

From the analysis, it was found that the ratio varied from 4.29% to 14.86%. Marine premium contributed only average of 9.34% to total general premium collection. The calculated C.V. is 36.03% which shows that there is high variability in its ratio.

6. Motor Premium Collection to total General Premium Collection

From the analysis, it was found that the ratio varied from 5.82% to 15.07%. On the average it contributes 10.11% on total general premium collection. The calculated C.V. is 40.49% which show that the ratio were quite scattered.

7. Engineering Premium Collection to total General Premium Collection

Ratios calculated were seemed fluctuated in every year during the sample period. The highest ratio was 0.42 % in the fiscal year 2004 and lowest was 0.04% in the fiscal year 2008. The average ratio was 0.21% and 72.85% C.V. showed that the ratios were highly inhomogeneous.

8. Miscellaneous Insurance Premium Collection to Total General Insurance Premium Collection

From the analysis it was found that the ratio varied from 4.05% to 21.42%.The average of 13.77% of total general premium is occupied by the miscellaneous insurance premium.48.17% of C.V. shows that the ratios were inconsistent.

9. General Premium to Total Premium Collection

The ratio varied from 20.61% to 29.77%. The average of 26.22% of total premium collection of the company is occupied by the general premium collection. The calculated C.V. is 12.8% which show that the ratio were stable up to some extent.

10. Investment on Government Saving Bonds to Total Life Investment

From the analysis, the ratios were in fluctuating trend. The highest contribution was 16.32 % and the lowest was 8.28 %.The average of 11.46 % portion of life investment went to government saving bonds but there was inconsistency on it.

11. Investment on Bank Fixed Deposits to Total Life Investment

From the analysis, it is clear that the major portion of life investment went to bank fixed deposits. It contributed 76.76 % in highest and 75.75% in lowest; with the average of 76.26 % of life investment went to bank fixed deposits. There was little consistency on it.

12. Investment on Government Saving Bond to Total General Investment

The analysis shows that the ratios are in fluctuating trend. In the initial year of study period it was 20.38% and it went down to 20.65% in the fiscal year 2008. The average of 20.21% went to government saving bond and standard deviation of 0.41% giving C V of 2.02% concluding the investment is consistent one.

13. Investment on Corporate Securities to Total General Investment

The analysis shows that the average investment in corporate securities is 0.10%. The calculated C.V. is 22.89% indicating little consistency in investment.

14. Life Claims paid to total life premium collection

From the analysis, it is clear that lower portion of total life premium collection went to compensation. The ratio was fluctuating each year. It ranged 54.31% to 75.21%, giving average value of 68.82%, standard deviation of 7.42% and the C V of 10.79%.With reference to C V it can be considered that the distribution is some how homogeneous.

15. General Claims Paid to Total Life Premium Collection

There was highly fluctuation of general claim paid to total general premium collection. The highest percentage was 28.97 % whereas the lowest was only 12.81%, average of 20.11%, standard deviation of 5.43% and C V of 26.99%.

16. Total Claim Paid to Total Premium Collection

From the analysis it is clear that the total claim paid by the company fluctuate year to year. The highest portion was 59.71% in the fiscal year 2008 and the lowest was 38.14% in the fiscal year 2004. The average of 50.95% of total premium collection went to claim paid by the company. The C.V. of 14.13% indicates the consistency in total claim paid to total premium collection ratio.

17. Return of Life Fund Investment in Government Saving Bond

The analysis revealed that there was fluctuating in the return on government saving bond. The highest return was 5.49% and the lowest was 4.99%. The average return was 5.24%. and C V 3.19% giving the idea of consistency.

18. Return from Corporate Securities

The analysis found that the highest return was 9.10% in the fiscal year 2006 and the lowest return was 5.20% in the fiscal year 2008. The average return was 5.85%. The calculated C.V. is 51.27% which shows that rates are highly fluctuated.

19. Return of Life Fund Investment in Policy Loan

The average return of policy loan was 4.59%. The return ranges from 4.04% to 6.09%, with standard deviation of 0.81% and 17.56% C.V. indicate consistency of its return.

20. Return of General Fund in Bank Fixed Deposits

The analysis found that the rates were in decreasing trend. The highest return was 6.43% in the fiscal year 2004 and the lowest was 5.76% in the fiscal year 2007. The average return was 6.09%. The calculated C V is 3.74% which shows that rates are consistent.

21. Trend Analysis

The analysis found that the trends of life insurance premium, non life insurance premium and net profit of RBS all show the negative growth rate. So that the estimated values of all the variables have negative sign. It may be due to unstable political situation and the old conventional managerial approach.

CHAPTER - V
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Nepal is a developing country. It is moving towards revolution and trying to initiate the modern technology in every field. After 1990's, financial intermediaries have been grown rapidly. Financial intermediaries consist of commercial banks, mutual funds, finance company, insurance company etc.

Among financial institutions and intermediaries, insurance company is also the major one. The development of the country is possible only when quality insurance services reach nooks and corners of the country. Insurance companies occupy quite important role in the framework of every economy because it provides certainty to industry, business and capital for the development of the country.

Rastriya Beema Sansthan RBS was incorporated in 2024 B.S (1967 AD) under Nepal Company Act 2021 BS and the Insurance Act 2025 BS of Nepal with prime objective to meet nations and nationals insurance requirements. It is operating successfully from the date of establishment to now.

There are nineteen insurance companies. Insurance business is very important for modern age. It gives financial security to individual and business enterprises. It is due to financial security given by insurance companies that make possible for world to come in this stage. Insurance is very important in the developing countries like Nepal. The average income per family is very low. Most of the families depend in a single person income. If the earner becomes ill, the family finds nothing to survive on. Life insurance may be good solution in such circumstance. Still, one can say that insurance is not getting enough popularity among people. The numbers of insurance policies undertaken are almost negligible. A deep, study is needed to find out why insurance business has been unable to attract enough public attention. Even though, 98% of life insurance markets remain untouched by life insurance companies.

Risk is the basis of insurance. It is meaningless to think life without risk. Risk is existed in every place and time. Only way to get protection from risk is insurance.

Premium collection and investment are the vital activities of insurance companies. Success and failure of any insurance company depend upon these activities. As the topic of the study, "A study on Investment Policy and Revenue Collection of RBS." deals with the problems regarding these important tasks of the company. The study is significant to the management of the company to take the right decision regarding the premium collection and investment. It also helps the management of the other insurance companies. Shareholders, investors, customers, competitors, personnel and other stakeholders can get necessary information.

5.2 Conclusion

This study was undertaken to find out the premium collection and investment position of RBS. The company's premium collection is in fluctuating position. Regarding the life insurance business, total premium collection was only of approximately Rs919.04million in fiscal year 2004 whereas it has been decreased to Rs857.70million in last year of the study period 2008. There are five life insurers in the country. They are competing with full power. RBS should also apply different strategy to compete in this market. In regard to premium collection amount it is in last position.

The average net rate of investment return of RBS is 5.38 % in regard to life insurance business. The return of NLIC, ALICO, and LIC Nepal are 5.62%, 1.8 % and 5.4% respectively. RBS has maintained satisfactory return on its investment.

The average net rate of investment return of RBS is only 6.33 % in regard to non life insurance business. The industry has 6.35 % returns. Since it is lower than of industry it should make more return and make analysis of past investment areas.

From the analysis of total life investment made by RBS, it is found that it preferred bank fixed deposits as the first priority followed by government saving bonds. Bank fixed

deposit contribute more than 70 % of investment. Its second priority was on the government saving bonds which was approximately 10 %. Other investment areas are corporate securities, finance fixed deposits, policy loans, staff loans and non government saving bonds.

5.3 Recommendations

All the study is analyzed reviewing the secondary data from annual reports, articles and reports from Beema Samitti. Financial and Statistical tools are applied to reveal the problems. The recommendation is provided on the basis of findings from the analysis.

First premium of life insurance hold significant important role in total life premium collection. It is regular amount that the policy holder should pay to the company till the expiry of time or his death. So if the company success to collect more life premium collection, it automatically increases the total life premium collection in the following years. So, the company should focus on it and make strategy to collect more first life premium collection.

There are five companies to undertake life insurance business. Among them Rastriya Beema Sansthan held majority portion of the life industry. It occupies about 12 % of the total business. ALICO occupy second position with 26%. Then NLIC, LIC Nepal and RBS occupies respectively third, fourth and fifth position with 32% and 15 % respectively. The analysis shows that the company is not in good position with regard to premium collection. So the company should make strategy to collect more premiums and increase its share in life insurance industry.

There are five life insurance and fifteen general insurance companies. The insurance market of Nepal is very small. So, all companies are capturing others' market without trying to create new market. They are functioning traditionally. So RBS should issue new policies. It can help increasing premium collection and its share in general insurance industry.

Every insurance company should invest 75 % of its investible fund towards compulsory sectors set by Insurance Board of Nepal; rest 25 % can be diversified. So, after maintaining this rule RBS can diversify its life fund in others sectors like finance company fixed deposits, corporate securities, hydro power projects, real estate and housing etc. The least portion of total life investment goes to policy loans. It is also one kind of secured loan because original life policy is pledge to get policy loan and the loan is given only limit of 90% of surrender value. Company earns about 11% interest rate which is more than investing in other sectors.

Settlement of claims should be made in time. Delay in the settlement of claims may affect the business potentiality. Further, attention has to be adequately provided towards the faithfulness of the insured in connection with the claims arising due to the specified events. The company should increase the efficiency of employees. Various programs should be held to develop the skills of the employees so that it finally results in the overall development of the company.

The company should establish separate research and development department. This department looks the present and potential business opportunities in the market. The company should appoint more agents to increase its business. The insurance business is more competitive than the past years. It should learn from the competitors. In life insurance industry, it has lost its position. The newly established companies have overcome its premium collection amount. So it is highly recommended that the company should appoint more capable agents and announce new schemes to increase the efficiency of the agents.

The company is suggested to expand insurance activities in rural areas by the establishment of branches or by the appointment of agents according to its potentiality. Advertisement is necessary to increase business. In this competitive market it plays vital role. So it is highly recommended to create effective advertisement to increase its business.

ANNEXURE

ANNEX - I

Rastriya Beema Sansthan (National Insurance Cooperation)

(Rs. In Million)

Year	I Prem	Renewal Prem	Total Life Ins Prem	Reinsurance Prem	Net Life Ins Prem
			Life Insurance Premium Collection		
2061	41.23	877.81	919.04	18.38	900.66
2062	64.61	751.62	816.23	16.33	799.90
2063	65.90	766.65	832.55	16.65	815.90
2064	67.22	781.98	849.21	16.98	832.22
2065	67.90	789.80	857.70	17.15	840.54
Average	**61.37**	**793.57**	**854.95**	**17.10**	**837.85**
S Dev	**11.33**	**49.32**	**39.21**	**0.78**	**38.42**
C V	**18.46**	**6.21**	**4.59**	**4.59**	**4.59**

Annex – II

Rastriya Beema Sansthan (National Insurance Cooperation)

Non Life Insurance Premium Collection

(Rs. In Million)

Fire	Reinsurance	Net	Marine	Reinsurance	Net	Engineering	Reinsurance	Net	Aviation	Reinsurance
38.15	23.27	14.88	16.70	9.35	7.35	1.64	0.90	0.74	262.22	256.97
37.29	22.75	14.54	31.76	17.79	13.98	1.10	0.60	0.49	208.06	203.90
40.96	24.98	15.97	28.78	16.12	12.67	0.13	0.07	0.06	145.87	142.95
31.17	19.02	12.16	24.10	13.50	10.61	0.61	0.34	0.28	145.21	142.31
28.81	17.57	11.23	33.09	18.53	14.56	0.08	0.05	0.04	101.42	99.39
35.27	**21.52**	**13.76**	**26.89**	**15.06**	**11.83**	**0.71**	**0.39**	**0.32**	**172.55**	**169.10**

| 5.08 | 3.10 | 1.98 | 6.66 | 3.73 | 2.93 | 0.66 | 0.36 | 0.30 | 62.89 | 61.63 |
| 14.40 | 14.40 | 14.41 | 24.77 | 24.77 | 24.77 | 93.27 | 93.29 | 93.24 | 36.45 | 36.45 |

Investments

Year	Govt. Securities	Corporate Securities	Fixed Deposits	Insurance Policy Loans	Total Investments	Cash & Bank Balance	Net Income	Total Premium
2061	1480.67	7.30	5545.53	230.04	7263.55	832.59	669.19	1308.64
2062	1554.71	7.30	5822.81	241.55	7626.36	874.22	496.11	1159.54
2063	1610.80	7.45	6139.27	291.38	8048.89	917.93	500.55	1132.24
2064	1659.97	12.56	6502.12	295.75	8470.38	963.82	495.50	1127.06
2065	1718.16	12.81	6288.16	301.66	8320.79	1012.01	476.43	1080.35

Aver age	1604.86	9.48	6059.58	272.07	7946.00	920.11	527.55	1161.56
S Dev	91.99	2.92	379.06	33.57	498.48	70.94	79.72	87.01
C V	5.73	30.83	6.26	12.34	6.27	7.71	15.11	7.49

Interest and Other Income Earned

(Rs. In Million)

Year	Govt. Securities	Corporate Securities	Fixed Deposits	Insurance Policy Loans	Other Inc	Total Interest & other inc	Claims Payment Claims Paid
2061	81.25	0.06	356.45	14.01	6.63	458.40	499.14
2062	82.88	0.64	363.58	11.59	6.89	465.57	576.27
2063	84.53	0.68	370.85	11.82	6.99	474.87	593.56
2064	85.38	0.66	374.56	11.94	7.06	479.60	617.30
2065	85.81	0.67	376.43	12.00	7.09	481.99	645.08
Average	**83.97**	**0.54**	**368.37**	**12.27**	**6.93**	**472.09**	**586.27**
S	**1.89**	**0.27**	**8.28**	**0.98**	**0.19**	**9.90**	**55.15**

Dev							
C V	2.25	49.46	2.25	8.00	2.67	2.10	9.41

Least Square Method   Life Insurance Premium

Year (x)	Actual Life Ins Premium(Y)	x=(X-2007)	x2	x*y	Projected PremiumYc	y-yc
2004	919.04	-3	9	-2757.13	1078.25	-159.21
2005	816.23	-2	4	-1632.46	922.38	-106.15
2006	832.55	-1	1	-832.554	766.50	66.05
2007	849.21	0	0	0	610.63	238.57
2008	857.70	1	1	857.698	454.76	402.94
2009		2	4	0	298.93	-298.93
2010		3	9	0	143.06	-143.06
Total	4274.729	0	28	-4364.44		
Average	854.9458			-155.873		

Yc = 610.68 - 155.87x

Least Square Method   Non Life Insurance Premium

Year (x)	Non Life Ins Premium (Y)	x=(X-2003)	x2	x*y	Projected Ins PremiumYc	y-yc
2004	389.592	-3	9	-1168.78	426.07	-36.481
2005	343.307	-2	4	-686.614	357.06	-13.751
2006	299.684	-1	1	-299.684	288.04	11.64102
2007	277.851	0	0	0	219.03	58.82303
2008	222.6537	1	1	222.6537	149.99	72.6607
2009		2	4	0	80.97	
2010		3	9	0	11.95	
Total	1533.0877	0	28	-1932.42		
Average	306.61754			-69.015		

Yc = 219.013 - 69.02x

Least Square Method   Net Income

Year (x)	Net Income (y)	x=(X-2003)	x2	x*y	Projected Net Income (Yc)	y-yc
2004	669.187	-3	9	-2007.56	700.81	-31.621
2005	496.108	-2	4	-992.216	592.81	-96.7036
2006	500.549	-1	1	-500.549	484.82	15.73379

2007	495.502	0	0	0	376.82	118.6832
2008	476.427	1	1	476.427	268.82	207.6046
2009		2	4	0	160.83	
2010		3	9	0	52.83	
Total	2637.773	0	28	-3023.9		
Average	527.5546			-107.996		

$Yc = 376.82 - 107.996x$

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