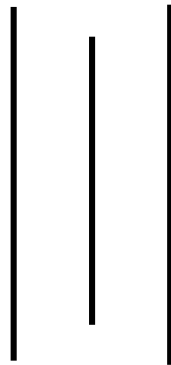


**A STUDY ON PREMIUM COLLECTION, INVESTMENT  
POSITION AND RETURNS OF NEPAL LIFE  
INSURANCE CO. LTD. (NLIC)**

**By  
VIJAYA SUBEDI  
Shanker Dev Campus  
Campus Roll No.: 707/063  
T.U. Regd. No.: 7-1-264-183-97**

**A Thesis Submitted to:  
Office of the Dean  
Faculty of Management  
Tribhuvan University**



*In partial fulfillment of the requirement for the degree of  
Master of Business Studies (MBS)*

**Kathmandu, Nepal  
November 2010**

## **RECOMMENDATION**

This is to certify that the thesis

Submitted by:

**VIJAYA SUBEDI**

**Entitled:**

**A STUDY ON PREMIUM COLLECTION, INVESTMENT  
POSITION AND RETURNS OF NEPAL LIFE  
INSURANCE CO. LTD. (NLIC)**

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

---

**Prof. Snehalata Kafle**  
(Thesis Supervisor)

---

**Prof. Bishweshor Man Shrestha**  
(Head, Research Department)

---

**Krishna Prasad Acharya**  
(Acting Campus Chief)

## **VIVA-VOCE SHEET**

We have conducted the viva –voce of the thesis presented

By

**VIJAYA SUBEDI**

Entitled:

**A STUDY ON PREMIUM COLLECTION, INVESTMENT  
POSITION AND RETURNS OF NEPAL LIFE  
INSURANCE CO. LTD. (NLIC)**

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

**Master of Business Studies (MBS)**

### **Viva-Voce Committee**

Head, Research Department .....

Member (Thesis Supervisor) .....

Member (External Expert) .....

## **DECLARATION**

I hereby declare that the work reported in this thesis entitled “**A Study on Premium Collection, Investment Position and Returns of Nepal Life Insurance Co. Ltd. (NLIC)**” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the degree of Master of Business Studies (MBS) under the supervision of **Prof. Snehalata Kafle** of Shanker Dev Campus, T.U.

.....

**Vijaya Subedi**

**Shanker Dev Campus**

**Campus Roll No.: 707/063**

**T.U. Regd. No.: 7-1-264-183-97**

## AKNOWLEDGEMENT

This research study is conducted on the topic “*A Study on Premium Collection, Investment Position and Returns of Nepal Life Insurance Co. Ltd. (NLIC)*” as a partial fulfillment of the requirement of the degree of Master of Business Studies (MBS) from Tribhuvan University. The main contribution of the study lies in explaining and exploring the facts prevailing in the present situation at premium collection, investment position and returns relation to NLIC Co. Ltd. In addition, this study will enhance the existing investor’s knowledge and gives framework for the new investors. Furthermore, it helps the insurer, insured, investors and stakeholders, mainly, the investors who are interested in insurance market.

For the valuable guidance throughout the study period, firstly, I express my gratitude towards my respected supervisor **Prof. Snehalata Kafle** of the Shanker Dev Campus. This study couldn’t be possible in time without her profound suggestions and motivation. I also thank Mr. Kadar Karki and all staffs of NLIC for their kind cooperation in providing the necessary data and information. I am also grateful to the staffs of libraries of Shanker Dev Campus and Tribhuvan University library for their cooperation in providing required materials and information’s.

Finally, debt of gratitude is to my parents, friends and colleagues for their outstanding encouragement to conduct this study.

**Vijaya Subedi**

# TABLE OF CONTENTS

Recommendation	
Viva Voce Sheet	
Declaration	
Acknowledgement	
Table of Contents	
List of Tables	
List of Figures	
Abbreviations	
	<b>Page No.</b>
<b>CHAPTER – I</b>	<b>INTRODUCTION</b>
1.1 Background of the Study	1
1.2 Focus of the Study	2
1.3 Statement of the Problem	6
1.4 Objective of the Study	7
1.5 Significance of the Study	8
1.6 Limitations of the Study	9
1.7 Organization of the Study	9
<b>CHAPTE – II</b>	<b>REVIEW OF LITERATURE</b>
2.1 Meaning of Insurance	11
2.1.1 Evolution of Insurance	12
2.1.2 Types of Insurance	13
2.1.3 Importance of Insurance	16
2.1.4 Nepalese Context	19
2.1.5 Types of Insurance Company Ltd.	22
2.1.6 Legislation Relating to Insurance in Nepal	25
2.1.7 Premium Collection	32
2.1.8 Investment	35
2.1.9 The Principles of Investment Policy	39

2.1.10 Investment Sector of Life Insurance Companies	41
2.1.11 Life Insurance and Investment Policy	44
2.2 Review of Related Studies	44
2.2.1 Review of Books & Journals	44
2.3 Research Gap	49

### **CHAPTER – III RESEARCH METHODOLOGY**

3.1 Research Design	50
3.2 Population and Sampling	50
3.3 Types and Sources of Data	51
3.4 Analysis of Data	51
3.5 Tools and Techniques Used	52
3.5.1 Financial Analysis Tools	52
3.5.2 Statistical Analysis Tools	54

### **CHAPTER – IV DATA PRESENTATION AND ANALYSIS**

4.1 Evaluation of Premium Collection and Composition	56
4.1.1 Premium Collection in Insurance of NLIC	57
4.1.2 Premium Collection on First Premium to Total Premium Collection	59
4.1.3 Renewal Premium to Total Premium Collection	60
4.1.4 Growth Rate of Premium Collection of NLIC	61
4.2 Evaluation of Investment Pattern and Comparisons	62
4.2.1 Investment on Government Saving Bond to Total Investment	64
4.2.2 Investment on Bank Fixed Deposits to Total Investment	65
4.2.3 Investment on Share to Total Investment	66
4.2.4 Investment of Debenture to Total Investment	67
4.2.5 Investment on Policy Loans to Total Investment	68
4.2.6 Investment in Other Sectors to Total Investment	69
4.2.7 Investment of Life Insurance Fund by NLIC	70
4.3 Evaluation of Returns and Composition	72

4.3.1 Return on Investment	72
4.3.2 Return on Government Securities	73
4.3.3 Return on Bank Fixed Deposits	74
4.3.4 Return on Equity Share	75
4.3.5 Return on Debenture	76
4.3.6 Return on Policy Loans	77
<b>4.3.7 Return on Others</b>	<b>78</b>
4.3.8 Interest Earned to Total Investment	79
4.3.9 Profit Earned to Total Premium Collection	80
4.3.10 Profit Earned to Total Investment	81
4.4 Claim Paid	82
4.4.1 Claim Paid to Premium Collection	83
4.5 Statistical Analysis	84
4.5.1 Correlation between Premium Collection and Investment of NLIC	85
4.5.2 Correlation between Investment and Returns of NLIC	86
4.5.3 Correlation between Premium Collection and Claims Paid of NLIC	88
4.6 Major Findings of the Study	89

## **CHAPTER – V      SUMMARY, CONCLUSION AND RECOMMENDATIONS**

5.1 Summary	94
5.2 Conclusion	96
5.3 Recommendation	97

### **Bibliography**

### **Appendices**



## LIST OF TABLES

<b>Table No.</b>	<b>Title</b>	<b>Page No.</b>
2.1	Name of Life Insurance Company Ltd. in Nepal	21
2.2	Name of Non Life Insurance Company Ltd. in Nepal	21
4.1	Premium Collection of NLIC	57
4.2	Premium Collection on First to Total Premium Collection	59
4.3	Renewal Premium Collection to Total Life Premium Collection	60
4.4	Growth Rate of Total Premium Collection	62
4.5	Investment on Government Saving Bond to Total Investment	64
4.6	Investment on Bank Fixed Deposits to Total Investment	65
4.7	Investment on Share to Total Investment	66
4.8	Investment on Debenture to Total Investment	67
4.9	Investment on Policy Loans to Total Life Investment	68
4.10	Investment on Others Sectors to Total Investment	69
4.11	Investment on Life Fund by NLIC	71
4.12	Return on Government Securities	73
4.13	Return on Bank Fixed Deposit	74
4.14	Return on Equity Share	75
4.15	Return on Debenture	76
4.16	Return on Policy Loans	77
4.17	Return on Others	78
4.18	Interest Earned to Total Investment	79
4.19	Profit Earned to Total Premium Collection	80
4.20	Profit Earned to Total Investment	82
4.21	Claim Paid to Premium Collection	83
4.22	Correlation of Premium Collection and Investment of NLIC	86
4.23	Correlation of Investment and Returns of NLIC	87
4.24	Correlation of Premium Collection and Claims Paid of NLIC	88

## LIST OF FIGURES

<b>Figure No.</b>	<b>Title</b>	<b>Page No.</b>
4.1	Premium Collection of NLIC	58
4.2	Premium Collection on First Premium to Total Premium Collection	59
4.3	Renewal Premium Collection to Total Life Premium Collection	61
4.4	Investment on Government Saving Bond to Total Investment	64
4.5	Investment on Bank Fixed Deposits to Total Investment	65
4.6	Investment on Share to Total Investment	66
4.7	Investment on Debenture to Total Investment	67
4.8	Investment on Policy Loans to Total Life Investment	68
4.9	Investment on Others Sectors to Total Investment	69
4.10	Return on Government Securities	74
4.11	Return on Bank Fixed Deposit	75
4.12	Return on Equity Share	76
4.13	Return on Debenture	77
4.14	Return on Policy Loans	78
4.15	Return on Others	79
4.16	Interest Earned to Total Investment	80
4.17	Profit Earned to Total Premium Collection	81
4.18	Profit Earned to Total Investment	82
4.19	Claim Paid to Premium Collection	84

## **ABBREVIATIONS**

A.D.	:	Anno Domini
B.F.D	:	Bank Fixed Deposit
B.S.	:	Bikram Sambat
C.V.	:	Coefficient of Variation
Cor. Sec.	:	Corporate Securities
F.F.D	:	Finance Fixed Deposit
F.Y	:	Fiscal Year
G.S.B.	:	Government Securities Board
Govt.	:	Government
i.e.	:	That is
M.B.S.	:	Master of Business Studies
Misc.	:	Miscellaneous
MOF	:	Ministry of Finance
N.G.	:	Nepal Government
NIC	:	Nepal Insurance Company Ltd.
NLGI	:	National Life and General Insurance Company Ltd.
NLIC	:	Nepal Life Insurance Company Ltd.
R.B.S	:	Rastriya Beema Sansthan
S.D.	:	Standard Deviation