CHAPTER-I

Introduction

1.1 Background of the study

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

Among such financial institutions and intermediaries, insurance companies are also the major ones. Integrated and speedy development of the country is possible only when a competitive insurance service reaches nooks and corners of the country. Insurance company occupy quite and important place in the frame work of every economy because it provides certainty to the industry, business and capital for the development of the industry, trade and business investing the fund collected as premium. Insurance companies are capable of providing industrial finance, government finance or even personal finance. They provide different finance through their own investment policy pattern based upon their own corporate objectives and nature of the line of insurance business. Insurance contributes to society by favorably affecting the apportionment of the factors of production, engaging in loss prevention activities, identifying losses serving as a basis of the credit structures, eliminating worry and providing a channel for investible fund.

According to J. H. Magee, "Insurance has been defined as a plan by which large members of people associates themselves and transfer to the shareholders of all risks that attach to individuals." Robbert I. Mehr and Enerson Cammack outline the insurance as, "Insurance policies are written by business organizations called 'insurer'. In order to function properly, these insurers must have large number policyholders who are obtained either by directly representatives or through agents". He again stated ' insurance is a technical business involving the skills of statistician, financial analysts. Engineers, Physicians, Economists, Layers and others. Contracts must have been carefully drafted, underwriting restrictions must be determined, rates must be established equitable by analysis all the factors including the public interest.

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

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

1.2 Focus of the study

Collection of fund is the major function of financial institutions. Insurance companies are one of such financial institutions, which collect their fund from premium. Premium means a certain charged amount, which paid by the insured to the insurer for bearing risk

and uncertainty. There are two types of premium:- Gross premium and net premium. These two premiums further subdivided into two parts. They are single premium level premium usually the insurance companies follow only one types of premium. With accordance to their nature of corporate objectives.

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

Investment is one of the major parts of all financial institutions. All financial companies invest their excess fund to the desirable sector with profit motive. Investment means to outflow of the fund at adjustable return. For investing, investment pattern is the formulation of the investment strategy based upon the organizational and financial character of the particulars firm itself. Investment policy will be the preliminary decision of selecting the proper investment sector based upon single or joint consideration of safety, liquidity, marketability, profitability, and stability or else. Usually, such investment pattern aims at arriving to the optimized or agreed mix of risk return from the investment. Investment fund for the insurance companies are the excess amount after claims paid and managerial expenses.
i.e., Investment fund = Premium Collection – (Claim Paid + Managerial Expenses)
The investment fund should be used in such sector that they could maximum return. But insurance company's investment portfolios are regulating by the Insurance Board of Nepal. Under the rules and regulation, every insurance company must invest their 75% investible fund declared as compulsory sectors and rest 25% in other sectors.

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

1.3 Company Profile

Due to higher interest and believe of people towards, numbers of insurance companies also rises up. Now, companies are working in Nepali market having different nature and ownership. The market structures of Nepali insurance companies are listed below:

Table No. 1

Market structure of Nepali insurance companies

Ownership	Nature of the company			Total
	General	Life	Composite	
Government Owned	-	-	1	1
Private Sector	12	3		15
Foreign	2	2		4
Joint Venture	2	3		5
Total	16	8	1	25

Source: Annual report 2010, Insurance Board

Since the establishment of first insurance company, Nepal Insurance Company Ltd. in 1947, a number of insurance companies are established and operate. After the introduction of insurance Act 1992, the number of private insurance companies came into existence. Insurance companies working now are listed below:

Table No. 2

List of Insurance Companies

S.N.	Name of Insurance Company	Insurance Types	Established AT
1.	Nepal Insurance Company Ltd.	General	1947/9/25
2.	The Oriental Insurance Co. Ltd.	General	1967/9/15
3.	Rastriya Beema Sansthan	Life and General	1968/12/15
4.	National Insurance Co. Ltd.	General	1974/1/1
5.	National Life Insurance Co. Ltd	Life	1998/1/7
6.	Himalayan General Ins. Co. ltd	General	1993/7/21
7.	United Insurance Co. (Nepal) Ltd.	General	1993/10/22
8.	Premier Insurance Co.(Nepal) Ltd	General	1994/4/21
9.	Everest Insurance Company Ltd.	General	1994/5/31
10.	Neco Insurance Company Ltd.	General	1996/5/30
11.	Sagarmatha Insurance co. Ltd.	General	1996/6/26
12.	Alliance Insurance Co. ltd.	General	1996/7/19
13.	N.B. Insurance company Ltd.	General	2001/1/23

14.	Nepal Life Insurance Co. Ltd.	Life	2001/4/7
15.	American Life Insurance Co.	Life	2001/8/2
16.	Life Insurance Company ltd.	Life	2001/8/7
17.	Prudential Insurance Co. Ltd.	General	2002/5/3
18.	Shikhar Insurance Company Ltd.	General	2004/10/18
19.	Lumbeni General Insurance Co. Ltd.	General	2005/7/15
20.	N.L.G. Insurance Co. Ltd.	General	2005/10/9
21.	Siddhartha Insurance Co. Ltd.	General	2006/4/6
22.	Prime Life Insurance Co. Ltd.	life	2007/6/1
23.	Surya Life Insurance Co. Ltd.	Life	2008/3/19
24.	Gurans Life Insurance Co. Ltd.	Life	2008/3/31
25.	Asian Life Insurance Co. Ltd.	Life	2008/4/3

Source: Insurance News and Views, 2010

Out of 25, nine insurance companies are life insurance companies which are Rastray Beema Santhan, National Life Insurance Company limited, Nepal Life Insurance Co. Ltd, Life Insurance Corporation Nepal Ltd, American Life insurance Company, Asian Life Insurance Company, prime Life Insurance Company, Surya Life Insurance Company and Gurans Life Insurance Company. All other are general insurance companies. In this study, five general insurance companies having similar policy heads and established at almost same date are taken as sample in which primary and secondary data will be analyzed for the purpose of conclude the result accordance to the objectives. The short profiles of these insurance companies as a sample are given below.

Premier Insurance Company (Nepal) Ltd.

Incorporated on 12th May 1994, Premier Insurance Company (Nepal) Ltd. has emerged as a renowned general insurance company. Presently it has three branches in main cities of the country. New offices in other parts of the country are scheduled to be opened soon. Up to the end of fiscal year, 2065/66 it has authorized capital of 200 million in which 100 million was issued and 30 million was paid up.

Premier insurance is try to offer quality service on all aspects of insurance risk management and claims payment. It covers Fire insurance, Loss of profit insurance, Comprehensive household insurance, Marine insurance, Motor insurance, Burglary/Housebreaking insurance, Cash in transit insurance, Personal guarantee

insurance, Overseas medical insurance, Engineering insurance, Aviation insurance, Public liability insurance etc.

Everest Insurance Co. Ltd.

It was established in 1994 as a public limited company. Presently it has eight branches in various cities of country. Up to the end of fiscal year, 2065/66 it has authorized capital of 150 million and the issued capital was 90 million which was fully paid up.

Regarding the insurance business it is also involved in to non life insurance only, which includes Fire & allied perils insurance, Vehicle comprehensive insurance, Aviation insurance, Marine transit insurance, Duty insurance, Banker's blanket insurance, Cash in transit insurance, Burglary and house breaking insurance etc.

Sagarmatha Insurance Company Limited

It is a native insurer operating in the field of non-life insurance business. It was organized as on the year 2051 but started its operation in year 2053. It is joint ventured with Calico Company Limited of Srilanka. Presently, it has six branches up to the end of the fiscal year 2065/66. Its authorized capital is 200 million in which 102 million was issued and 56.1 million was paid up.

Regarding the insurance business, it is involved in to non-life insurance only, which includes Fire insurance, Marine insurance, Personal accident insurance, Cash in transit insurance, Hospital and surgical insurance, Aviation insurance, Motor insurance, Engineering insurance, Workmen's compensation insurance, Fidelity guarantee insurance, Public liability insurance, Combined fire and theft insurance etc.

Neco Insurance Company Limited

It is also a major insurer operating in Nepalese insurance industry. It was established under the company act on the 1st of Poush, 2051(16th December 1995) and was authorized by Beema samiti to commence business W.E.F. 17/2/2053 (30th May, 1996) with authorized capital of 200 million and the issued capital 100 million of which 50 million was fully paid up to fiscal year 2065/66. Presently, it has seven branches and contact offices.

Regarding the insurance, it is involved in to non- life insurance business, which includes Engineering insurance, Personal and group accident insurance, Fire insurance, Motor insurance, Aviation insurance, Burglary and household insurance, Cash insurance, Marine insurance, Travel medical and Hospitalization insurance, Contractor's all risk insurance, Mountaineering and trekking insurance etc.

Alliance Insurance Company Limited

It is also an insurer operating within the Nepalese insurance industry. It was organized as on the year 2052 but started its operation one year later 2053. Presently, it has ten branches. Up to the end of fiscal year 2065/66 it has authorized capital was 150 million and the issued capital was 50 million of which 49.96550 million was fully paid up.

Regarding the insurance business it is also involved in to non-life insurance only, which includes Fire insurance, Motor insurance, Aviation insurance, Marine insurance, Engineering insurance, Personal accident insurance, Cash in transit insurance, Burglary and house breaking insurance, Employ groups insurance, Goods in transit insurance, and Comprehensive shopkeeper insurance etc.

1.4 Statement of Problems

Nepalese insurance companies are the successful enterprises of Nepal, which are still running the insurance business with out suffering any losses from the date of establishment until now. So not only national insurance companies, nowadays, more international insurance companies are also opened in our country to transact to insurance business. Many investors and business person involved in insurance business, so there are 23 insurance companies established and operate their service and activities. Most of the companies are earning profit each year. However, it is not significant and satisfactory against the volume of transaction if we give an overlook in the balance sheet and the profit and loss account. The volumes of transaction are increasing tremendously year by year but the growth of net earning is not in the same ratio. It is because of private waiting under raining and cut-throat competition in the market. All the insurance companies of Nepal are less because of the following reasons.

1. Lack of attractive collection schemes by providing discounts, and incentives to the policyholder for encourage paying premium in time.
2. Negligence of agents, brokers and development officer for not helping to the company for premium collection despite receiving the insurance commission in huge amount.
3. Negligence in evaluation of investment sector before investing fund.
4. Time-consuming procedures in accepting, issuing dispatching policy.
5. Practice of only traditional insurance policies and schemes.

Another big problem of such institutions is to be mobilizing collected fund in suitable sector. Nepal is an underdeveloped country and most of people live in village and they are literate. Like this, the geographical situation is not favor for the expansion of

insurance business. Poverty is also main problem, the last reason is most of Nepalese people do not faith on insurance, and companies are not taking interest to solve these kinds of problems.

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

1.5 Objectives of the study

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

1. To find out the trend of premium collection and compare investment pattern correlated with ratio analysis, EPS and MPS of insurance companies in Nepal.
2. To identify and analyze the role and growth of insurance company in the Nepalese economy on the reference of premium collection and investment pattern.
3. To identify major problems facing by the insurance company related to the premium collection and investment aspect.
4. To suggest and recommended probable corrective measure for the improvement based on findings of the study.

1.6 Significance of the study

Insurance is one of the most flourishing services even in the developing country like Nepal. There are 25 insurance companies existing in Nepal. Among which 16 are general insurance, 8 are life insurance and 1 underwrites composite business. The experts said that the life insurance companies could easily collected more than one thousand without suffering any difficulties that is why foreign life companies has also opened their branches in Nepal. As insurance companies are focusing only in urban and main city of the country, they are capturing each other's market. They do not try to issue new policy and create potential market. They are satisfied with the existing position and do not get suitable and steady sectors to visit their fund for more return. Now, they are investing their fund in traditional sectors only. So a new study is required on the topic of premium collection and investment.

The study is needed to frame out the premium collection and investment position of Nepalese insurance industry. Insurance companies need soundly mobilized its collected fund. Thus, it would be better to evaluate the condition of Nepalese insurance companies. It is also needed to disclose the utility of insurance in Nepalese prospects. The study

focuses the insurance market and probability of future expansion in Nepal and is concerned to trace the weak area to suggest fund, policy of insurance and scenario of premium collection and investment too. It is the study on collected premium under various policies and suggests what the weaknesses are and how to improve them. The study is important itself because it is the researcher's study of the heart of insurance system.

Now a day, insurance is overcoming commonly as almost business but the concept of insurance is not old in Nepal. Liberal economic policy breaks the monopoly system and brings competition in insurance business; private insurance companies have been started competitive and aggressive competition in this business. Because of such type of competition, management has to make efficient; on the other hand, premium rate has been reduced. Reduction in rate brings the strong possibility of reduction in profit volume, but at the same time it can make people motivate in insurance company and can know about the current situation of insurances companies in Nepal. It also helps the researcher to research in new way and field of collecting premium and investment of fund, and series of the studies on other insurance companies in Nepal.

1.7 Limitations of the study

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

1. The whole study will deal with some selected insurance company's premium collection and investment pattern.
2. This study will be concentrated in premium collected from sample companies and the data will be collected from insurance board (Beema Samiti), Nepal stock exchange, respective insurance companies and website as www.bsib.org.np, www.nepalstock.com.np and other sources. Research based on secondary data is not far from the limitation to inherent character.
3. The study will concern at least five years period's data and conclusion drawn confines only to the limit duration.
4. Time and resources constraints can be another factor that limited the scope of the study.

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

1.8 Organization of the study

This study has been organized into five chapters, which are as follows:

1. Introduction
2. Review of Literature
3. Research Methodology
4. Presentation and analysis of data
5. Summary, Conclusion and recommendation

First chapter contained introduction of the study. It is all about the background of the study, focus of the study, statement of the problems, objectives of the study, significance of the study, research hypothesis and limitations of the study.

Second chapter deals with the review of literature. A literature review is an essential parts of all studies. It is a way discovers what other researchers have covered and left in the area. It contains conceptual review of the study and review of related studies. Conceptual review covers theoretical review of terms and items used in thesis writing and review of related studies is all about the studies made before related to this topic.

Third chapter deals with data presentation, tabulation and analysis of the study. In this chapter the study are presented and these data are analyzed. Based on these analyses data, major finding of the study are confined.

Fifth chapter contained summary, conclusion and recommendation of the study. In this chapter, the summary of the thesis after data interpretation and analysis is presented. Also from the summary conclusion of the thesis and recommendation for improvement or growth are presented.

CHAPTER –II

Review of Literature

2.1 Introduction:

It is one of the important chapters of the research. Review of literature not only provides solid information on the topic but also guides along the future stream of action. The main purpose of doing research is reviewing and gaining new knowledge and the reviewing. The literature of the related documents helps the researcher to reach near his purpose.

Reviewing means thinking again. Studying the documents published or unpublished related to the field of research is review. But only reading of such materials is not the completion of the review of literature. It must be written and submitted in the research proposal. It fulfills gap of knowledge relating to the subject matter up the present time.

The review of literature is a continuous task throughout the function of the thesis. It begins with the search for a contribution to knowledge, a careful check should be made that this purposed study has not previously been carried out. Although completely new and original problem are rare, a previous study should not be exactly replicated unless the techniques used had been faulty or the findings and conclusions are doubtful or unless same new sources of information had been discovered to shed new light on the problem.

Thus, a literature review is the process of locating, obtaining, reading and evaluating the research literature in the area of the student's interest. The purpose of literature review is to find out what research studies have been conducted in one's chosen field of study and remains to do. The primary purpose of literature review is to learn not to accumulate. It enables the researcher to know:

- What research has been done in the subject?
- What others have been done in the study?
- What theories have been advanced?
- The approach taken by other researchers.
- Area of agreement or disagreement
- Whether there are gaps that can fill through the proposed research?

2.2 REVIEW OF BOOKS

Conceptual Framework

It covers the theoretical review of terms and items used in thesis writing. The main source of this part is from review of books, booklets, annual reports etc. The following studies have been undertaken on conceptual framework:

2.2.1 Meaning of Insurance

Robert I. Mehr outline about the insurance through his books as, "Insurance is useful device for solving complex social problems. Compensating victims of industrial accidents is handled by compulsory workers, compensation insurance; and indemnifying innocent automobile accidents victims is handled to some extent by financial responsibility laws with most people comply by furnishing evidence of ownership of automobile liability insurance. Some insurance is used to help, solve the financial problems of unemployment; old age, disability, death and medical care for the aged" (Mehr, 1986: 8) Insurance is affected with the public interest and is consequently subject to government regulation, mostly by the states.

"Insurance, in its pure insurance function may be likened to the springs of vehicle. It absorbs the shock and distributes it over all risks insured in the same class. It permits a free functioning of credit and industry generally but does not eliminate loss. The retarding effects of loss are still present. The burden of loss is still in society" (Mowhary and Blanchard, 1995: 4).

David L, Bickelhaupt has stated about the general legal requirement of insurance as, the rights and obligation of the parties to an insurance agreement are determined largely by reference to the general laws, which govern contracts. The agreement by which insurance is effected is contract in which the insurer in consideration of the payment of a specified sum by the insured agrees to make good the losses suffered through the happening of the designated unfavorable contingency. The insurance contract need not be in writing, but as a matter of business practice, such agreements are ordinarily written. Even social insurance, such as workers compensation are written through the terms appear in a state law rather than in private agreement. In its most basic form, the insurance mechanism is simply a process in a group agree to share the losses that may occur to various members of the group in advance and the fund so created, augments by interest, and is used for the purposed of paying losses and expenses. Further, the conditions surrounding the transfer of risks from individuals to the group are carefully set forth in detail, in a formal contractual agreement. The organization that brings the group together and manages its affair is called an insurer, and it is typically a stock or mutual corporation. (bicklhaupt, 1983:13)

Developing modern society plays various roles in a society. They bear a major character, the inevitable uncertainty surroundings. Due to the uncertainty and competition factor, the concept of insurance and its evolution was enforced and these days it is for more strengthening due to very competitive business environment and many dropped down

situations. Thus, the insurance seems as an auxiliary for the modern society and organized business company as well as individuals. Before familiarizing to the concept of insurance, it is essential to know about risk and risk management.

2.2.1.1 Risk

Risk means uncertainty about future losses, or in other words, the inability to predict the occurrence or size of a loss. Generally, risk can be defined as the probability of unfavorable of out comes. There are different meanings of risks. It can define at statistical terms and in insurance terms too. In the content of the insurance, it takes uncertainty of occurrence of economic loss. Every one wants to save own self from the risk to unfavorable situation. Thus, the people want to safeguard lay insuring them to the insurance companies. If there is no risk in the world, then why anyone should be insured. Therefore, insurance is the tool for reducing risk. At the case of happening any damages and loss, it compensates the risk and provide fund for that loss. Insurance distributes the cost of the risk over a large group of individuals subject to the same risk, in order to reimburse the few who actually suffer from the risk.

2.2.1.2 Risk Management

We have a clear concept of risk in the context of insurance. After it, the risk management concept also essential to understand. Risk management is the systematic and efficient handling of pure risks. In simple words, risk management is the planning, organizing, directing, coordinating and controlling process of risk. In practice risk management is the device and process of decision making for either personnel or organizational risky situation. Risk management is "a general management function that seeks to identify, assess and address the cause and effect uncertainty and risk on an organization. The purpose of risk management is to enable an organization to progress towards its goal and objectives in the most direct, efficient, and effective path" (Williams and Young, 1995:27).

2.2.1 Insurance

Insurance has been introduced to safeguard the interest of people from uncertainty by providing certainty of payment at a given contingency. Insurance companies mean the enterprises that are involved in insurance business. It is quite hard to define insurance to satisfy from the viewpoint of insurance. "Insurance may defined as a system of combining many loss exposures, with the costs of the losses being shared by all of the participants" (Dowrie and Fuller,1950:8). Insurance can be explained as a social device to

accumulate the funds to meet the uncertain losses arising through a certain risk to a person insured against the risk. For the economic growth of the country, insurance provides strong hand and minds, protections against loss of property and adequate capital to produce more wealth. Each member will have financial security against old age, death, damage, destruction and disappearances of his wealth. Through prevention of economic losses, insurance protects the society against degradation. Thus, the present, future, potential human, and property resources are well protected by insurance.

We can use the insurance as the total of risk management is often misleading concept. The word insurance some times is applied to a fund accumulated to meet certain losses, as well as to a simple transfer of risk. But the accumulated definition of insurance must include either accumulation of a fund or a transfer of risk but not necessarily both. In practice, insurance involves spreading loss over more than one entity within a present period. In fact, insurance distributes the cost of the risk over a large group of individuals subjected to the some risk in order to reimburse the few who actually suffer from the risk.

2.2.2 Evolution of Insurance

The terms of insurance developed through the faith of cooperation. The origin of insurance is lost in antiquity. Evidence is on record that arrangements embodying the idea of insurance were made in Bobylonia and India at quite early period. In Rigved, the most sacred book of India, references were made to the concept 'Yogkshema' more or less akin to the well being and security of the people. The codes of Hammurabi and of Manu had recognized the advisability in present from was practiced prior to the twelfth century.

The earliest traces of insurance in the ancient world are found in the form of marine trade loans or carriers contract, which included an element if insurance. Evidence shows that the marine insurance is the oldest form of insurance. Traveler by sea and land were very much exposable to the risk of losing their vessels and merchandise because the piracy on the open seas and highway robbery of caravans were very common. Besides, there were several risks. The risk to several owners of such ships was enormous and, therefore, to safeguard them, the marine traders devised a method of spreading over them the financial loss, which could not be conveniently borne by the beginning, but now in modern age it has been converted into modified shape of premium. The Brogans sold the marine policies of the present forms in the beginning of fourteenth century, but the insurance development was not confined to the Lombard and to the Hans merchants, it spread through out Spain, Portugal, France, Holland and England.

After marine insurance, fire insurance developed in its present form. It originated in Germany in the beginning of the Sixteenth century. It got momentum in England after the great fire in 1966 when the fire losses were tremendous. Gradually all the types of insurance were developed at this form.

2.2.3 Development of Insurance Nepal

In our society, the concept of insurance can be traced down to the 'Guthi System' and joint family culture that has been prevalent since the ancient times. These systems have provided security and assistance to individuals and families in time of need. With the change in the economic and social perspectives and the increasing complexities of the up coming small scale industries, an immense need for a domestic company was felt to insure against any loss that could arise due to mishaps in industries.

With the development of trade, commerce and industry, the necessity of insurance in our country was felt long age. However, there was no evidence of any organized form of insurance in Nepal until 1947. Society was organized and settled in an agricultural basis and the socio-economic organization took care of any problem or calamity confronted to the community. The fire insurance in Nepal, at first was started by "Mal Chalani Ra Beema" (Transport and Insurance Company). The "National Fire Insurance Company" of Calcutta is the first insurance company to open branch in Kathmandu in 1958, to transact fire insurance business in Nepal. With the development of trade and industry, establishment of Nepal Rastra Bank (Central Bank), Rastriya Banijya Bank (commercial bank), Agricultural Development Bank, Co-operative Bank, Nepal Industrial Development Corporation, numerous other companies and corporations, the need of fire insurance in Nepal is growing in a manifold way. To meet ever-growing needs of fire insurance Indian branches such as 'Rubu, oriental, Sterling general and Hindustan general' and the domestic insurance company 'Insurance and Transport Company' and Rastriya Beema Sansthan' are transacting fire insurance business.

Though there is no organized form of life insurance in Nepal, a kind of life that can be a better termed "death insurance" is practiced since a long time. Like "insurance", there is "guthee" , which helps its member in facing financial burden out of death. Its policyholders are known as "Gutheear" instead of insured. Though they donot have policies in black &white, they have a kind of verbal understanding by which they can work smothly without facing any difficulties. Gutheears pay a certain amount of money to the Guthee, in the same way as the insured pays premium to the insurer. Before 1951, Patna branch of Indian Life Insurance Company was exploring life insurance business. With the nationalization of life insurance Corporation of India, it is solely and wholly

transacting life insurance business in Nepal. It established a branch office in Kathmandu in 1962. Thus, this corporation has a kind of monopoly in life insurance business. However a need for an insurance company that would incorporate every type insurance function was also felt at the national level. This resulted to establishment of Rastrya Beema Sansthan on 15th December 1968. The company was established as a private company with an authorized capital of Nrs. 10 million and capital issued was Nrs. 2.5 million under the Nepal Company Act, 2021. The company started its business by insuring King's Mahendra's car. A year later, the company started operating with the same name but under National Insurance Corporation Act, 2025. On February 21, 1973, five years after its establishment life insurance was introduced.

After the introduction of Insurance Act, 1992, the number of private insurance companies came into existence. There are all together 25 insurance companies in Nepal, which are operating until now. The lists of companies are stated in company profile, introduction chapter.

2.2.4 Types of Insurance

All the insurance companies provided certainty against the risk. When they can define in the generic concept, it will take the form like social insurance and private insurance. But, we have divided the insurance in two parts as life and general insurance. Life insurance may be defined as the certain sum of money either on the death of the insured or on the expiry of the fixed period. Life insurance concerned only about physical and mental accident risk. General insurance considers all insurance except life insurance. However, we can classify the insurance as the life insurance and non life insurance. Some of experts and writers separator the insurance in different viewpoint i.e. forms the potential insurers view and other. When viewed form professional use insurance will take two board forms as life and non life insurance. We can to see all the insurance under the view of risk point.

2.2.4.1 Life Insurance

Insurance provide protection against a wide variety of risks. However, life insurance provides sum of amount against the various risks relating to the human being body through issuing different policies. Life insurance is financial instrument for providing post death resources to support survivors or pay obligations of the state of the deceased. Generally, life insurance, as a type of insurance plan conducted by the insurers, is directly related with providing assurance agonists the economic part of human life. "Life insurance contract may be defined as the contract, where by the insurer, in consideration of a premium undertakes, to pay a certain sum of money either on the death of the insured

or on the expiry of the fixed period". Life insurance is particularly, concerned with that aspect of human life. Since the insurance of assurance of a person's life is impossible because of the certainty of death of a person once born, life insurance only provide assurance against the economic aspect of human life, not the assurance against the life, itself. Life insurance provides future benefits against unseen future accident and it helps to live comfort in retirement life. Life insurance never fulfill losses of human life, it measures in amount of various risks and provide sum of amount in accordance to policy. Life insurance plays a vital role in the society. Therefore, it is also known as the social insurance too. Life insurance can be defined as "a contract by which the insurer, for a certain sum of money or premium proportionate to the age, health and other circumstances of the person. Whose life is insured if such person shall die within the period limited in the policy, will pay the sum specified to the persons in whose favor such policy is guaranteed.

The life insurance companies have proved to be a highly efficient means for channeling capital funds into those areas of the national economy, and into those uses, in which market demands have been strongest. They have responded quick and imaginatively to the changing capital requirements of the American economy incorporation.

The fundamental function of the insurance business is to furnish protection against the financial demands occasioned by disability, old age and death. It has sometimes been termed "Income Replacement Insurance" because it provides such necessities as food, shelter and clothing if illness, injure, or death cuts off the income of the breadwinner. It is all of this and, as will presently be noticed, much more".(Magee, 1985:37)

Nepalese Insurance Act, 2048 (section 2-1) has defined life insurance as the contract of insurance, effected on human life on the basis of age to pay a fixed sum to the assured or his nominee, on death or on the happening of any contingency, dependent on human life in consideration of payment of a fixed installment premium by the insured. Insurance company provides various policies in accordance insured interest and desire. We can see following policy in life insurance commonly: Endowment policy, whole life policy annuity, term insurance and survivorship policy.

Following insurance companies provide the life insurance service in Nepal.

1. Rastray Beema Sansthan
2. National life insurance company limited
3. Nepal life insurance company limited
4. Life insurance corporation (Nepal) limited
5. American life insurance
6. Asian Life Insurance Co. Ltd.

7. Prime Life Insurance Company Ltd.
8. Surya Life Insurance Company Ltd.
9. Gurans Life Insurance Company Ltd.

The scope of life insurance business is seen to be bringing because of its nature and popularity. Therefore, the various investors are interested to invest in life insurance business, although having restriction of Government and challenges of other affecting factors.

2.2.4.2 Non Life Insurance

Non life insurance is also known as general insurance. It is a pure insurance because it can measure any risk in terms of money. General insurance is the insurance of property and liabilities risk of insured against some specified cost i.e. the premium. It includes property insurance, liability insurance and other forms of insurance. General insurance considers all the risks and it provides certainty against the risk through certain sum of money. General insurance responsible to payment of an amount to insured. But when the accident is held by negligence of insured, where the insurer does not responsible to pay any amount against the risk. Insurer and insured may agreed to accept every kind of risk under their contract and the risk transfer through the insurance. But the "coverage written by the property and liability insurance insurers may be divided into five types, physical damage or loss, loss of income and extra expenses resulting from physical damage to property, liability, health and collateral.

We can classify the insurance into life insurance and non- life insurance. Nowadays, under life insurance also many types of policies are provided. In practice the insurers provides various types of non-life insurance policies, which are as follows.

A. Fire Insurance

Fire insurance is the insurance against any loss or damage to the property by fire. "Fire insurance is a device to compensate for the loss consequent upon destruction by fire. Basic forms of the fire insurance offer protection to the insured against the destruction of physical property as a result of fire". (Welshman and Melcher, 1980:213). There is hardly any material object, which is not susceptible to fire in varying degree. Hence, any movable and explosion of domestic boilers/gas and can be extended to cover riot & strike, malicious damage, storm & flood, earthquake, terrorism electric short circuiting etc.

B. Marine (Cargo Insurance)

Origin of insurance in the world took place in the form of marine insurance. Therefore, marine insurance can be say as the one of the oldest forms of insurance. It has developed with the early growth of trade. It was in progress during the middle ages in the Italy and then in England. Marine insurance is concerned with overseas trade and commerce. The foreign trade involves transportation of goods from one country to another by ships. the sending of goods by sea involves risk by enemies, pirates, robbers and thieves. Therefore, marine insurance was developed to eliminate the risk in business.

"Marine insurance is a contract between the insurers and insured where by the insurer undertakes to indemnify the insured in manner and to the interest thereby agreed marine losses incident to marine adventure. (Mishra, 1997:315). Usually, marine insurance provides the assurance/ insurance not only against the natural disaster, but also against piracy and other manmade disaster. In practice, marine insurance provides insurance on ship insurance, cargo insurance and freight insurance.

In addition, under this, Delay in start up (DSU) insurance can be arranged for protection against financial consequence of delay in commencement of operations caused by physical loss or damage during marine transportation.

C. Aviation Insurance

The use of aircraft as a means of transportation has been increasing day by day. So, aviation insurance is related with the risk occurring due to the peril, hazards or risks created by the aircraft. It acquires the risk of passengers, cargo plane and also aircraft liability and medical payments too.

D. Motor Insurance

Every motorist runs the risk of incurring legal liability to pay compensation to third party for death, bodily injury, and property damage arising out of use of vehicle, with further heavy loss of accidental damage to vehicle itself. It covers full comprehensive policy and third party liability insurance too. This policy indemnifies vehicle owners against such contingencies. Private car, motorcycle, commercial vehicle owners can avail this insurance cover against comprehensive risks including third party personal injury and property damage and additionally riot & strike, earthquake, flood, personal accident to passengers, drivers etc.

E. Loss of Profits Insurance

Standard fire insurance policy provides protection only against material loss/damage to properly insure. But, fire causes more than material loss, which is loss of earnings, i.e. revenue/income during periods of interruption of business which necessarily follows damage by fire. Loss of profits insurance provides indemnity for such loss to make good net profit and standing charges.

F. Comprehensive Household Insurance

This is an economical insurance scheme that covers the customer's residence including contents therein against the risk of fire and its allied perils, burglary/house break-ins and risk against natural disasters like earthquake, floods etc. Additionally, this also covers personal accident of the insured or a nominated member.

G. Burglary/ Housebreaking Insurance

This is intended to cover loss/damage of stock/cash in safe by burglary/ house breaking including damage to premises caused by burglars during such attempt. Burglary/house breaking stands for theft involving entry into/exit from insured premises by violent, forcible means, assault/ threat to the insured/employee/members of family. Risk of theft can also be extended in specific cover.

H. cash in Transit Insurance

This cover is intended for banks, business houses, manufacturing organizations who deal in cash, periodically drawn from bank/other sources providing indemnity in respect of loss of such money carried by authorized employees while in actual transit from one place to another as specified in policy, i.e. from the time money is taken out from one place until delivered at other place (Money in transit by employees). Thus, risks covered are robbery, accident or fortuitous cause and riot/strike.

I. Fidelity Guarantee Insurance

This cover is intended to provide indemnity to employer insured for financial loss sustained because of forgery, embezzlement, larceny, fraudulent conversion of money and goods committed by salaried employees in course of performance of their duties.

J. Personal Accident Insurance

This insurance provides of compensation in the event of the insured sustaining death/disablement by bodily injury resulting solely/directly from accident caused by external violent and visible means. Individuals or groups including employees, students and professionals can be insured against death, permanent total/ partial disablement, temporary total disablement (TTD). This cover can also be extended to include medical expenses incurred.

K. Hospitalization / Medical Insurance

Life is uncertain; you never know what will be fall you tomorrow. This cover is dedicated to take care of the insured's expenses incurred during his treatment in hospital/ nursing home due to some illness or accidental incurred during domiciliary treatment. Therefore, this policy provides the financial support against the health problem to the insured.

L. Overseas Med Claim Insurance

This is a travel insurance policy, which provides medical expenses for sudden and unexpected illness or accident while traveling outside the kingdom of Nepal. This insurance has policy limits and excesses. The policy limit is the maximum amount that insurers will pay for any loss and the excess is the first amount of each and every claim that the insured person is required to pay.

M. Public Liability Insurance

Negligence of worker or defect in premises resulting into third party personal injury and property damage can be covered by this type of insurance. It is generally used in construction work, foreign employment, traveling and transportation, lease etc.

N. Engineering Insurance

Engineering insurance is directly related with the risk against engineering tools and technique. It is of various natures depending upon the nature of the risk exposure e.g. construction/erection/boiler and pressure plants/machinery, breakdown/electric equipment/certain forms can be extended to cover third party liability. Combined cover is also available for marine-cum-erection/storage-cum-erection. Loss of profits following machinery breakdown or boiler explosion is also available. For construction phase risks, Advanced Loss of Profits (ALOP) is available to take care of financial consequences of delay in commencement of commercial operation caused by physical loss or damage to the contract works, including extra expenses to avoid or minimize a delay. Additional,

contractual all risk insurance. Machinery all risk insurance and broker insurance are also cover by this.

O. Workman Compensation & Employees Liability Insurance

This provides compensation to all workers engaged in any particular work against injury in the course of and out of employment. This cover could also extend to cover medical expenses incurred. "Workmen's compensation and employer's liability insurance assumes the expenses of compensation and provides for medical, surgical and hospitalization requirements as determined by the compensation laws of the state".

P. Miscellaneous Insurance

A number of coverage's written by casualty insurers are available that cannot be classified neatly as liability, auto or crime insurance but nevertheless are important to those with the exposure that these forms are designed to protect. They are discussed under the innocuous heading of miscellaneous coverage and are written by property and liability insurance".(Maher and Emerson, 1974:344). Some of are banker's blanket insurance, credit guarantee insurance, crop insurance, theft insurance, boiler insurance, burglary insurance etc.

2.2.5 Investment

"Investment may be defined as the purchase by an individual or institutional investor of a financial or real asset that produces a return proportional to the risk assumed over some future investment period. Investment is the current commitment of the savings that compensates for the time period, the expected rate of inflation and uncertainty involved. To share in other words, an investment is a vehicle into which funds can be placed with the expectation that they will generate positive return and/ or their value will be preserved or increased. Investment, in its broadest sense means the sacrifice of current dollars for future dollars. Two different attributes are generally involves: time and risk. The sacrifice takes place in the present and is certain. The reward comes later, if it all and the magnitude are generally uncertain". (Sharp, Alexander & Bailey, 2000:85)

In pure financial sense, the subsequent use of the term investment will be in the prevalent financial sense of the placing of money in the hands of other for their use, in return for proper instruments entitling the holders to fixed income payment or the participation in expected profits. We can define the investment at manufacturing and trading forms as those long-term expenditures that aims at increasing plant capacity of efficiency or at building up good will, there by producing an increased return over a period.

For the financial institution, the investment and investment problems will revolve around the concept of managing the surplus financial assets in such a way, which will lead to the wealth maximization and providing a significant future source of income. Thus, resources in such a way as to make it work for providing benefits to the owners by increasing the total assets simultaneously providing benefits to the supplier of the funds by letting the third party to use such resources. However, the investment needs be procedural task. It must follow a definite investment process. This definitely begins from the formulation of proper investment policy.

Insurer has responsibility and liability to pay certain indemnity and balance the fund at a certain specified time, with the accident or loss. Therefore, insurer's basic function is not only premium collection but also investment of collected fund. Hence, while calculating premium, it has to assume that the accumulated premiums are invested. The funds should be invested to earn at least assumed rate interest. The needs of investment of funds are for the payments of claims, to avoid financial deficit, to collect the funds and to give contribute to the national economy.

Further, to invest any funds requires sources of funds. Insurer also invests their fund different sectors. The funds with the insurers are accumulated from the various sources, which are explained in these forms.

i) Premium ii) Interest iii) Capital gain

iv) Saving in Expenses v) Non payments of claims

However, the insurer has advantages of investing above-mentioned sources of funds but they cannot invest all they are collected cash in profitable investment. It is so because of the primary function of the insurer, which is to provide financial assurance against insurable risks and the regulatory provisions governing them. In fact, insurer only gets a portion of their inflows as invisible fund after arranging for various items. For running, it is essential for three insured invest the fund. An insurance or insurer must mobilize its collected premium and other funds to profitable, secured and marketable sector. So, that it can earn a handsome profit, secured, and can be converted in to cash whenever needed.

2.2.5.1 Principle of Investment

Generally, the investment depends upon principle of investment. All financial institution and intermediaries invest the collected funds under investment principles and policies. However, investment policy reformed and developed from the principle of investment. Therefore, so many determinants of principle of investment directly affect the investment policy.

Generally, policy will be a plan or a course of future action that is proposed to adopt regarding a particular field of activities. For our purpose, investment policy will also be the plan or course of future action that is purposed to adopt regarding the investment. The investment policy may be different according to the objective and nature of the organization. But, all the investment policies must be balanced as of risk return character and suggested to invest at liquidity, safety and profitable sectors. "While investment policies needed to be formed, the investors need to consider many factors. Usually these are the factors to be considered in investment planning decisions, security of principle stability of income and rate of return, marketability and liquidity". (Shim and Siegel, 1989:256).

Regarding the insurer investment policy and selection criteria, these will be the factors to be considered or simply we can mention following basic principle to be followed while investing the investible insurance fund.

2.2.5.1.1 Safety & Security

The safety and security principle is a primary and basic principle of the investment policy. The insurer should never invest its funds in these securities, which are subject to mush depreciation and fluctuation because a little difference may cause great loss. Therefore, insurers perhaps invest their funds in fixed deposits and treasury bills of NRB. The collected premium is a liability for an insurer; therefore, they are always conscious on security and safety of the investment. American life insurance association also enforced the principle of safety. The basic principle for limiting the investment to those with the high margin of safety not only is imposed on the companies by the system of state investments laws described presently, it has long been recognized as a paramount consideration by the insurance companies themselves. To obtain the security on investment insurer required sound matching in their investment portfolio. To maintain the secured investment holding, the insurer needs to analysis and concentrate on the secured lending. The secured investment provides the good/ sweet return and liquid cash flow whenever required." in other instances, the safety of the investment assured by the high credit standing of the borrower as evidenced by his ability to meet the interest payment or to provide or continuous flow of dividends to investors. Further, the security of investment depends upon the legal claims of the lenders and value of the underlying security but also upon the borrower's ability to manage its affairs efficiently and its willingness as well as ability to repay". Thus, safety and security principle is very important for an insurer.

2.2.5.1.2 Profitability

Generally, insurance company or insurer obtains their name and era through paying claim in simple procedure and right time. In order to pay claim and maintain office expenses the fund is required. An insurance company can maximize its value of wealth and collection of fund through maximization of return on their investment. So, they must invest their fund where they can gain maximum profits.

The insurer must earn at least the assumed rate of interest; otherwise, they will suffer loss. The investment should be made in such securities, which yield the highest return consistent with the principle of safety. The insurer can reduce his future premium by earnings higher interest and thus, will be able to increases his business. It has been realized that the safety and the profitability is important for insurer investment.

2.2.5.1.3 Diversification

An insurer should not lay all of the eggs in the same basket. This saying is very important to the insurer and so he/she should be always careful not to grant investment in only sector. To minimize the risk, an insurer must diversify his/her investment in different sectors.

Diversification of investment helps to sustain loss according to the law of average because if securities of a company deprived, there may be appreciation in the securities of other companies. In this way, the loss can be recovered and the company may able to earn more profit. The diversification provides maximum security with high yield and better liquidity provided the diversification is done taking into account of all these factors. Do not invest all the funds at one spread over the widest possible range to minimize unfavorable consideration and to gain favorable advantages. Under diversification, the law of average reduces the losses to minimum.

2.2.5.1.4 Liquidity

The principle of liquidity is important for the insurance investment. Insurer has no information about when they need to pay the claim of their client. So, at any unseen time there will be the requirement of fund. Thus, the insurer needed to invest under the principle of liquidity.

Liquidity represents convertibility of investment into cash without undue loss of capital. The insurer needs to maintain working cash and bank balance order to carry out the normal transaction of receiving payments and making disbursements. Further, they need to finance the unforeseen claims occurring the form of matured contact. Therefore, insurer needs to maintain liquidity of their investment. The principle of liquidity is

against the principle of profitability because the idle cash will earn nothing and invested cash will have no liquidity.

2.2.5.1.5 Marketability

Marketability is an important principle of investment policy. The principle of marketability suggests the insurer to invest in that sector where easy possibility cash convertibility exists. Insurer may not have information about the requirements of the funds to pay the claim of the insured. So, they need to invest in those sectors where marketability exists. Therefore, the convertibility or marketability principle must match will other principle as well as with the line insurance business and the nature of the required fund.

2.2.5.2 Investment Policy under different insurance companies

Usually, all the insurers follow the main principle of investment under investment policy, which is mentioned above. The principle of investment is based on nature business and line of business. Therefore, they include the different investment policy to invest collected fund in accordance to the character, nature and time period of the policy.

Since life insurance and general insurance differ in their risk assurance character, their claims nature, volume and their nature of their policy handling of each type, the timing of insurance claims related to payment of premium etc. Hence, the insurers obtain different investment policy on their investment of different policy fund.

2.2.5.2.1 Life insurance and Investment Policy

Life insurance business is a long period coverage insurance business. An insurer can mobilizes the collected premium fund of the life insurance in long term. Because they do not require the funds in short term. "An important attribute of the insurance fund is that are of long term nature. The claims against them by the policyholders materialize in a regular pattern over time i.e. usually upon the death of the insured of at the maturity of the endowment policy", (Mahat,1981:190)

Life insurance is a main source of collection of the funds. It can collect large amount of fund, so insurer needs policy to invest these funds. "The main objective in the management of the funds of life insurance companies is to have adequate funds with which to meet claims, which includes not only the death, disabilities and annuity payments called for policies but also the demand for the cash surrender value by person cancelling their policies or for loans secured by the cash surrender value". (Dowrie and Fuller, 1950:229). This aspect of insurance business desires the investment policy,

because the fund of life insurance is liability for an insurer. Therefore, insurer has responsibility to invest profitable sector and securely also. "Thus, the fundamental purposes of the life insurance investment are :-(a) to make possible fulfillment of contractual obligations to policyholders, (b) a stable and reasonable income yield". To attain the basic objective and strategy, the insurer should invest the life insurance fund under investment policy.

2.2.5.2.2 Non Life Insurance and Investment Policy

Commonly, non life insurance companies or insurer follows the principle of investment on investing the fund. Insurer cannot predict correctly, when they required the fund. However, if the insured held accident then, the insurer is responsible to pay certain indemnity. Therefore, to match the convertibility or liquidity, insurer successful operation of the business and be prompt in claim payment, the insurer needs to hold major part of their inflows available to pay future losses and expenses. "Because accident, casualties and disasters are not all that predictable property and liability insurance companies must have reserve of funds to cover large claims and settlement if and when occurs". (Mishra, 1997:305). To attain the attractively and maintain the goodwill insurer needs to make balance in their transactions. So, they collect reasonable and premium and pay the reasonable indemnity with accordance to the written policy. To transact all function of insurance company is they need certain amount /fund.

The main sources of collection of funds are premium and return on investment. Therefore, non-life insurance companies or insurer followed all the mentioned above investment principle and policies.

2.2.6 Premium

Premium is the certain amount of payment, which is paid by the insured to the insurer for bearing uncertain risk, peril or hazards. Usually, premium calculated under different method as considering different affected factor. "Premium can be ascertained either by numerical rating system, evaluates each and every item and marks are assigned to them according to their merits and degrees influencing risk". (Robinson & Dwayne, 1968:87). Insurer charges the premium differently accordance to nature of risk. Thus, the judgment and personal evaluation play vital role in rating/ fixing premium. Therefore, the various factors to influence the risk. The management and ownership are very important factor while risks are evaluated for rate fixing.

Generally, the insurer charges higher premium for higher riskier insurance and lower premium for lower riskier insurance policy. The premium is always directly affected by

the nature of risk expenditure of office, other expense and written period. But, "A strong case exists for reviewing the rates of premium and simultaneously to exercise greater control over expenditure to generate a reasonable surplus in their insurance business". (Insurance News & Views, 2006:11). Generally, only premium is one of the main sources of raising funds for insurer. So, insurer should obtain sound management for calculating premium amount and collection process. Different insurance companies or insurer may charge different premium to insured under their objectives and goal with accordance to the policies, risk and uncertainty.

2.2.6.1 Types of Premium and Calculating Process

We can find various premiums to paying insurer according to the policy. But the premium is fundamentally of two types. Net premium is calculated considering mortality and interest rate. Therefore, the rate of death of person and interest directly affect on the premium amount to calculating under net premium method. Similarly, the assumed interest rates the expenses of organization and the mortality rate directly affected calculation of premium under gross premium method. "The net premium is based on the mortality rate, the assumed interest rate, the expenses and the bonus loading". (Mishra, 1997:203)

To make easier calculation of the premium amount, the two premiums are further subdivided into two parts.

1) Single Premium 2) Level Premium

1. **Single Premium**

According to single premium system, the amount of premium is not divided into installment. The insured oblige to pay all premium amounts in humus basis. It makes difficult to insured because of paying heavy/ large amount in one time. We can further define single premium as 'it makes to a system to paying all amounts in only one investment'. Net single premium is that premium is received by the insurer in a lump sum and is exactly adequate, along with other return earned thereon, to pay the amount of claim wherever it arises whether at death or at maturity or even at surrender. It does not provide for expenses of management and for contingencies.

2. **Level Premium**

Life insurance is usually, issued on a level premium basis, which means that the same premium is charged through out the life of the contract. So, the level premium is paid periodically in installment. The level premium system was once a starting yearly,

quarterly and monthly. The level premium system was once a starting innovation because it was reasoned that due to the rising probability of death with age, it would be impossible to charge a flat premium that would compensate for the rising mortality costs. The first insurance policies were issued of one year only and were renewable at the end of this year at a higher rate, if the insured was still in good health. These contracts are still available and are known as yearly renewable policies. Usually, the level premium is suitable for the life insurance policies and for the purpose of limited income able person. Therefore, the level premium ideas are considered one of the most basis advances ever made in the development of the life insurance. With this concept, it becomes possible to issue policies for longer and longer period until finally whole life contracts were made a regular part of the business. Actuaries using refined mortality statistics could calculate exactly how much had to be charged during the yearly years to the contract in order to make up for the rising mortality const of the later years.

Level premium is easily converted by the net single premium. Hence, the single premium of a given policy can be easily converted into level premium by establishing ratio between net level premium and net single premium. Because the net single premium is the present value of all net level premiums is also equal to the total of present value of all claims. It means present value of all net level premium is equal to the net level premium is equal to the net single premium.

2.3 Review of Previous Studies

Various experts, authorities and master degree's students have conducted a number of researches relating to the insurance business. Among them, only few are related with the investment aspect of the insurer and insurer business. Although there are many research conducted in insurance fired we can find only little work in aspect of premium collection. Therefore, this may be the suitable and worthy attempt on this subject matter.

2.3.1 Review of Articles

2.3.1.1 Insurance Act, 2049 (1992),

(Act No. 42 of 2049 B.S.) Date of the Royal seal and the publication: 2049.9.2 B.S. (16 December, 1992)

First amendment; 2052.9.20 (4 January, 1996), second amendment: 2058.10.10 B.S. (29 Jan, 2002)

Only related terms and conditions are reviewed form insurance act 2049 as:

Preamble:

Whereas, it is expedient to establish an Insurance Board to systemize, regularize, develop and regulate the insurance business, in the twenty first year of the regime of King Birendra Bir bikram Shah Dev, the parliament has made this act.

Short Title and Commencement

1) This act may be called the "Insurance Act 2049" (1992).
2) It shall come into force on such dates as Nepal Government, by notification published in the Nepal Gazette, may appoint.

Definition

Unless the subject or context otherwise requires, in this Act,

a) Board means the Insurance Board constituted pursuant to section 3.
b) Chairman means the chairman of the board.
c) Member means the member of the board and the word includes the chairman.
d) Insurer means a corporate body registered pursuant to section 10 and the word includes the re-insure.
e) Insurance business means life insurance business or non life insurance business and the word includes the re-insurance.
f) Life insurance business means the business relating to a contract regarding to the life of any person under which he or his heir in the event of his death, will be paid a particular amount in case a specified amount is paid in installment on the basis of his age.
g) Non life insurance business means other insurance business other than life insurance business.

Insurance Premium to be paid before holding the risk

No insurer shall hold the insurance risk of any category of insurance business until it receives the premium of the insurance to be obtained by it. It shall be deemed that the insurer has undertaken the insurance business only after receiving the insurance premium by it for holding the risk.

Provided that, if any practical difficulty arises due to any reason for paying the amount in a lump sum, this section shall not be deemed to be prohibited to issue an insurance policy on the guarantee of a bank or the Nepal Government relating to the payment of the outstanding amount within a specified period.

Repeal and Saving

1) The Insurance Act, 2025 is hereby repealed.
2) All the actions taken and functions performed before the commencement of this Act shall be considered to have been taken or performed pursuant to this Act.

2.3.2 Review of Journals

2.3.2.1 Insurance Industry and Risk Management in Nepalese Prospective

The insurance industry clings to tariffs as a way of generating their income than evaluating risks and pricing, not singled out for understanding for risk factors in each. Beema Samiti have been directly controlling over premium rate factor in fire and allied insurance and motor insurance portfolio. The decision of Beema Samiti is mandatory and has the force of law. This control over premium rates through tariff indicates that the industry is still nascent in the development of its underwriting skills, and cannot compete internally; we have yet pretensions of technical expertise to face market reality of risk management. The insurance industry is afraid that without tariff barriers, it will collapse. As long as the industry does not learn how to rate individual risk on their own merit, risk management will not gain a foothold.

Businesses that are profitable and unprofitable are both under the tariff regime. Motor business that is contributing to huge losses is still under tariff. Why not remove the tariff barriers and permit the industry to adopt a realistic rating for motor business that each company feels is good for it? By adopting a flexible rating, each company for its survival will learn how to treat good drivers with benefits and bad drivers with penalties. Companies are however, afraid that a non tariff regime will let loose forces of indiscipline in the own den which they will not be able to control. It is a management problem and not customer made issue. Unless challenges are thrown and tougher market, conditions created for progress and survival. The industry cannot grow with sled maturity.

2.3.3 Review of Thesis

Various experts, authorities, MBS students have conducted a number of researches relating the insurance business. Among them, only few are related with the investment aspect of the insurance business. Although there are many research conducted in insurance field we cannot find the work in respect of premium collection.

Shailendra Shrestha (2002), "A study in premium collection and investment position of National Life and General insurance company limited". The study covered seven

years period since 1994/95 to 2000/01. The main objectives of this study are to find out the position of National Life and General Insurance co. ltd. in the insurance industry of Nepal.

Mr. Shrestha used both primary and secondary data to analysis his study. Like this, he uses different financial and statistical tools like ratio analysis, trend analysis, co-efficient of correlation, mean, standard deviation and T test etc. Based on the analysis Mr. Shrestha finds many conclusions. His main findings are as follows:

1. Premium collection on first life premium to total life premium collection is rising and falling trend- this ratio is highest in FY 1996/97 and lowest in 1999/00. There was inconsistency in first premium collection.
2. Fire premium collection to total general premium collection ratio was varied from 23% to 34% and it indicates that fluctuation rate was not so diversified.
3. Marine premium collection to total general premium ratio varied from 1% to 4% which indicated that the ratios were in approximately in stable order.
4. Miscellaneous premium to total general premium collection had slightly fluctuated but in increasing order.
5. Life premium collection to total premium collection was in increasing trend. The least contribution was 23.06% in 1994/95 and higher contribution was 51.3% in 2000/01.
6. Investment on different sectors were also fluctuating trend and major portion of life investment went to bank fixed deposit it contributed 88.23% in highest and 69.71% in lowest.

Recommendations by Mr. Shrestha

1. The company should collect more first life insurance premium and issue new policy.
2. The company should diversify its life investment and increase investment in policy loans.
3. The company should establish research and development department and increase the efficiency of employees.

There is close relationship between Mr. Shrestha studies as both studies are about premium and investment. Mr. Shrestha study used seven years data and taken only one insurance company NLGIC, but this study is conducted by taking three insurance companies and five years data. In addition, there is long gap between these two studies.

Tara Bahadur Thapa (2002),"A comparative study on premium collection and investment pattern". For thesis study Mr. Thapa uses both primary and secondary sources of data. The period covered was for 2053/54 to 2057/58. The basic objective of that research is to examine how far the different insurance premium are collected and invested them properly.

The major findings of Mr. Thapa's study were as follows:

1. The premium collection rate of Nepalese insurance industry has been fluctuating trend.
2. The insurance industry has not consisted in the investment proportion of various investment sector and investment portfolio too.
3. Among the insurance policy, the ratio of premium collection is higher in fire insurance and lower in engineering policy.
4. The coefficient of correlation between premium and investment of Nepalese insurance industry has high degree of positive correlation with significant relationship.

Recommendations by Mr. Thapa

1. The entire insurance should follow the investment policy and improve its management, should maintain and make uniformity on premium collection under all insurance policies, and should try to reduce in claim paid amount.
2. The insurer should enforce the diversification among the investment portfolio.
3. Insurance premium fund should be invested in different sector other than HMG bond and bank fixed deposit.
4. Insurer should try to remove fluctuation or premium collection, investment and net income trend too.

There is close relationship between Mr. Thapa's study and this study because both studies are about premium and investment. Both studies used five years data to analyze premium and investment. There is large time gap between these two studies. The companies selected by Mr. Thapa are different from this study. Mr. Thapa conducted the study on descriptive way only, did not focuses on comparable tools like EPS and MPS, and study ignored problems facing by insurance companies and growth of insurance industry in Nepal.

Narendra Dev Adhikari(2000),"A study and investment policies and practices". Thesis research work is concerned to find what are the main policies used to invest the collecting premium of insurance industries.

To conduct these researches, both primary and secondary sources of data have been used. The time period was six years from 2050/51. In that study, Mr. Adhikari has pointed out various findings and recommends action. Mr. Adhikari used different financial and statistical tools like ratio analysis, cash flow, co-relation, standard deviation etc. The main findings and recommendations of Mr. Adhikari's study were as follows:

1. Major portion of investment was incepted within the head 'Government Securities' and 'Bank Fixed Deposit' of both life and non life insurance industries.
2. The portfolio falling within the compulsory sector had uniform return rate. However, in an average, the return form the government securities were highest and the return from the policy loan was lowest.
3. Net investment income of the life assuror and the industry was around three fourth of the net premium collection and net investment income of the non life insurer with the industry was around two fifth fo the net premium collection.

Recommendations by Mr. Adhikari

1. The insurer should enforce the diversification among the investment portfolio.
2. The life assures should concentrates on the diverse portfolio holding as compare with the non life insurers.
3. While investing within the particular sector, the insurer needs to consider the mutual inter link, age of transaction too.

The relationship between Mr. Adhikari's study and this study is that both focus on investment. Investment policies and position are related in each other. Both studies use financial and statistical tools. There is more than seven years gap between these two studies and Mr. Adhikari study for whole insurance industry and this study like only three specific companies. Mr. Adhikari focused on investment policy only while this study is based on premium collection and investment pattern.

Shree Prasad gelal (2006), "A comparative financial analysis of Nepal insurance company and National Life General Insurance Company Limited". This study was descriptive and analytical. Mr. Gelal used both primary and secondary data in his study and analyzed the financial position, profitability position and other.

Mr. Gelal used five years data from 2058/59 to 2062/63 to analyze the study. He used mainly financial tools like ratio analysis, cash flow analysis to come in decision. After detailed study, Mr. gelal found following conclusion:

1. Premium collection of both life and non life insurance shows growing trend of insurance business in the recent year of the study period.
2. The net profit percentage of NIC found better than NLGI but the liquidity position of both companies are found better.

3. Current assets turnover ratio of NLGL followed decreasing trend, which is the indication that the efficiency of utilizing current asset deteriorated over the period due to negligence of management. The average turnover on current assets of NIC was 24 paisa where as NLGI's return was 15 paisa.
4. Changes in insurance premium collection of NIC ranged about 18.4% to 36.64% where as the same of NLGI ranged about 17.10% to 61.97% high fluctuation was found in NLGI than NIC.

Recommendations by Mr. Gelal

1. Insurance premium fund should be invested in different sector.
2. Training to agents is essential before their appointment to attract the people.
3. NIC is advice to minimize the risk level by reducing debt participation and increasing equity proportion even through it is risk oriented institution.

Mr. Gelal study focused two insurances companies concerned with financial performance but this study takes three companies and is concerned with premium collection and investment pattern. He emphasized only on financial tools and ignored statistical tool.

Arjun Raj Pathak (2002), "Evaluation of Financial Performance of Nepal Insurance Company and Himalayan General Insurance Co. Ltd". The primary objective of the study was to analyze and to evaluate the financial performance of NIC and HGIC.

Mr. Pathak used secondary data's only to evaluate the financial performance. He used the five years data since 1994/95 to 1998/99. His findings were as follows:

1. HGIC and NIC have not been following better policy to keep sound liquidity position.
2. Creditors of both companies are in safe side, investment in total assets of HGIC is higher than NIC. The degree of financial risk of NIC is higher than HGIC>
3. HGIC has mobilized its assets effectively than NIC.
4. The profitability ratio of both companies shows that the change in insurance premium collection of HGIC ranged about 6.6% to 196.84% where as the same of NIC ranged about 9.7% to 34.54% high fluctuations is found in HGIC than NIC.

Recommendations by Mr. Pathak

1. Both companies are suggested to increase their cash balance to meet their short term obligation.
2. The total assets ratio can be improved by proper, effective and optimum utilization of total assets and avoiding unnecessary investment in total assets.

3. HGIC is suggested to increase total revenue and gross profit for its sustainability and meet the competition.

The relationship between these two theses is only on the conceptual sector, as both studies are on insurance business. Mr. Pathak focuses on financial performance and he included premium collection an investment position. Mr. Pathak submitted that thesis on 2002 but he used data from the date of 1994/95 to 1998/99, which shows that Mr. Pathak did not give time prepare the thesis. He focused his study on financial performance.

Besides these reviews of specified books, articles, master degree thesis, idea and material are taken from various web sites, magazines, published and unpublished booklets, journals, broachers, news, financial statements etc are taken for the preparation of this thesis. Daily newspapers are another reliable and important source.

2.4 Research Gap

There is long gap between the previous researcher's and this study. This study uses three insurance companies which is selected different from previous researcher's. They did not focus on comparable tools likes EPS and MPS but this study use EPSB and MPS. Previous researchers focused on investment policy only while this study based on premium collection and investment pattern of insurance companies. They used only financial tools and ignored statistical tools but this study used both financial and statistical tools. Previous researcher's study based on descriptive way only but this study used descriptive and analytical basis. This study takes primary data while previous researcher's studies are based only in secondary data

CHAPTER III
RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is a systemic way to solve the research problem. In other words, research methodology describes the methods and process applied in the entire aspect of the study. Research methodology refers to the various sequential steps (along with a rational of each steps) to be adopted by a researcher in studying a problem with certain objectives in view. Thus, the overall approach to the research is presented in this chapter.
These study aims at presenting, evaluating and finding about the premium collection and investment pattern, along with investment return of insurance companies. The study will draw an actual scenario of premium collection and investment pattern of Nepalese insurance industry. This chapter describes research design population and sample nature and source of data, data collection procedure and data processing procedure and analysis tools.

3.2 Research Design

A research design is the specification of methods and procedures for acquiring the information needed. It is the overall operational pattern of framework for the project that stipulates what information is to be collected, from which source and by what procedures. Thus, a research design is a plan for the collection an analysis of data and is a plan, structure and strategy of the investigation to obtain and answer to research questions. For research there exist different types of research design like, historical research, descriptive research, case study research, field study research, analytical research, true experimental research and so on. This study mainly concerned with historical research as secondary data collected through published and unpublished materials. However, the primary data and information are also used whenever and wherever necessary. If applicable, sometime descriptive and analytical approach may also be used.

3.3 Population and Sample

A population refers to any collection of specified group of human beings or non human entities. In other words, population refers not only to people but also to all items or universe that have been chosen for study in which the research is based. A small portion chosen from the population for studying its properties is called a sample and the number of units in the sample is known as the sample size. The method of selecting for study a

small portion of the population to draw conclusion about the characteristics of the population is known as sampling.

In order to fulfill the objectives of the study premium collection and investment pattern of insurance companies, five insurance companies as sample are selected. Portions included in the sample will be carefully selected by consulting with lecturers and best judgment of researcher. So precisely saying, all 25 insurance companies are the population of this study and among them, only 5 are chosen as sample from total population. For selecting the samples, simple selection method according to nature and types of insurance facilities are used. In this study, 5 insurance companies secondary data are analyzed for the purpose of conclude the result accordance to the objectives. Here, premier insurance company, Everest insurance company, Sagarmatha insurance company, Alliance insurance company and Neco insurance company are taken to the study as a sampled among the insurance industries in Nepal, which short description is already presented in chapter first, company profile.

3.4 Nature and Source of Data

In order to achieve the objectives of the definite series of analysis can be introduced. The research will be based on the description of the primary and secondary data for the historical performance assessment and the future prediction of planning and upcoming policy and implementation among the insurers. Hence, in the study primary as well as secondary data will be used to collect necessary data and information.

Primary Data

The sources of primary data are the opinion survey. The primary data can be collected from various insurance companies for the opinion on investment of insurance fund, its policy and premium and other relevant factors. Primary data can be collected through questionnaires, field visit and information received from the respondents.

Secondary Data

This study will mainly base on secondary sources of data. The data relating to premium collection and investment pattern of insurance companies can be collected different insurance companies and Beema Samiti, Nepal Stock Exchange, Government agencies and bodies, published and unpublished books, journals, newspapers, reports, thesis articles etc are used the sources of the secondary data.

3.5 Data Collection Procedure

For primary data, information will be collected by developing a set of questionnaires. Information and data can be also collected from respondents through field visit. Secondary data are collected through annual reports, different books and publications, web sites, periodicals, newspaper etc.

3.6 Data Processing procedure

The information or data obtained from the different sources are in raw form. From that information, direct presentation is not possible. Therefore, it is necessary to process data and converts it into required form. After then only, the data are presented for the study. This process is called data processing. For this study, only required data are taken from the secondary source and presented in the study. For presentation different tables are used. Similarly, in some case graphical presentation is also is made. As far as the computation is concerned, it has been done with the help of scientific calculator and computer software program.

3.7 Data Analysis Tools

In order to get the concrete results from this research the various collected data from primary sources and secondary sources have been coded and tabulated in required form. Tabulated data has been processed and analyzed in descriptive way by using mathematical tools, statistical tools and financial tools wherever necessary. Graphs and charts have also been presented to interpret the finding of the study. As per topic requirements, emphasis is given on statistical tools rather than financial tools. So for this study like ratio analysis, trend analysis, percentage indices, standard deviation, coefficient of variation, coefficient of determination F-test etc are going to use.

Financial Analysis Tools

Generally, the financial analysis tools were used for the purpose of the assessment of the financial position to a particular organization. For the purpose of this study, ratio analysis, earning price per share (EPS), Market price per share (MPS), are performed in the study. Certainly, ratio analysis showed the position of premium collection, investment return and their contribution on overall performance.

3.7.1.1 Ratio Analysis

The term ratio refers an arithmetical relationship between the components or variables. Ratio can be expressed as percentage, fraction and stated comparison between numbers. In simple words ratio analysis or financial ratio express, the relation between the

accounting figures mathematically. It is an indicator for evaluating the financial position and performance of a firm.

As for this study, ratio analysis is used to present the position of the investment and its performance as compared with the overall position and performance of the insurer. In order to analyze the investment pattern and performance of premium collection followings ratios are used.

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

$$\text{Investment to TPCR} = \frac{\text{Total Investment}}{\text{Total Premium}}$$

$$\text{Govt. Saving bond to Total Investment} = \frac{\text{Govt. Saving bond}}{\text{Total}}$$

$$\text{Fixed Deposit to Total Investment} = \frac{\text{Fixed Deposit}}{\text{Total Investment}}$$

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

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

$$\text{Claim paid to Premium collection} = \frac{\text{Claim Paid}}{\text{Total Premium}}$$

$$\text{Investment on Emergency investment Fund to Total Investment} = \frac{\text{Investment on BFD}}{\text{Total Investment}}$$

$$\text{PCMI to Total Premium Collection} = \frac{\text{Premium on Marine Insurance}}{\text{Total Premium}}$$

$$\text{PCFI to total Premium Collection} = \frac{\text{Premium on Fire Insurance}}{\text{Total Premium}}$$

$$\text{PCMI – 1 to Total premium Collection} = \frac{\text{Premium on Motor Insurance}}{\text{Total Premium}}$$

$$\text{PCAI to total premium collection} = \frac{\text{Premium on Aviation Insurance}}{\text{Total Premium}}$$

$$\text{PCMI-2 to total premium Collection} = \frac{\text{Premium on Miscellaneous Insurance}}{\text{Total Premium}}$$

$$\text{PCEI to total Premium collection} = \frac{\text{Premium on Engineering Insurance}}{\text{Total Premium}}$$

$$\text{Interest Earned to Total Investment} = \frac{\text{Total Interest}}{\text{Total Investment}}$$

Statistical Analysis Tools

Generally, the statistical tools are used for attaining accuracy on analysis and study. According to this study's objectives, here following tools are used.

3.7.1.2 Trend Analysis

In order to draw the valid conclusion of investment and premium aspect, trend analysis is used for showing the basic nature of investment and premium in the past years which gives us idea of pattern of investment and premium and clear the picture of future trends also.

3.7.1.3 Standard Deviation

The standard deviation is the best tools to study fluctuation in any data. It is usually denoted by the letter sigma (σ). Karl Pearson suggested it as a widely used measure of dispersion and is defined as the positive square root of their arithmetic mean of a set of value. It can be computed by using following formula

S.D (δ) = $\sqrt{\frac{1}{n}\sum(x-\overline{x})^2}$

Greater the magnitude of standard deviation, higher will be the fluctuation and vice versa.

3.7.1.4 Coefficient of Variation (CV)

It is defined as the standard deviation divided by the mean of expected return. CV is the relative measure of risk. It measures the risk associated with the each unit of return. It should be used to compare investment or return when the standard deviation and expected values of companies or scheme differ.

$$CV = \frac{\delta}{x}$$

A project, scheme, or company with low CV has less risk per rupee than having high CV.

3.7.1.5 Coefficient of Correlation

By this statistical tool, the degree of relationship between to variables is identified. In other words, this tool is used to describe to which one variable is linearly related to other variables. Two or more variables are said to be correlated if change in the value of on e variables appears to be linked with the change in other variables. The correlation analysis refers the closeness of the relationship between the variables. Correlation may be positive and negative and ranges -1 to +1. Simple correlation between interest rate and deposit amount, interest rate and credit or lending amount and interest rate(both deposit rate and lending rate) and inflation is computed in this thesis. For example, let us say that the correlation between interest rate and inflation is positive. It indicates that when inflation increases, interest rate also increases in same direction and vice versa. For our study following reference is used.

Correlation may be positive or negative and ranges from -1 to +1. When r = +1, there is positive perfect correlation; when r = -1, there is perfect negative correlation; when r = 0, there is no correlation and when r < 0.5 then there is low degree of correlation.

When ' r ' lies between 0.7 to 0.999 (or -0.7 to -0.999), there is high degree of positive or negative correlation.

When 'r' lies between 0.5 to 0.699, there is moderate degree of correlation.

The simple correlation coefficient, r, is calculated by using following formula:

$$(r) = \frac{n\sum x_1x_2 - (\sum x_1)(\sum x_2)}{\sqrt{n\sum x_1^2 - (\sum x_1)^2}\ \sqrt{n\sum x_2^2 - (\sum x_2)^2}}$$

Alternatively, $r = \frac{Cov(x_1x_2)}{VarX_1, VarX_2}$

Or, $r = \frac{\sum x_1x_2}{\sqrt{\sum x_1^2 \sum x_2^2}}$

Where,

Covariance $(x_1,x_2) = \frac{1}{n}\sum(x_1 - x_1)(x_2 - x_2)$

n = Total number of Observations.

X1 and X2 = two variables , correlation between them are calculated.

Multiple correlation Coefficient $(R_{1.23}) = \sqrt{\frac{r_{12}^2 + r_{13}^2 - 2r_{12}r_{13}r_{23}}{1-r_{23}^2}}$

Where r_{12} = correlation coefficient between variables one and two.

r_{23} = Correlation coefficient between variables two and three.

r_{13} = Correlation coefficient between variables one and three.

Multiple correlations are used for the measure of degree of association between one variable and a group of other variables as the independent variable. It lies between 0 and 1. The close it is to '1', the better the linear relationship between the variables. The closer it is to '0', the worse is the linear relationship.

3.7.1.6 Coefficient of Multiple Determinations

The square of the multiple correlation coefficients is called coefficient of multiple determination. It is very useful tools to interpret the value of multiple correlation coefficients. The main significance of the coefficient of multiple determinations is to represent the portion of total variation sin the dependent variable that is explained by the variations in the two independent variables.

Coefficient of multiple determination = $R_{1.23}2$

3.7.1.7 Hypothesis

Every researcher has to start with certain assumption and presumption through which subsequent study might prove and disapprove. A hypothesis helps the researcher in proceeding further and finding solution of the problem, which we want to study. The hypothesis helps in organizing the collected data in very systematic way and in fact it stands at the mid point of research directing towards particular way of finding tentative solution to the question of how and why.

So, a hypothesis is conjectural statement of the relationship between two or, more variables. Again a hypothesis is a provisional formulation or possible solution or tentative explanation or suggested answers to the problems facing the scientists. If the hypothesis is proved, the tentative solution of the problem is answered if not so alternative situation would need to be formulated and tested. Generally, hypothesis can be divided as full and alternative hypothesis.

i) Null hypothesis: It is simplest form means that there is no difference between two populations in respect of some property and that difference, if any is only accidental and unimportant. In other words, null hypothesis is a principle, which states that a person is innocent unless he is proved guilty. Generally, it is stated negatively and the object is to avoid personal bias of the investigator in the matter of collection of data. It is used to collect additional support for the known hypothesis. The null hypothesis is denoted by H_0.

ii) Alternative Hypothesis: It is the set of alternatives to the null hypothesis. In other words, the complement of null hypothesis is called alternative hypothesis. It always represents all other possibilities that are not included in null hypothesis. A researcher will determine which of the alternative course of action or solutions or explanations can be applied to the problem while finding out efficient alternative the researcher will of course; have to think in terms of money, manpower, predictability, area to be covered etc. The alternative hypothesis is denoted by H_1 or H_0.

3.7.1.8 F- test for significance of simple correlation coefficient

The Fisher's F- distribution is defined as a distribution of the ratio of independent chi square variables each divided by the corresponding degree freedom. However, F- test ratio is used to examine the significance of the different between more than two sample means at the same time. The F- test enables us to test the significance of the difference between more than two samples. This technique can be used to conclude whether the regression equation provide significant result or not.

If 'S_1 and S_2 ' are the sample variance of 'n' pairs of observations from normal population, the test statistics for significance of null hypothesis is given by

$$F= \frac{S_1^2}{S_2^2} \text{ if } s_1 \rangle s_2$$

$$F= \frac{S_2^2}{S_1^2} \text{ if } s_2 \rangle s_1$$

Or

$$F = \frac{\text{Variance between samples}}{\text{Variance within samples}}$$

CHAPTER IV

Data Presentation and Analysis

4.1 Presentation, Analysis and Interpretation of Secondary Data

For the purpose of study and analysis, secondary and primary data are used. Based upon the data, interpretation and analysis are done for findings and conclusion.

All the theoretical concept of premium is mentioned in the above chapter, which may be enough for the theoretical idea. Therefore, here, only quantities analysis are described, which is related to the premium collection and investment pattern and their composition. For this purpose, the trend analysis 'F' test, Mean, standard deviation and coefficient of variation are used and for comparison various ratio analysis are computed which will be give the actual proportion to the particular insurance company. this evaluation chapter is also separated into two parts as financial analysis and statistical analysis like wise evaluations of investments patterns.

4.1.1 Analysis through Financial Tools

4.1.1.1 Earning per shares (EPS) of Insurance Companies

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

Table No. 3

EPS of Insurance Companies

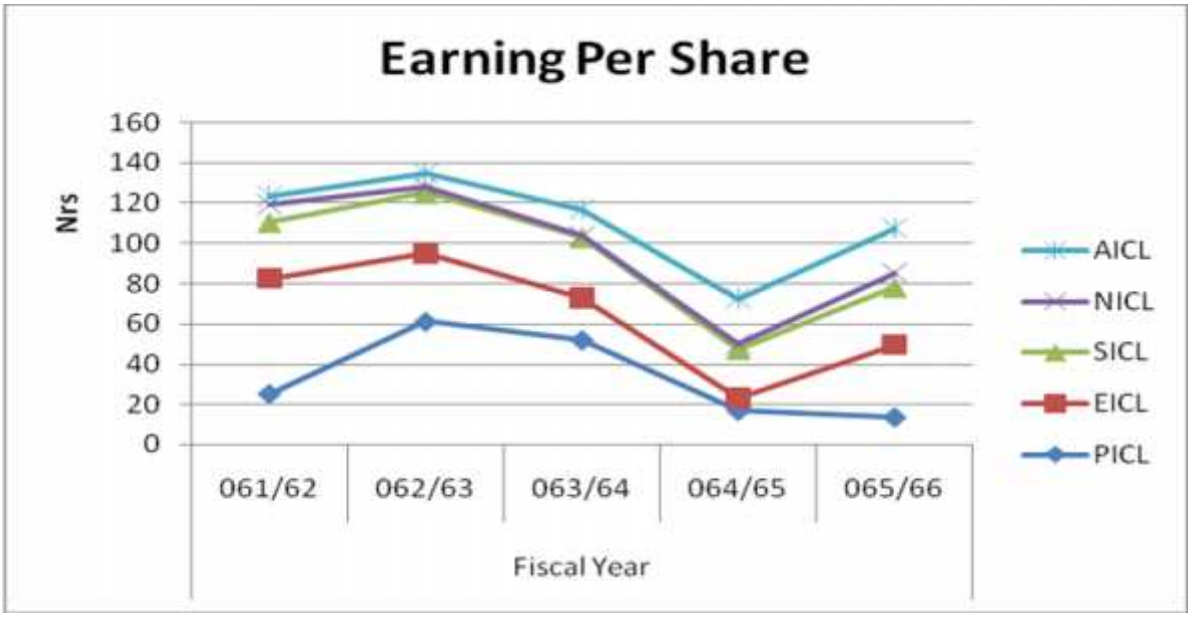
(Amount in Rs.)

Insurance company	Fiscal Year				
	061/62	**062/63**	**063/64**	**064/65**	**065/66**
PICL	25.12	61.16	51.94	16.61	13.38
EICL	57.22	33.74	20.90	6.42	36.16
SICL	28.15	30.21	30.13	24.09	28.53
NICL	8.69	2.95	0.58	2.97	7.23
AICL	4.00	6.70	13.17	22.31	21.86

Source:- Appendix- VIII

Chart No. 1

EPS of Insurance Companies



From the above table and chart, we can find out the trend and position of earning per share of sample insurance companies. All companies have fluctuated nature of EPS. Premier insurance has EPS of 25.12 in 061/62 that increase in 062/63 but decrease to 51.94 in 063/64 and again decrease to 16.61 in 064/65 and again decrease to 13.38 in 065/66. Everest insurance has decreasing nature of EPS as it decreases from 57.22 in 061/62 to 6.42 in 064/65 and again it is increase to 36.16 in 065/66. Sagarmatha insurance has EPS of 28.15 in 061/62 and increase to 30.21 in 062/63. After that it has decreasing trend to30.13 in 063/64 to 24.09 in 064/65 and increase to 28.53 in 065/66.Neco Insurance has decrease to 8.69 in 061/62 to 0.58 in 063/64 again it is increased to 2.97 in 064/65 and again increased to 7.23 in 065/66. Alliance insurance has increasing trend of nature of EPS as it increases from 4.00 in 061/62 to 21.86 in 065/66.Premier and Everest insurance has comparatively higher EPS while Sagarmatha has medium and Neco & Alliance insurance has unable to earn more return which may due to low premium collection or lower investment to premium ratio or poor policy

4.1.1.2 Market Price per share (MPS)

This ratio measures the current share value of insurance companies that is market price per share (MPS). It shows the net worth of share in a year of insurance company. Hence,

from it the shareholder wealth can be measure. Increase in MPS increases the shareholder wealth and vice versa.

Table No. 4

MPS of Insurance Companies

(Amount in Rs.)

Insurance company	**Fiscal Year**				
	061/62	**062/63**	**063/64**	**064/65**	**065/66**
PICL	210.00	210.00	200.00	300.00	190.00
EICL	350.00	325.00	295.00	291.00	285.00
SICL	131.00	158.00	210.00	205.00	170.00
NICL	112.00	110.00	90.00	121.00	121.00
AICL	103.00	110.00	102.00	125.00	104.00

Source: www. nepalstock.com. Annual reports

Chart No. 2

MPS of Insurance Companies

From the above table and chart, we can find out the trend position of MPS of sample of insurance companies. All companies have fluctuated nature of MPS. Premier insurance has same MPS of 210.00 from 061/62 to 062/63 and after that it is decreased to 200 in 063/64 and increased to 300 in 064/65 and again decreased to 190.00 in 065/66.Everest has fluctuate nature of MPS as it has MPS of 350.00 in 061/62 and after that it has decreasing trend and reach to 285.00 due to increase in share. Sagarmatha insurance has MPS of 131.00 in 061/62 and increasing trend and reach 210.00 in 063/64 and after that it

has decreasing trend and reach to 170.00 in 065/66. Neco insurance company has decreasing of MPS of 112.00 in 061/62 and reach 90.00 in 063/64 and after that it has increasing trend and reach 121.00 in 065/66. Alliance insurance company has fluctuating nature of MPS of 103.00 in 061/62 and increased to 110.00 in 062/63. It has increase trend in 064/65 and reach to 125.00 after that it decreased to 104.00 in 065/66. Since MPS directly depends on the net profit and performance made by the company.

4.1.1.3 Evaluation of Premium Collection and Composition

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

4.1.1.4 Ratio Analysis

4.1.1.4.1 Return on premium

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

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

Table No. 5

Return on Premium of Insurance Companies

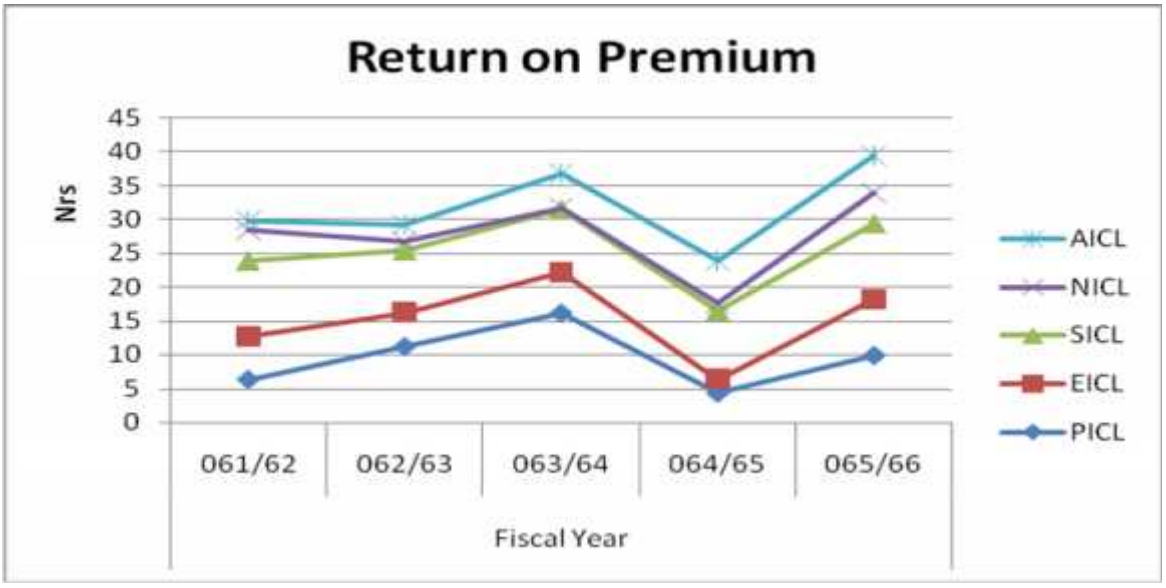
(Figure in Percentage)

Insurance Company	Fiscal Year					Mean	S.D.	C.V.
	061/62	062/63	063/64	064/65	065/66			
PICL	6.41	11.29	16.22	4.42	9.97	9.66	4.09	42.37
EICL	6.26	4.89	5.93	1.92	8.14	5.43	2.04	37.66
SICL	11.21	9.23	9.38	10.12	11.31	10.25	0.87	8.57
NICL	4.59	1.32	0.25	1.14	4.61	2.38	1.85	77.54
AICL	1.33	2.39	5.00	6.24	5.37	4.07	1.88	46.13

Source: Appendix – V

Chart No. 3

Return on Premium



Above table and chart, show the ratio of return of premium of sample companies. According to table, Premier insurance company has the increasing trend of return to 6.41 in 061/62 and reach to 16.22 in 063/64 then it decreased to 4.42 in 064/65 and after it increased to 9.97 in 065/66.Everest insurance has decreasing trend to 6.26 in 061/62 and reach 1.92 in 064/65 and after that it has increased to 8.14 in 065/66.Sagarmatha has also decreasing trend to 11.21 in 061/62 and reached to 9.38 in 063/64 and after that it has increasing trend and reach to 11.31 in 065/66.Neco insurance has return to 4.59 in 061/62 and decreased and reached to 0.25 in 063/64 and after that it has increasing trend and reached to 4.61in 065/66. Alliance insurance has also increasing trend and start from 1.33 in 061/62 and reached to 6.24 in 064/65.After that it decreased to 5.37 in 065/66.

From the above chart and table it is clear that sagarmatha has low risk while premier, Everest and Alliance has moderate risk and Neco insurance has higher risk.

4.1.1.4.2 Claim Paid to Premium Collection Ratio

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

Claim paid to premium collection = Claim Paid / Total Premium

Table No. 6

Claim Paid To Total Premium

(Figure in Percentage)

Insurance Company	Fiscal Year					Mean	S.D.	C.V.
	061/62	062/63	063/64	064/65	065/66			
PICL	20.13	22.73	56.99	44.66	46.19	38.14	14.31	37.53
EICL	8.53	9.55	12.62	40.55	46.83	26.62	16.57	70.14
SICL	15.98	13.47	22.90	44.67	45.50	28.51	13.89	48.72
NICL	17.42	14.69	10.98	28.98	45.11	23.44	12.39	52.89
AICL	11.23	15.89	17.96	39.06	41.63	25.15	12.62	50.17

Source : Appendix – IV

Chart No. 4

Claim Paid to Premium

From the above table and chart it is clear that the claim paid ratio of most insurance companies is fluctuated every year except Everest insurance. Premier insurance paid higher claim while Everest insurance is in low position in comparison to other insurance companies. Looking at five years performance the lowest claim paid is 8.53 by Everest insurance while highest by Premier insurance i.e. 56.99 in 063/64.The above chart shows that the Everest insurance company has the higher standard deviation and variance of risk also i.e. 16.57. From the calculation of C.V. all insurance companies are in moderate risk

except Everest insurance and Neco insurance. From the above table Premier insurance pay the average 38.14% yearly, in respect to premium collection; this is sign of good performance and success.

4.1.1.4.3 Premium Collection on Fire insurance to Total Premium Ratio

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

PCFI to Total Premium Collection = $\frac{\text{Premium on Fire Insurance}}{\text{Total Premium}}$

Table no. 7

Fire Insurance premium to Total Premium Collection

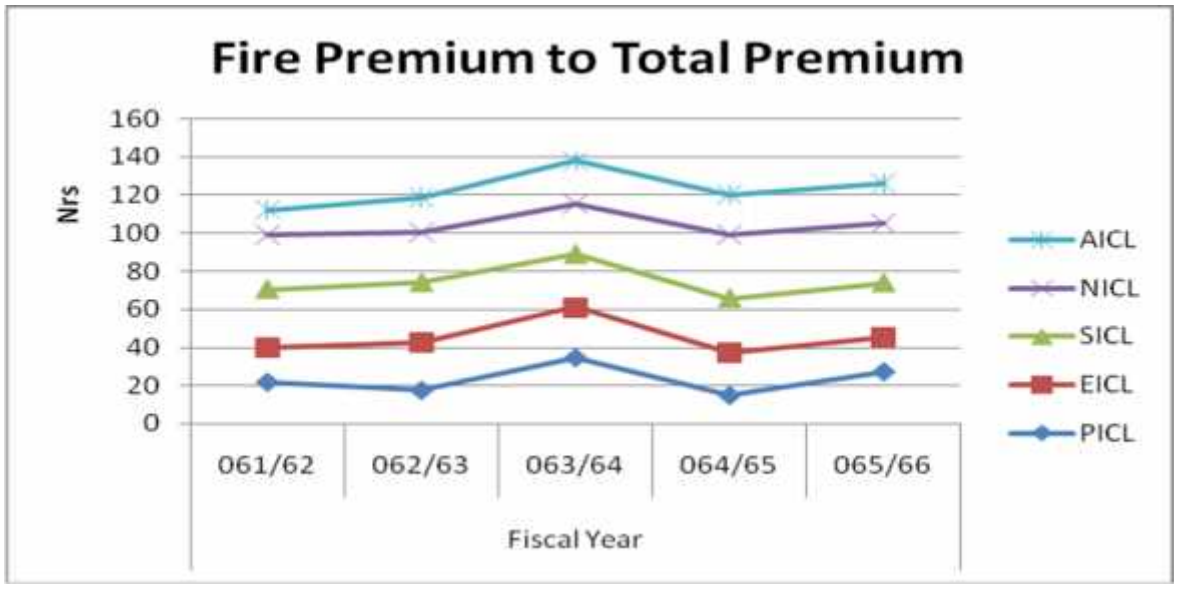
(Figure in Percentage)

Insurance Company	Fiscal Year					Mean	S.D.	C.V.
	061/62	062/63	063/64	064/65	065/66			
PICL	21.61	17.31	34.52	14.67	27.09	23.04	7.11	30.88
EICL	18.48	25.46	26.62	22.47	18.19	22.44	3.47	15.59
SICL	30.44	31.29	27.80	28.50	28.52	29.31	1.32	4.51
NICL	28.78	26.87	26.26	33.94	31.77	29.52	2.93	9.91
AICL	12.88	17.69	22.67	20.58	20.61	18.89	3.39	17.19

Source: Appendix- I

Chart No. 5

Premium on Fire Insurance



Above table shows that the premium collection on fire insurance covers from 10% to 35% of total premium. Alliance insurance had collected lowest fire premium in 061/62 while premier insurance had collected highest in 063/64. The line of premium collection is in increasing order until 063/64 of Everest insurance, from 18.48 to 26.62. After that it is decreased and reached to 18.19 in 065/66. The fire collection of Premier is 21.61 in 061/62 and reached to 17.31 in 062/63 and increased to 34.52 in 063/64 and reached to 27.09 in 065/66. The fire insurance collection of Sagarmatha is 30.44 in 061/62 and increased to 31.29 in 062/63, after that it has decreasing trend and reached to 28.52 in 065/66. Similarly the line of fire premium collection of Neco insurance is decreased from 28.78 in 061/62 to 26.26 in 063/64, after that it is increased to 33.94 in 064/65 and decrease to 31.77 in 065/66. The Alliance insurance has 12.88 in 061/62 and increased and reached to 22.67 in 063/64, after that it has decreasing trend and reached to 20.61 in 065/66.The mean value shows that the fire premium of Neco insurance is higher than other insurance while Alliance insurance has low value. The C.V. shows that the sagarmatha insurance has low risk and Premier insurance has high risk.

4.1.1.4.4 Premium Collection on Marine Insurance to Total premium Ratio

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

$$\text{PCMI to total premium collection} = \frac{\text{Premium on Marine insurance}}{\text{Total Premium}}$$

Table No. 8

Premium Collection on Marine Insurance to Total Premium

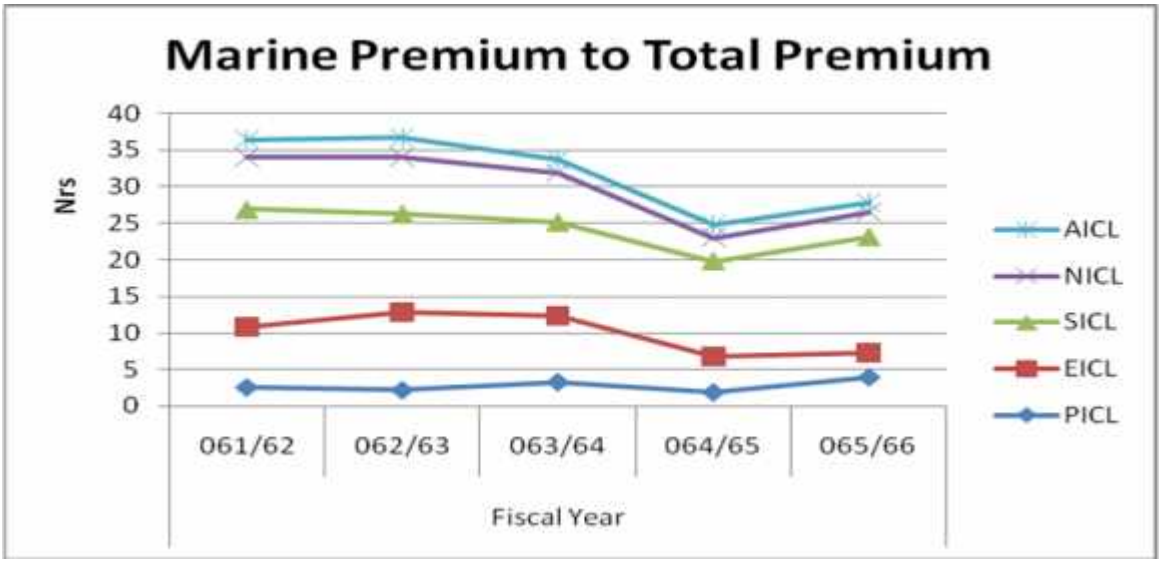
(Figure in Percentage)

Insurance Company	Fiscal Year					Mean	S.D.	C.V.
	061/62	062/63	063/64	064/65	065/66			
PICL	2.50	2.12	3.22	1.82	3.87	2.70	0.75	27.60
EICL	8.26	10.71	9.10	4.97	3.45	7.29	2.68	36.79
SICL	16.16	13.47	12.85	12.99	15.84	14.26	1.44	10.08
NICL	7.08	7.67	6.72	3.23	3.30	5.6	1.93	34.47
AICL	2.48	2.80	1.80	1.77	1.37	2.04	0.52	25.43

Source: Appendix- I

Chart No. 6

Premium on Marine Insurance



From the table and chart it is clear that the amount of premium collected in marine insurance cover low percentage in total premium. The highest percentage is 16.16 of sagarmatha insurance in 061/62. Alliance had collected lowest premium and didnot crossed 5% while sagarmatha had highest and crossed 10% every year.Sagarmatha insurance has decreasing order from 061/62 to 063/64 and after that increasing order from 064/65 to 065/66, Neco and Everest has increasing trend from 061/62 and after that decreasing trend. Premier insurance is decreased from 061/62 to 062/63 and after that increased to 3.22 in 063/64 and decreased to 1.82 in 064/65 and again increased and reached to 3.87 in 065/66. Alliance insurance has decreasing trend from 2.48 in 061/62 reached to 1.37 in 065/66.The highest mean value of marine premium is 14.26 of sagarmatha insurance and lowest of 2.04 of Alliance insurance. Other insurance company also has low mean value. Standard deviation and CV show low variation in marine insurance premium collection. From above analysis and evaluation it is clear that the percentage cover by marine insurance in Nepalese insurance company is low, i.e. its contribution is little in collecting premium. This may be due to land locked area.

4.1.1.4.5 Premium Collection on Motor Insurance to Total Premium Ratio

Every motorist runs the risk of incurring legal liability to pay compensation to third party for death, bodily injury, and property damage arising out of use of vehicle, with further heavy loss of accidental damage to vehicle itself. It covers full comprehensive policy and

third party liability insurance too. This policy indemnifies vehicle owners against such contingencies. The premium collection on motor insurance to total premium ratio shows the proportion or average of motor premium. This ratio is calculated as:

$$\text{PCMI to Total Premium Collection} = \frac{\text{Premium on Motor Insurance}}{\text{Total Premium}}$$

Table No. 9

Premium on Motor Insurance to Total Prmium

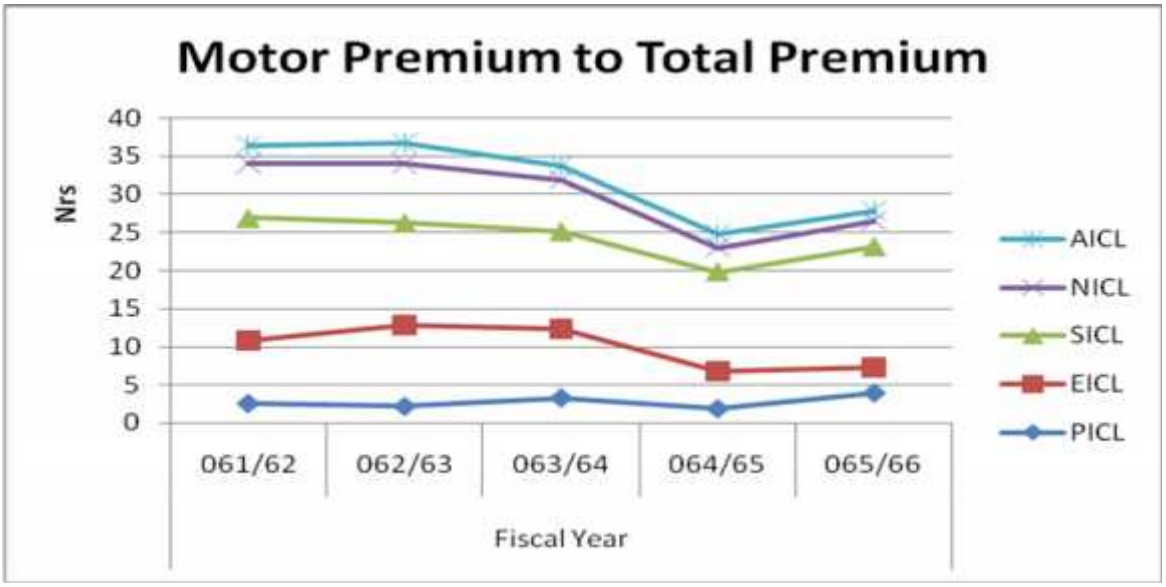
(Figure in Percentage)

Insurance Company	Fiscal Year					Mean	S.D.	C.V.
	061/62	062/63	063/64	064/65	065/66			
PICL	26.66	1.98	35.85	24.69	44.02	26.64	14.13	53.05
EICL	14.97	23.03	20.84	34.76	43.24	27.37	10.21	37.32
SICL	37.10	39.64	46.69	41.71	37.33	40.49	3.53	8.71
NICL	26.89	25.56	20.45	27.80	24.56	25.05	2.55	10.19
AICL	35.77	46.74	57.80	44.43	41.79	45.30	7.24	15.98

Source : Appendix – I

Chart No. 7

Motor Insurance Premium



The above table and chart shows that lowest premium collection on motor insurance in 062/63 is 1.98 of premier insurance whereas highest premium collection in 063/64 is

57.80 of Alliance insurance companies. PICL has more fluctuate trend i.e. 26.66 in 061/62 and reached to 1.98 in 062/63, after that it has increasing trend and reached to 44.02 in 065/66. EICL starts from 14.97 in 061/62 and reached to 43.24 in 065/66. SICL has increasing trend from 061/62 to 063/64 and reached from 37.10 to 46.69 respectively, after that it has decreasing trend and reached to 37.33 in 065/66. NICL has also decreasing trend from 061/62 to 063/64 and reached from 26.89 to 20.45 and after that it increased and reached 27.80 in 064/65 and again decreased to 24.56 in 065/66.AICL has increasing trend and starts from 35.77 in 061/62 and reached to 57.80 in 063/64 and after that it has decreasing trend and reached to 41.79 in 065/66.Amon the above calculation of mean , AICL has the strong position and from the CV, SICL has low risk whereas PICL has higher risk.

4.1.1.4.6 Premium Collection on Engineering Insurance to Total Premium

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

$$\text{PCEI to Total premium Collection} = \frac{\text{Premium on Engineering Insurance}}{\text{Total Premium}}$$

Table No. 10

Premium on Engineering Insurance to Total Premium

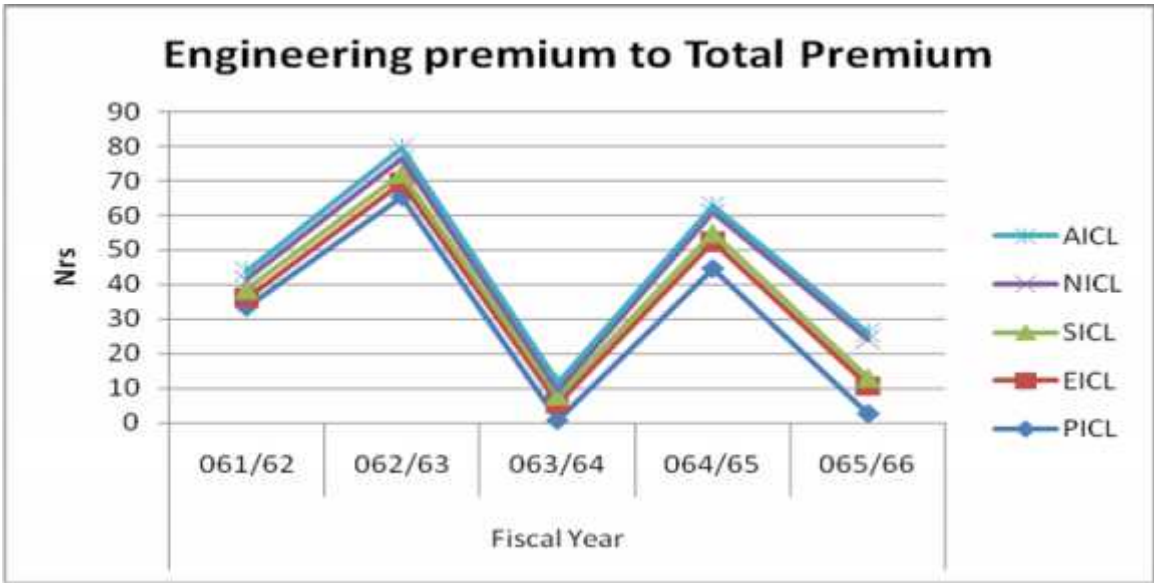
(Figure in Percentage)

Insurance Company	Fiscal Year					Mean	S.D.	C.V.
	061/62	062/63	063/64	064/65	065/66			
PICL	33.49	65.30	0.76	44.57	2.69	29.36	24.77	84.38
EICL	2.60	4.18	4.66	7.77	7.85	5.41	2.07	38.31
SICL	2.48	2.63	2.43	2.55	2.51	2.52	0.07	2.67
NICL	2.77	4.23	1.75	5.86	11.06	5.13	3.27	63.71
AICL	2.43	3.15	1.99	2.03	2.04	2.33	0.44	18.94

Source : Appendix – I

Chart No. 8

Premium on Engineering Insurance



From the table and chart we can find that the contribution of engineering insurance in premium collection is also low. Only the premier insurance had collected noticeable premium on engineering. Other company has not cross the 10% except in 065/66 of Neco insurance.EICL &AICL had almost constant level in collecting engineering premium except of premier insurance because it has more fluctuation position.The mean value of premier insurance, Everest insurance,Sagarmatha insurance,Neco insurance and Alliance insurance are 29.36,5.41,2.52,5.13,2.33 respectively. It means that highest mean value is 29.36 which are of Premier insurance and lowest mean value is 2.33 which are of Alliance insurance. The standard deviation and CV shows that except Premier and Neco insurance, other insurance have low variation and risk in engineering insurance. From the calculation and chart, it is clear that although Nepal has difficult terrain, the concept of insuring in engineering risk is low. People aren't fully aware about it.

4.1.1.4.7 Premium Collection on Aviation Insurance to Total Premium Ratio

Aviation insurance is related with the risk occurring due to the peril, hazards or risks created by the aircraft. It acquires the risk of passengers, cargo, plane and also aircraft liability and medical payments too. The premium collection on aviation insurance to total premium ratio shows the proportion or average of aviation premium. This ratio is calculated as:

PCAI to Total Premium Collection = Premium on Aviation Insurance / Total Premium

Table No. 11

Premium on Aviation Insurance to Total Premium

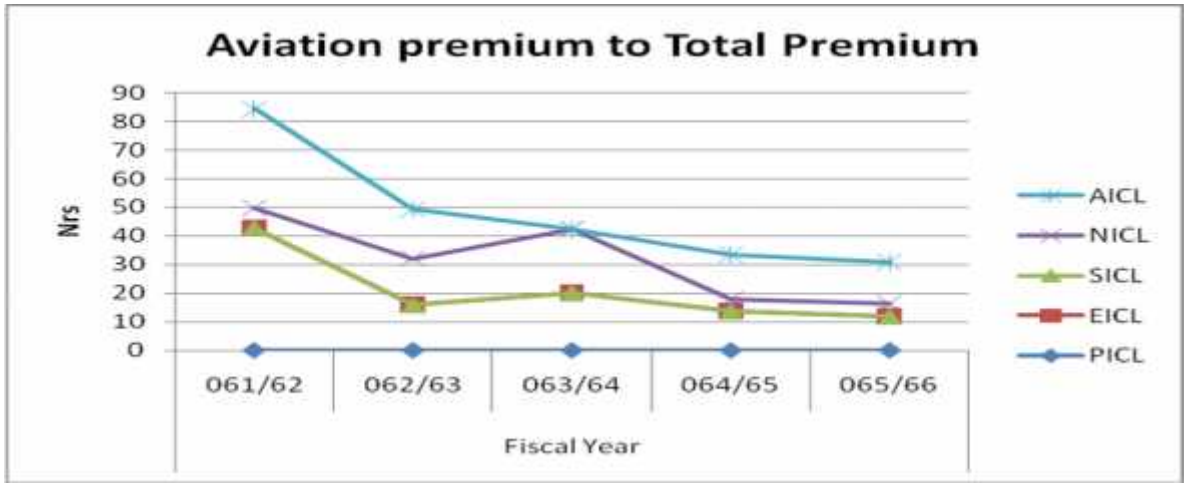
(Figure in Percentage)

Insurance Company	Fiscal Year					Mean	S.D.	C.V.
	061/62	062/63	063/64	064/65	065/66			
PICL	0.00	0.00	0.00	0.00	0.00	0	0	0
EICL	42.60	15.91	20.16	13.76	11.93	20.87	11.20	53.69
SICL	0.00	0.00	0.00	0.00	0.00	0	0	0
NICL	7.13	16.13	22.29	4.18	4.37	10.82	7.19	66.53
AICL	34.74	17.33	0.00	15.62	14.63	16.46	11.04	67.08

Source Appendix –I

Chart No. 9

Premium on Aviation Insurance



It means they were not able to collect premium in respective year while Premier and sagarmatha has no provision of insuring in aviation insurance. Everest insurance has collected attractive premium amount to 42.60 in 061/62 but after that it has decreasing trend and fall down to 11.93 in 065/66. neco insurance has increasing trend and reached from 7.13 in 061/62 to 22.29 in 063/64 and after that decreased to 4.37 in 065/66.Alliance insurance has also decreasing trend and reached from 34.74 in 061/62 to 0.00 in 063/64 and after that it increased to 15.62 in 064/65 and again decreased to 14.63 in 065/66.The highest mean value of aviation premium is of Everest insurance i.e. 20.87

whereas lowest mean value of sagarmatha and premier has 0. Standard deviation and CV show that there is great variation in collecting aviation premium.

4.1.1.4.8 Premium Collection on Miscellaneous Insurance to Total Premium

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

$$\text{PCMI to Total Premium Collection} = \frac{\text{Premium on Miscellaneous Insurance}}{\text{Total Premium}}$$

Table No. 12

Premium on Miscellaneous Insurance to Total Premium

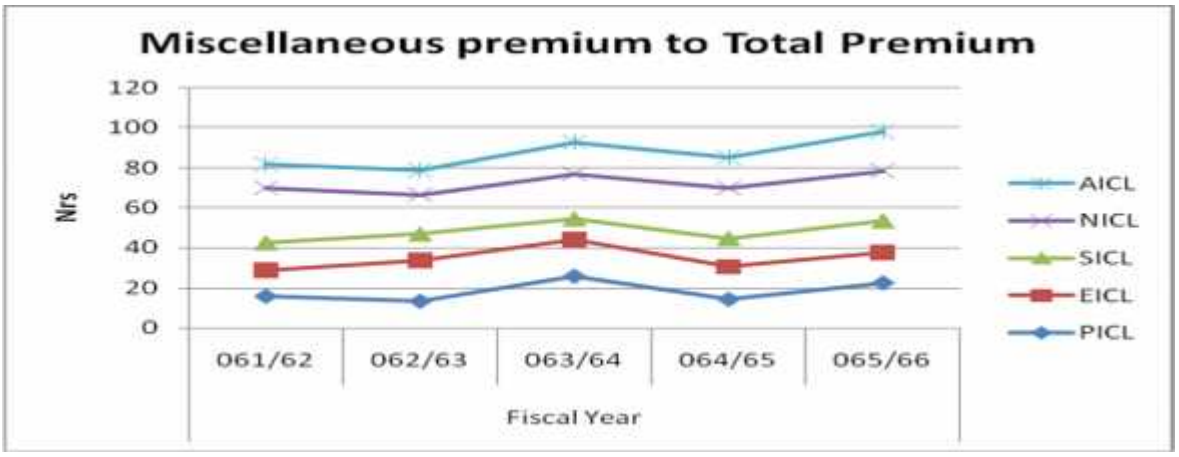
(Figure in Percentage)

Insurance Company	Fiscal Year					Mean	S.D.	C.V.
	061/62	062/63	063/64	064/65	065/66			
PICL	15.75	13.29	25.64	14.23	22.33	18.25	4.86	26.65
EICL	13.09	20.71	18.62	16.37	15.33	16.82	2.63	15.66
SICL	13.82	12.97	10.23	14.24	15.79	13.41	1.83	13.68
NICL	27.35	19.55	22.54	24.98	24.94	23.87	2.64	11.07
AICL	11.70	12.30	15.73	15.56	19.55	14.97	2.82	18.83

Source : Appendix – I

Chart No. 10

Premium on Miscellaneous Insurance



Above table and chart show that the average premium collection in miscellaneous insurance is between 13 to 25. All insurance has overall constant premium collection with only little change in fiscal year. The highest percentage collected is 27.35 by Neco insurance in 061/62 while lowest is 11.70 by Alliance insurance in 061/62.Premier insurance has decrease from 15.75 to 13.29 in 061/62 and 062/63 respectively. After that it is increased and reached to 25.64 in 063/64 and again fall down to 22.33 in 065/66. Everest insurance is increased from 13.09 to 20.71 in 061/62 and 062/63 respectively, after that it has decreasing trend and fall down to 15.33 in 065/66.Sagarmatha has also decreasing trend and reached from 13.82 to 10.23 in 061/62 and 062/63 respectively, after that it has increasing trend and reached to 15.79 in 065/66.Neco insurance has almost constant level of premium and there is not vast change in any year except from year 061/62 and 062/63 respectively. Alliance insurance has increasing trend and reached from 11.70 in 061/62 to 19.55 in 065/66. Standard deviation and CV have low value, which means that there is low variation and risk in collecting miscellaneous premium. From the above calculation and evaluation, we can conclude that insurance companies were not able to collect significant premium in miscellaneous insurance.

4.1.1.5 Evaluation of Investment Pattern and Composition

Investment may be defined as the purchase by an individual or institutional investor of a financial or real asset that produces a return proportional to the risk assumed over some future investment period. Investment is the current commitment of the savings that compensates for the time involved, the expected rate of inflation and uncertainty

involved. To stare in other words, an investment is a vehicle into which funds can be placed with the expectation that they will generate positive return and / or their value will be preserved or increased. Here, quantitative analysis is mentioned which are related to the investment and investment pattern.

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

4.1.1.5.1 Return on Investment

For meeting the objective, every financial institution has to invest capital and get certain return on it. Return on investment shows the success and failure of company. It is the rate of average investment income. It shows the proportion with respect to investment. It is calculated as,

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

This ratio shows the performance of the investment and it indicates whole investment portfolio performance. Here the total investment consist the investment optional and compulsory sectors and the net income carried from profit and loss account.

Table No. 13

Return on Total Investment

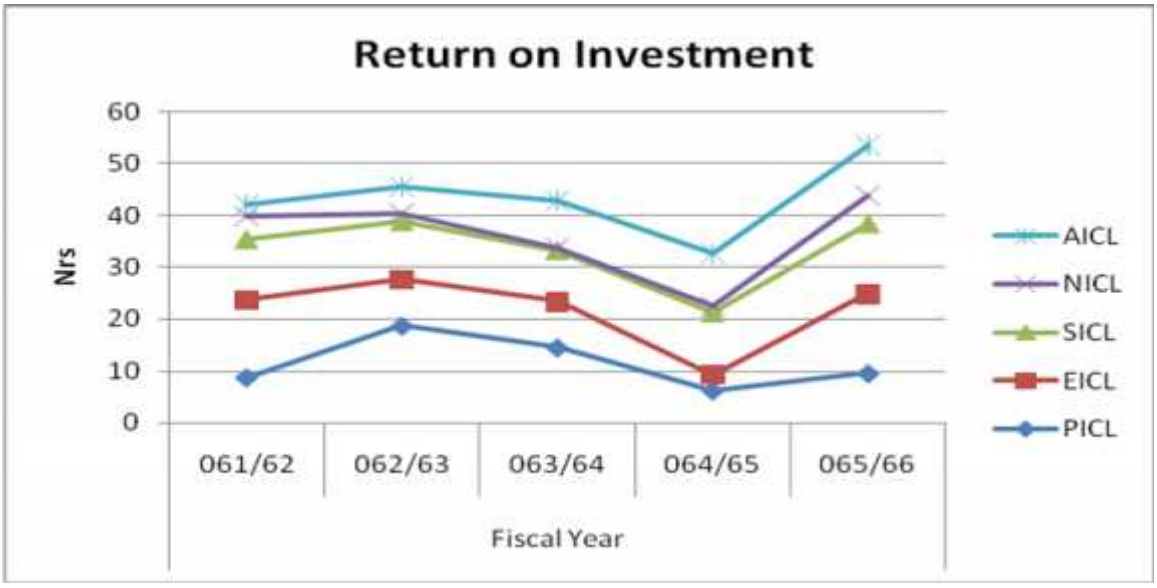
(Figure in Percentage)

Insurance Company	Fiscal Year					Mean	S.D.	C.V.
	061/62	062/63	063/64	064/65	065/66			
PICL	8.75	18.73	14.51	6.23	9.54	11.55	4.48	38.81
EICL	14.98	8.89	8.85	3.03	15.32	10.21	4.56	44.65
SICL	11.68	11.27	9.92	12.03	13.59	11.69	1.18	10.14
NICL	4.41	1.49	0.29	1.14	5.31	2.53	1.96	77.71
AICL	2.26	5.20	9.35	10.31	9.75	7.37	3.13	42.47

Source: Appendix VII

Chart No.11

Return on investment



The table and chart show that the return on investment varies between companies and differ year to year. The lowest return,0.29%, was of Neco insurance in 063/64 and the highest was 18.73%, of Premier insurance in 062/63.The return of premier insurance is 8.75 in 061/62 and increased to 18.73 in 062/63 and after that decreased and reached to 6.23% in 064/65 and again increase and reached to 9.54 in 065/66.Everest insurance has return of 14.98 in 061/62 and fall down to 3.03 in 064/65 and after that it increase and reached to 15.32 in 065/66.Sagarmatha has decreasing trend from year 061/62 to year 063/64 and after that it has increasing trend and reached to 13.59 in 065/66.Neco insurance has decreasing trend and reached 4.41 in 061/62 to 0.29 in 063/64 after that it is increased and reached to 5.31 in 065/66.Alliance insurance has increasing trend from year 061/62 to 064/65 and reached from 2.26 to 10.31 respectively, after that it decreased and fall down to 9.75 in 065/66. From the mean value calculate, it is shown that the return of all companies is not satisfied as it varies from 2.53 to 11.69. The standard deviation shows that there is low variation in return. CV show that Neco insurance has low return in high risk where as other has medium return in moderate risk. Thus from the calculated and analyzed data, it is clear that the net profit on investment was not satisfied. Insurance companies should invest on the sector that is secure and give more return.

4.1.1.5.2 Investment to Total Premium Collection

It is the rate of average investment to premium collection. This ratio measures the investment ratio in percentage. It helps to know what amount of premium collected is investment in different sectors in aggregate. Since in the beginning companies had to invest in capital and are include in investment, no exact figure can be drawn from this ratio. It is calculated as:

$$\text{Investment to TPC Ratio} = \frac{\text{Total Investments}}{\text{Total Premium}}$$

Table No. 14

Investment to Premium Ratio

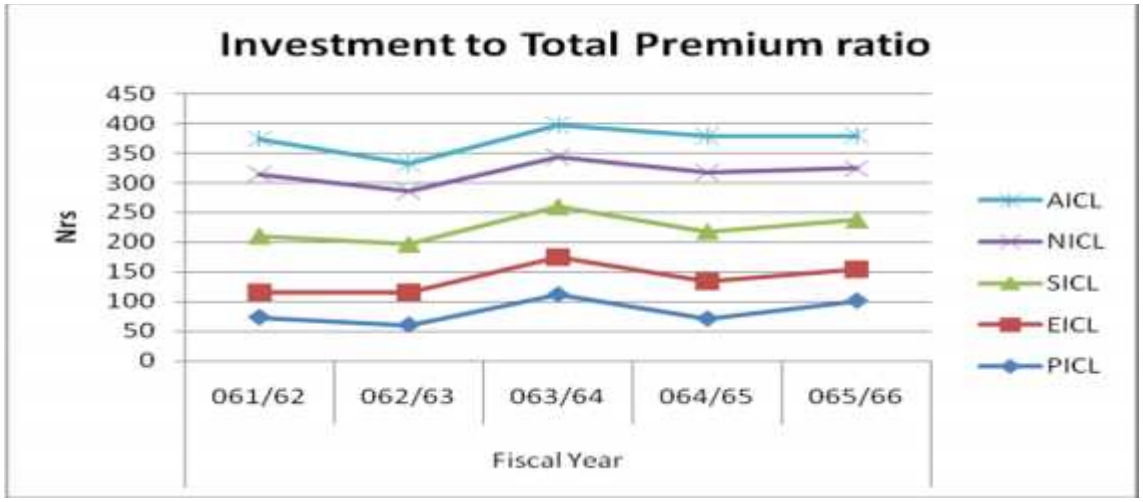
(Figure in Percentage)

Insurance Company	Fiscal Year					Mean	S.D.	C.V.
	061/62	062/63	063/64	064/65	065/66			
PICL	73.2	60.3	111.8	70.87	101.39	83.51	19.62	23.49
EICL	41.8	55.0	63.5	63.28	53.12	55.34	7.97	14.41
SICL	96.0	81.9	84.5	84.11	83.18	85.94	5.11	5.95
NICL	104.08	88.69	84.5	99.47	86.85	92.72	7.65	8.25
AICL	58.84	45.97	53.45	60.54	55.05	54.77	5.08	9.27

Source : Appendix III

Chart No. 12

Investment to Premium Ratio



The above table shows the investment to total premium ratio of insurance companies. The table show the ratio of investment to premium ratio of all companies is above than 50%. Neco insurance has highest investment ratio i.e. 92.72, in average. The lowest ratio is 54.77 of Alliance insurance company in average. Everest insurance and sagarmatha insurance have not much fluctuate in the ratio as it varies from 41.8 lowest in 061/62 and 63.5 in 063/64 of Everest and for sagarmatha it varies from 96.0 in 061/62 is highest and lowest of 81.9 in 062/63.Premier insurance has highest ratio of 111.8 in 063/64 and lowest ratio is 60.3 in 062/63. Neco insurance has highest ratio of 104.08 in 061/62 and lowest ratio of 84.5 in 063/64.The standard deviation and CV of companies has fluctuated from 5.11 to 19.62 and 5.95 to 23.49 respectively. Sagarmatha insurance has low SD and CV i.e. 5.11 and 5.95 respectively. Similarly Premier insurance has high SD and CV i.e. 19.62 and 23.49 respectively. It means Sagarmatha has low variation at low risk and Premier has high variation with high risk. From the investment policy published by insurance board in 2060, it has been stated that all insurance companies must keep 50% of the collected premium amount in saving fund for payment of claim. So, companies could invest only 50% of their premium collection and other investment through shares and capital.

4.1.1.5.3 Investment on Government Saving Bond to Total Investment Ratio

This ratio is the average government saving bond investment. It shows the proportion of investment on government saving bond. The entire insurer invests their fund making portfolio planning. Among the various areas of investment portfolio, it is the secured investment instruments. In this, the companies have not to bear risk in their investment. This investment has low but certain return and very low risk. The ratio measures the percentage of investment of particular insurer in government saving bond. This ratio is calculated as:

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

Table No. 15

Government saving to total Investment

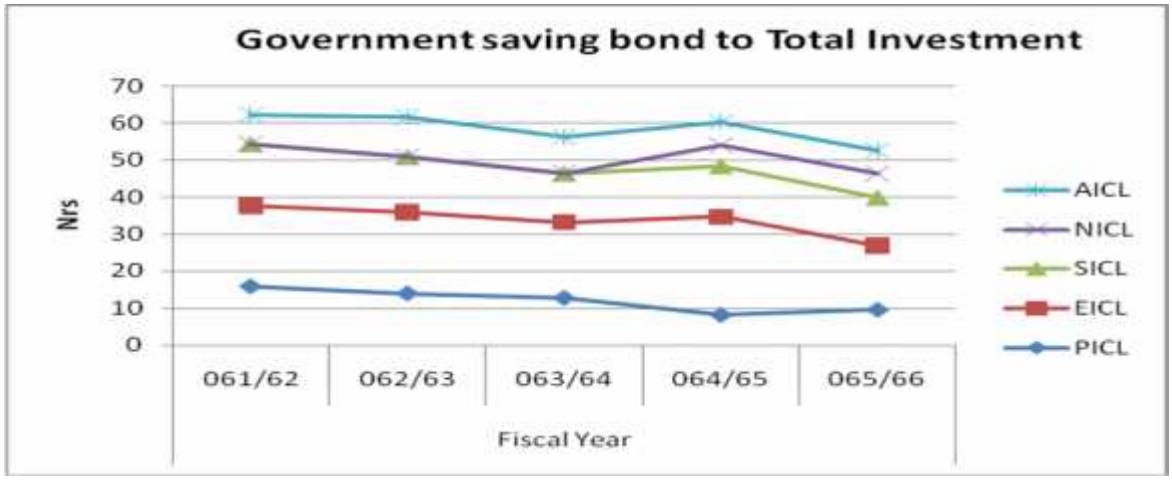
(Figure in Percentage)

Insurance Company	Fiscal Year					Mean	S.D.	C.V.
	061/62	062/63	063/64	064/65	065/66			
PICL	15.94	14.01	12.78	8.18	9.59	12.1	2.85	23.53
EICL	21.82	21.96	20.47	26.58	17.26	21.62	3.01	13.89
SICL	16.5	14.83	13.09	13.65	13.03	14.22	1.31	9.22
NICL	0.00	0.00	0.00	5.47	6.52	2.39	2.96	123.25
AICL	7.96	10.91	9.99	6.50	6.28	8.33	1.85	22.21

Source : Apendix II

Chart No.13

Government Saving to Total Investment Ratio



According to table Premier insurance has decreasing trend and start from 15.94 in 061/62 and fall down to 8.18 in 064/65 and after that little bit increase to 9.59 in 065/66. Everest insurance has almost constant level of government saving but fluctuating little high 26.58 in 064/65 and decreased to 17.26 in 065/66. Sagarmatha insurance has almost same ratio of government saving bond whereas Neco insurance has any provision of government saving bond from year 061/62 to year 063/64, From year 064/65 it has 5.47 and increase in year 065/66 and reached 6.52. Alliance insurance has start from 7.96 in 061/62 and increased to 10.91 in 062/63, after that it has decreasing trend and reached to 6.28 in 065/66.The low value of standard deviation and CV shows the investment in government saving bond has low or little variation and low risk.

4.1.1.5.4 Investment on Fixed Deposit to Total Investment Ratio

The banks fixed deposit is the main investment sector of Nepalese insurer. The entire insurers deposit their fund in fixed deposits. The investment on bank fixed deposits to total investment ratio is the average of investment on fixed deposit. It is the secured investment sector therefore, almost all insurer invest their higher fund in fixed deposits. The ratio is calculated as:

$$\text{Fixed Deposit to Total Investment} = \frac{\text{Fixed Deposit}}{\text{Total Investment}}$$

Table No. 16

Fixed Deposit to Total Investment Ratio

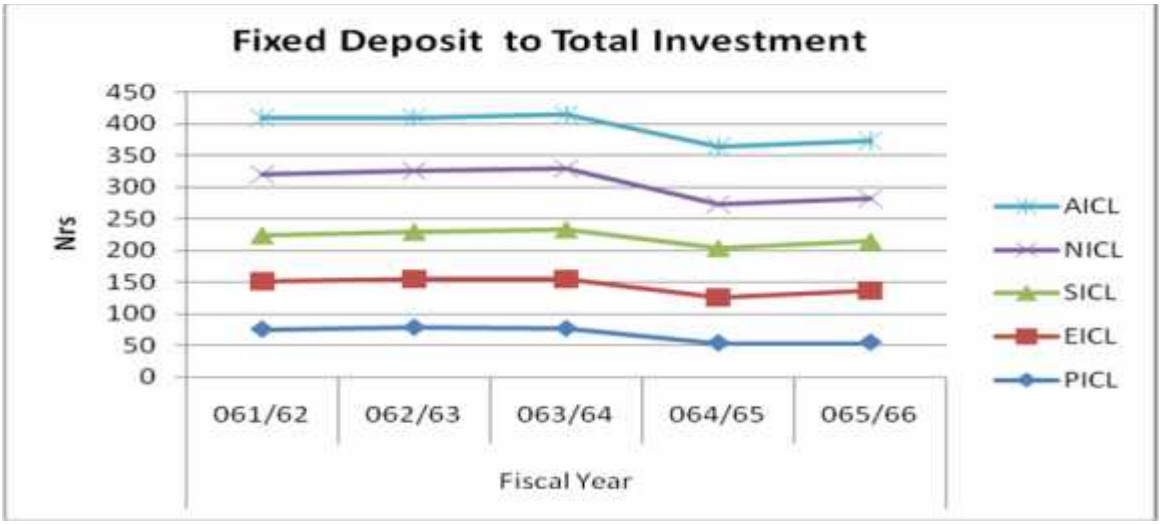
(Figure in Percentage)

Insurance Company	Fiscal Year					Mean	S.D.	C.V.
	061/62	062/63	063/64	064/65	065/66			
PICL	75.07	78.10	76.26	53.56	54.43	67.48	11.06	16.39
EICL	75.53	75.38	77.87	71.96	81.59	76.47	3.18	4.16
SICL	72.87	75.61	78.55	77.62	77.82	76.49	2.06	2.69
NICL	96.45	96.47	96.47	69.67	68.46	85.50	13.43	15.70
AICL	87.98	83.54	84.92	90.19	90.53	87.43	2.79	3.19

Source : Appendix- II

Chart No. 14

Bank Deposit to Total Investment



Above table shows that the all insurance has highest percentage of investment in fixed deposit. All insurances have almost same range of investment in deposit. Neco insurance has highest percentage of 96.47 whereas Premier insurance has lowest percentage i.e. 53.56 in 064/65. Premier insurance has highest percentage of 78.10 in 062/63 and lowest percentage of 53.56 in 064/65. The Everest insurance and Sagarmatha has almost same percentage ratio in overall five fiscal years. Neco insurance has highest percentage of 96.47 in year 062/63 and lowest percentage of 68.46 in year 065/66. Alliance insurance has also almost same proportion of percentage of fixed deposit in comparison to five fiscal years. The highest average value is 87.43 which is of Alliance insurance company and lowest average is 67.48 of Premier insurance. Premier insurance has high variation and Sagarmatha has low variation. But all insurance has very low value which proof that there is low variation and risk in fixed deposit investment. The greater percentage of fixed deposit investment shows that till now insurance companies are not investing in other sector having high return and high risk. For the development and growth, these companies should investment on other secure and highly return sector also.

4.1.1.5.5 Investment on Share to Total Investment Ratio

It is an average of share investment. This ratio shows the share of different company's share in total investment of particular insurer and insurance industries as well. It is calculated as:

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

Table No. 17

Share Investment to Total Investment

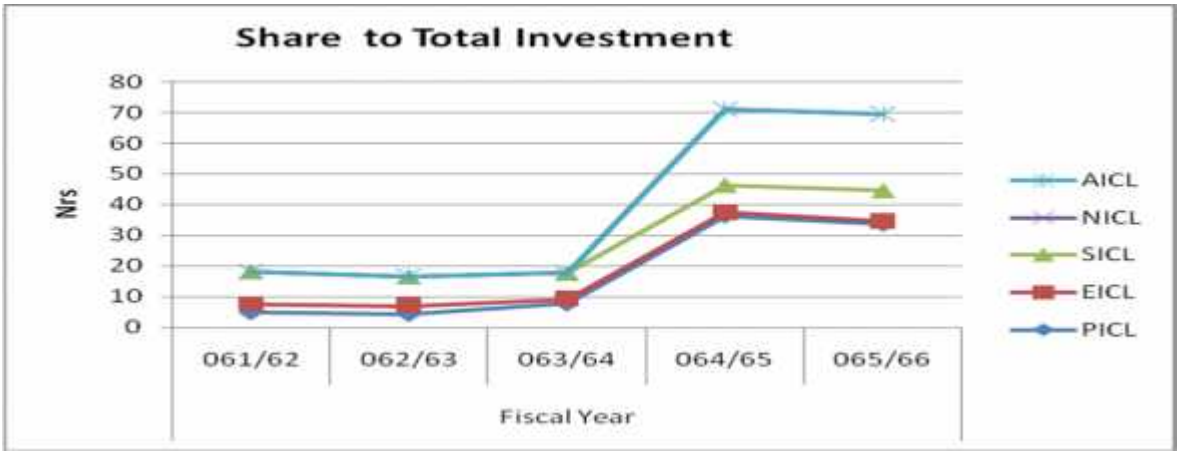
(Figure in Percentage)

Insurance Company	Fiscal Year					Mean	S.D.	C.V.
	061/62	062/63	063/64	064/65	065/66			
PICL	4.84	4.25	7.64	36.13	33.47	17.27	14.39	83.32
EICL	2.65	2.66	1.66	1.47	1.15	1.92	0.62	32.51
SICL	10.64	9.56	8.37	8.72	9.92	9.44	0.82	8.67
NICL	0.00	0.00	0.00	24.86	25.02	9.98	12.22	122.48
AICL	0.01	0.01	0.01	0.01	0.01	0.01	0.00	0.00

Source: Appendix – II

Chart No. 15

Share Investment to total Investment



The above table shows that Premier insurance has increasing trend and reached from 4.84 in 061/62 to 36.13 in 064/65 and after that little decrease to 33.47 in 065/66. Everest insurance has almost same in year 061/62 to 062/63, after that it has decreasing trend and reached to 1.15 in 065/66.Sagarmatha has almost decreasing trend and reached from 10.64 in 061/62 to 8.72 in 064/65 and after that increased to 9.92 in 065/66. Neco insurance has not invested in share till 063/64 after that it invest to 24.86 in 064/65 and increased to 25.02 in 065/66. Alliance insurance has almost invested 0. The standard deviation and CV of different insurance are low values except Neco and Premier insurance which has high CV. From the table of share investment to total investment we can see that almost all insurance has same amount of investment in share. The variation of percentage is due to the increase or decrease of total investment amount.

4.1.1.5.6 Investment on Emergency Investment Fund to Total Investment Ratio

It is the average of investment on emergency investment fund to total investment ratio. It includes emergency fund and amount of insurance pool. This investment sector was started from fiscal year 061/62. Only three sample insurance companies have provision of this fund. It is calculated as:

$$\text{Emergency Investment Fund to Total Investment} = \frac{\text{Investment on EIF}}{\text{Total Investment}}$$

Table No. 18

Emergency Investment Fund to Total Investment

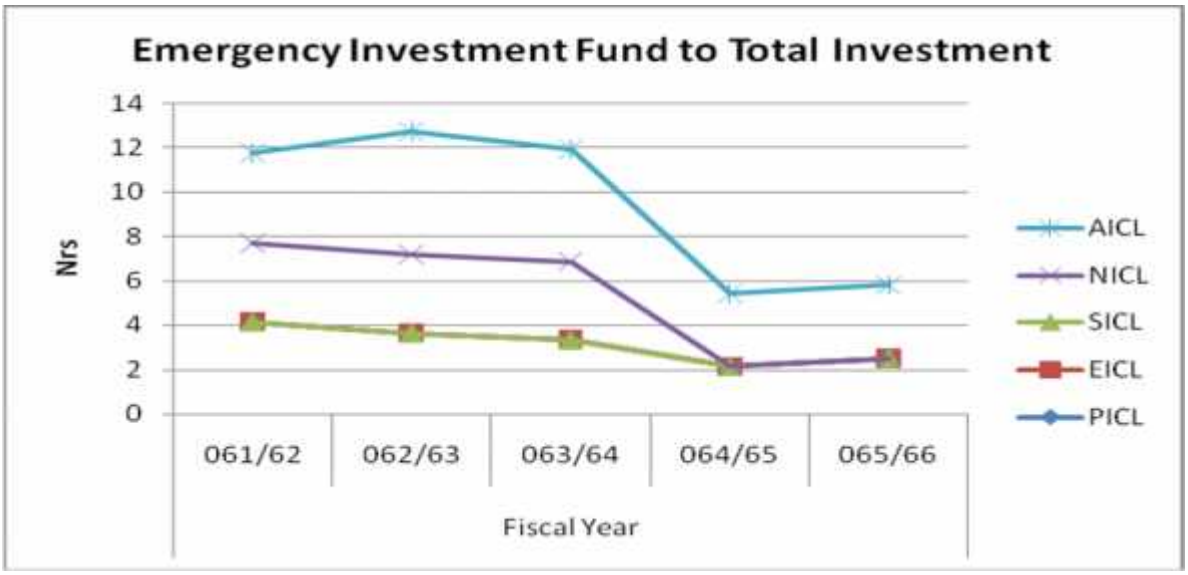
(Figure in Percentage)

Insurance Company	Fiscal Year					Mean	S.D.	C.V.
	061/62	062/63	063/64	064/65	065/66			
PICL	4.15	3.65	3.33	2.13	2.49	3.15	0.74	23.57
EICL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SICL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NICL	3.55	3.53	3.53	0.00	0.00	2.12	1.73	81.65
AICL	4.05	5.55	5.08	3.30	3.32	4.26	0.91	21.49

Source: Appendix-II

Chart No. 16

Emergency Investment Fund to Total Investment



From the above table and chart shows that Everest insurance and Sagarmatha insurance have no provision of investment on emergency fund. Other three companies also have very low amount on this topic. All insurance companies have same amount of investment on this sector. Premier insurance has decreasing nature and reached from 4.15 in 061/62 to 2.13 in 064/65 and little increase to 2.49 in 065/66. Neco insurance has almost same percentage of emergency fund and it doesn't provide the provision in 064/65 and 065/66 respectively. Alliance insurance has started from 4.05 in 061/62 and increased to 5.55 in 062/63, after that it has decreasing trend and reached to 3.32 in 065/66.The standard

deviation and CV shows that there is low variation in investment on emergency except Neco insurnace which has CV of 81.65.From the above table of investment, we can see that all insurance companies have same on this head. The difference in ratio is due to different on total investment amount.

4.1.1.5.7 Interest on Investment Ratio

It is an average of interest earned on total investment. This ratio represents the return from interest in total investment. Total interest earned to total investment ratio reflects the extent to which insurer is success to earn interest as income on total investment. This ratio actually reveals the earning capacity of insurance companies by investing its all collected premium and other capital fund. Higher the ratio higher will be the income as interest. For getting the higher return from investment as interest companies, have to deposit their fund in fixed deposit or to grant loan as high percentage of rate of interest. However, as they investment all their fund in deposit or loan they are not able to investment in other sector of portfolio, which is not good policy. So, all the companies should first make portfolio planning and then only invest their fund. This ratio is calculated as:

$$\text{Interest Earned to Total Investment} = \frac{\text{Total Interest}}{\text{Total Investment}}$$

Table No. 19

Interest Earned on Total Investment

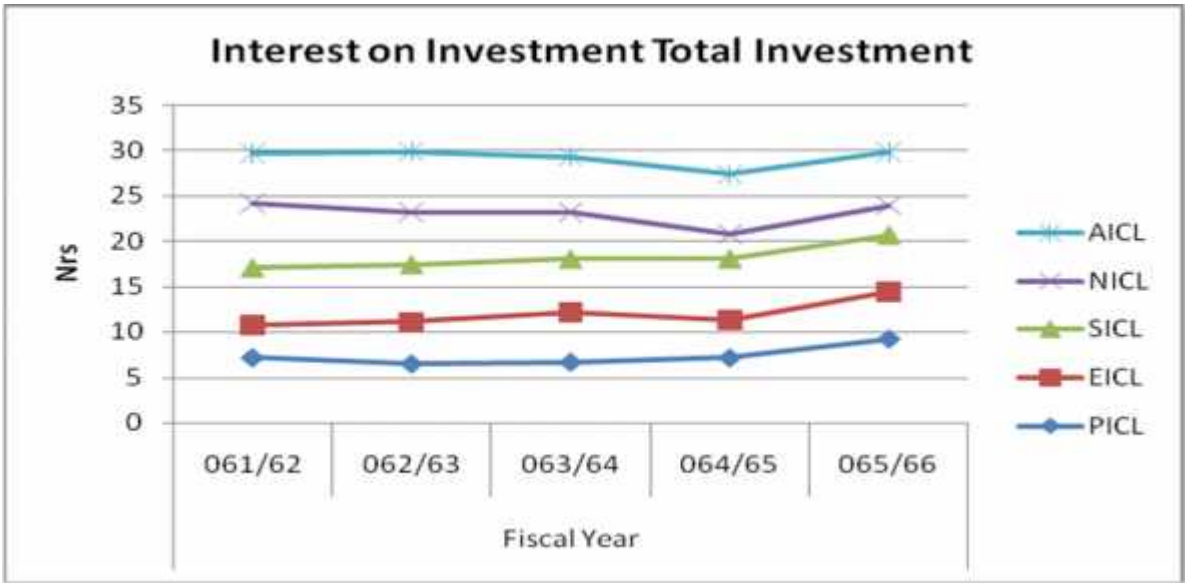
(Figure in Percentage)

Insurance Company	**Fiscal Year**					**Mean**	**S.D.**	**C.V.**
	061/62	**062/63**	**063/64**	**064/65**	**065/66**			
PICL	7.17	6.48	6.67	7.14	9.25	7.34	0.99	13.49
EICL	3.61	4.67	5.55	4.19	5.24	4.65	0.70	15.05
SICL	6.29	6.28	5.84	6.77	6.23	6.28	0.29	4.70
NICL	7.13	5.81	5.11	2.72	3.26	4.81	1.63	33.86
AICL	5.50	6.66	6.21	6.57	5.89	6.17	0.43	6.99

Source : Appendix VI

Chart No. 17

Interest Earned on Total Investment



From the above table and chart shows that Premier insurance has highest percentage of interest on investment which is 9.25 in 065/66 and lowest is 2.72 of Neco insurance in 064/65. Premier insurance has 7.17 in 061/62 and fall down to 6.48 in 062/63, after that it has increasing trend and reached to 9.25 in 065/66. Everest insurance has also increasing trend and reached from 3.61 in 061/62 to 5.55 in 063/64, after that it decreased to 4.19 in 064/65 and again increased to 5.24 in 065/66.Sagarmatha has decreased from 6.29 in 061/62 to 5.84 and increased to 6.77 in 064/65 and again decreased to 6.23 in 065/66. Neco insurance has decreasing trend and fall from 7.13 in 061/62 and reached to 2.72 in 064/65 and after that little increased and reached to 3.26 in 065/66.Alliance insurance has almost same proportion of interest in several years. The mean value of all insurance companies is almost same with little different. The lowest value, 4.65, is of Everest insurance and highest value, 7.34, is of Premier.Sagarmatha insurance has lowest standard deviation of 0.29 where as Neco insurance has highest standard deviation of 1.63. These values show that all insurance companies have little variation in earning interest with little risk. Among them Neco insurance has medium variance in interest earned with high risk, means low return which could push it in risk.

Statistical Analysis

Uses of financial tools only are not considerable for analysis and evaluation of this study. So, some statistical analysis tools should also to use for analysis. Under this term various statistical mathematics likes, trend analysis, coefficient of correlation and F- test are used

for the purpose to find out tendency, relation and distinguish between premium collection and investment pattern. For this purpose, following measures are analyzed.

4.1.1.6 Trend Analysis

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

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

Table No. 20

Trend Analysis of Premium Collection and Investment Pattern

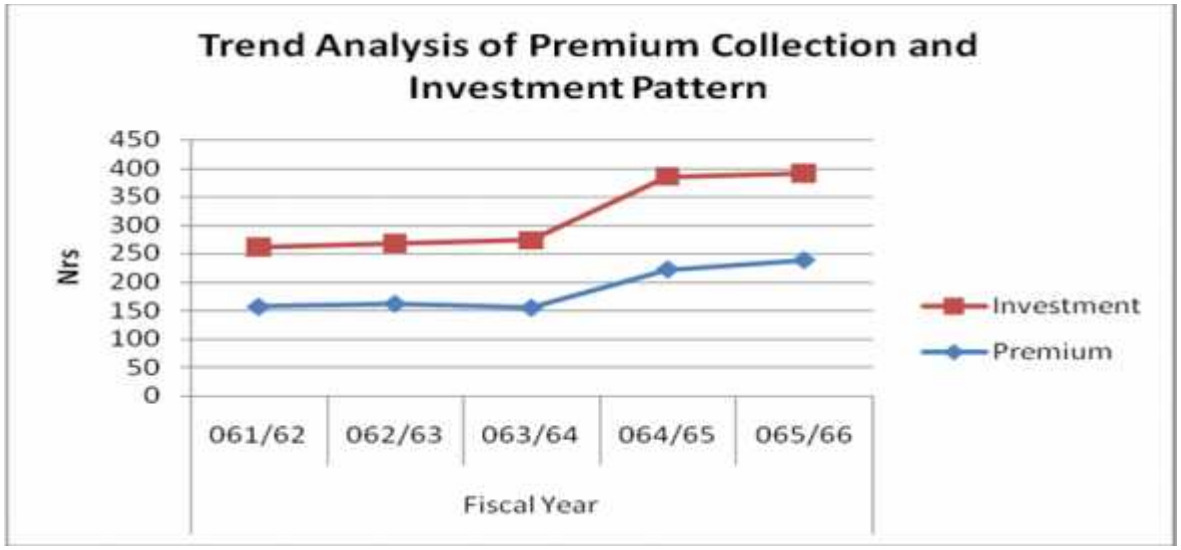
(Amount in Million)

Account Types	**Fiscal Year**				
	061/62	**062/63**	**063/64**	**064/65**	**065/66**
Premium	155.871	161.435	154.371	222.428	238.724
Investment	104.931	105.542	118.181	162.686	152.076

Source: Appendix - III

Chart No. 18

Trend Analysis of Premium and Investment



From the above table and chart, it is clear that the amount of investment is less than premium collection even in the beginning year. Amount of premium collection is same figure in except in year 064/65 and 065/66 i.e. the value of 222.428 and 238.724 respectively. The table shows that premium in 061/62 is 155.871 and increased to 161.435 then again it decreased to 154.371 in 063/64 and increased to 238.724 in 065/66. the average investment is increasing trend and reached from 104.931 in 061/62 to 162.686 in 064/65 and again decreased to 152.076 in 065/66.From the above trend of premium collection and investment pattern we can forecast that the amount on investment will increase accordingly and investment will also be made on new area while due to lack of proper information about insurance among people, poor marketing and unhealthy competition the amount of premium collection remain constant or slightly fall or rise in coming year.

4.1.1.7 Correlation and Determination Analysis

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

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

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

4.1.1.7.1 Correlation between Average of Net and Investment of Insurance Companies

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

From the appendix IX,
Coefficient of Correlation, r = 0.5275
Coefficient of Determination, (R^2) = 0.2783
Probable Error (P.E.) = 0.2177
6 x P.E. = 6 x 0.2177 = 1.3062

Therefore, from the above calculated data, we can conclude that, as the coefficient of correlation between net return and investment of insurance companies is 0.5275, which is moderate positive correlation. It means they have positive relation. The coefficient of determination is 0.2783, means the variation is independent variable (investment) explains 27.83% of the variation in return and remaining by other factors. As coefficient of correlation is less the value equal to 6xPE, there is insignificance relationship between average net return and investment. Therefore, there are different errors in relationship between average net return and investment.

4.1.1.7.2 Correlation between Average of Premium Collection and Investment of Insurance Companies

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

From the appendix X,
Coefficient of Correlation =0.9312
Coefficient of Determination, (R^2) = 0.8671
Probable Error (P. E.) = 0.0401
6 x P. E. = 6 x 0.0401 = 0.2406

Therefore, from the above calculated data, we can conclude that, as the coefficient of correlation between average premium collection and investment of insurance companies is 0.9312, which is high degree of positive correlation. It means they have positive relation. The coefficient of determination is 0.8671, means the variation in independent variable (premium) explains 86.71% of the variation in investment and remaining by other factors. As coefficient of determination is less than the value equal to 6 x P.E., there is significance relationship between average premium collection and investment.

4.1.1.7.3 Correlation between Premium Collection and Investment of Insurance Companies

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

Table No. 21

Correlation between Premium and Investment

Insurance Company	Coeff. of Cor.	relationship	R^2	Probable Error	(r) 6 x P.E	Remarks
PICL	0.7401	High degree +ve	0.5486	0.1362	0.8169	Insignificant
EICL	0.9025	High degree +ve	0.8146	0.0559	0.3356	Significant
SICL	0.9757	High degree +ve	0.9519	0.0145	0.0869	Significant
NICL	0.9247	High degree +ve	0.8551	0.0434	0.2623	Significant
AICL	0.9326	High degree +ve	0.8697	0.0393	0.2357	Significant

Source : Excell Calculation

From the above table, Premier insurance has correlation of 0.7401, which is high degree positive correlation. Coefficient of determination is 0.5486 and 6 times probable error is is 0.8169. Hence, the relation is insignificant in case of premier insurance. Everest insurance has high degree positive correlation i. e. 0.9025 and it has 6 times probable error is 0.3356, it means there is significant relation between premium and investment. Similarly sagarmatha, Neco and Alliance all have high degree positive correlation i.e. 0.9757, 0.9247 and 0.9326 respectively. These three insurance has their 6 times probable error are 0.0869, 0.2623 and 0.2357 respectively. It means that they all have significant relation with the premium and investment. So from the above table we conclude that only Premier insurance has the insignificant relationship while other remaining insurance has significant relations.

4.1.1.7.4 Correlation between net profit and Total Investment of Insurance Companies

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

Table No. 22

Correlation between net Profit and Total Investment

Insurance Company	Coeff. of Cor.	relationship	R^2	Probable Error	(r) 6 x P.E	Remarks
PICL	-0.1255	Low degree -ve	0.0157	0.2969	1.7814	Insignificant
EICL	0.4981	Moderate degree +ve	0.2481	0.2268	1.3608	Insignificant
SICL	0.8551	High degree +ve	0.7313	0.0810	0.4863	Significant
NICL	0.5489	Moderate degree +ve	0.3013	0.2108	1.2645	Insignificant
AICL	0.7463	High degree +ve	0.5570	0.1336	0.8017	Insignificant

Source : Excell Calculation

From the above table there is adverse relation between income and investment of Premier insurance because there is low degree negative correlation i.e. -0.1255 and 6 times probable error is 1.7814, it means that there is insignificant relation among them. Similarly Everest and Neco insurance has moderate degree positive correlation i.e. 0.4981 and 0.5489 respectively. They have 6 times probable error are 1.3608 and 1.2645 respectively, it means that there is insignificant relationship between income and investment among these two insurance. Similarly Sagarmatha and Alliance insurance has coefficient of correlation are 0.8551 and 0.7463 respectively which means that there is high degree positive correlation between income and investment among these two insurance. In the case of 6 times probable error the value of Sagarmatha insurance is 0.4863 and the value of Alliance insurance is 0.8017. It means that there is significant relation ship of Sagarmatha insurance while there is insignificant relationship of Alliance insurance.

4.1.1.7.5 Correlation between Claims Paid and Total Premium Collection of Insurance Companies

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

Table No. 23

Correlation between Claim Paid and Total Premium

Insurance Company	Coeff. of Cor.	relationship	R^2	Probable Error	(r) 6 x P.E	Remarks
PICL	0.7493	High degree +ve	0.5614	0.1323	0.7938	Insignificant
EICL	0.9621	High degree +ve	0.9256	0.0224	0.1346	Significant
SICL	0.8498	High degree +ve	0.7222	0.0838	0.5029	Significant
NICL	0.9388	High degree +ve	0.8813	0.0358	0.2148	Significant
AICL	0.9463	High degree +ve	0.8954	0.0315	0.1893	Significant

Source : Excell Calculation

The above table shows that the relationship between premium collection and claim paid of five insurance companies. The coefficient of correlation of Premier insurance company is 0.7493 which has high degree positive correlation. The 6 times probable error of Premier insurance is 07938. It means it has insignificant relation between claim paid and premium. All other remaining four insurance companies have high degree positive correlation i.e. the value are 0.9621,0.8498,0.9388 and 0.9463 of Everest,Sagarmatha, Neco and Alliance insurance companies respectively. They all have significant relationship between claim paid and premium because the value of correlation coefficient of these insurance is higher than their 6 times probable error values

4.1.1.8 Test of Hypothesis

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

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

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

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

4.1.1.8.1 "F" Test for Premium Collection

First Hypothesis

Null Hypothesis

$\mu_1 = \mu_2 = \mu_3 = \mu_4 = \mu_4$ there is no significant difference between average premium of Premier insurance, Everest insurance, Sagarmatha insurance, Neco insurance and Alliance insurance companies.

Alternative Hypothesis

$\mu_1 \neq \mu_2 \neq \mu_3 \neq \mu_4 \neq \mu_4$ there is significant difference between average premium of Premier insurance, Everest insurance, Sagarmatha insurance, Neco insurance and Alliance insurance companies.

Computation of Test Statistics 'F', from appendix XI

Correction Factor (C.F.) = 170451.7

Total Sum of Square (SST) = 338919.8

Sum of Square (SSC) = 266402.2

Sum of Square (SSE) = 72517.54

F0.05 (Calculated) =18.368

F0.05 (Tabulated) =2.87

Decision

The tabulated value of F0.05 for $\mu_1 = 4$, and $\mu_2 = 20$ is 2.87. Since the calculated value of $F_{0.05}$ at 5% level is very greater than tabulated value, H_0 is rejected. There is significant difference between premium collections of all insurance companies.

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

4.1.1.8.2 " F" Test for Investment

First Hypothesis

Null Hypothesis

$\mu_1 = \mu_2 = \mu_3 = \mu_4 = \mu_4$ there is no significant difference between average investment of Premier insurance, Everest insurance, Sagarmatha insurance, Neco insurance and Alliance insurance companies.

Alternative Hypothesis

$\mu_1 \neq \mu_2 \neq \mu_3 \neq \mu_4 \neq \mu_4$ there is significant difference between investment premium of Premier insurance, Everest insurance, Sagarmatha insurance, Neco insurance and Alliance insurance companies.

Computation of Test Statistics 'F', from appendix XII

Correction Factor (C.F.) = 24914.73
Total Sum of Square (SST) =71132.61
Sum of Square (SSC) =46627.92
Sum of Square (SSE) =24504.69
F0.05 (Calculated) =9.5157
F0.05 (Tabulated) =2.87

Decision

The tabulated value of $F_{0.05}$ for $\mu_1 = 4$, and $\mu_2 = 20$ is 2.87. Since the calculated value of $F_{0.05}$ at 5% level is very greater than tabulated value, H0 is rejected. There is significant difference between total investments of all insurance companies.
From this test, we can conclude that the total investment ratio also differs for all insurers. There is no equality in investment. For the differentiation of investment, numerous factors play vital role, which may be transaction size, investment policy, investment sectors, collections of premiums etc.

4.1.1.8.3 " F" Test for Claim Paid
First Hypothesis

Null Hypothesis

$\mu_1 = \mu_2 = \mu_3 = \mu_4 = \mu_4$ There is no significant difference between average claim paid of Premier insurance, Everest insurance, Sagarmatha insurance, Neco insurance and Alliance insurance companies.
Alternative Hypothesis

$\mu_1 \neq \mu_2 \neq \mu_3 \neq \mu_4 \neq \mu_4$ there is significant difference between average claim paid of Premier insurance, Everest insurance, Sagarmatha insurance, Neco insurance and Alliance insurance companies.

Computation of Test Statistics 'F', from appendix XIII
Correction Factor (C.F.) =22941.95
Total Sum of Square (SST) =76967.72

Sum of Square (SSC) =30213.26
Sum of Square (SSE) =46754.46
F0.05 (Calculated) =3.2313
$F_{0.05}$ (Tabulated) =2.87

Decision

The tabulated value of $F_{0.05}$ for $\mu_1 = 4$, and $\mu_2 = 20$ is 2.87. Since the calculated value of $F_{0.05}$ at 5% level is greater than tabulated value, H0 is rejected. There is significant difference between claims paid of all insurance companies.

From this test, we can conclude that the total claim paid ratio also differs for all insurers. There is no equality in investment. For the differentiation of claim paid, numerous factors play vital role, which may be transaction size, investment policy, investment sectors, collections of premiums, claim paid etc.

4.1.1.8.4 " F" Test for Net profit

First Hypothesis

Null Hypothesis

$\mu_1 = \mu_2 = \mu_3 = \mu_4 = \mu_4$ there is no significant difference between average net profit of Premier insurance, Everest insurance, Sagarmatha insurance, Neco insurance and Alliance insurance companies.

Alternative Hypothesis

$\mu_1 \neq \mu_2 \neq \mu_3 \neq \mu_4 \neq \mu_4$ there is significant difference between average net profit of Premier insurance, Everest insurance, Sagarmatha insurance, Neco insurance and Alliance insurance companies.

Computation of Test Statistics 'F', from appendix XIV

Correction Factor (C.F.) = 3487.847
Total Sum of Square (SST) =5209.851
Sum of Square (SSC) =4398.081
Sum of Square (SSE) =811.7698
F0.05 (Calculated) =27.0898
F0.05 (Tabulated) =2.87

Decision

The tabulated value of $F_{0.05}$ for $\mu_1 = 4$, and $\mu_2 = 20$ is 2.87. Since the calculated value of F0.05 at 5% level is greater than tabulated value, H0 is rejected. There is significant difference between net profits of all insurance companies.

From this test, we can conclude that the total claim paid ratio also differs for all insurers. There is no equality in investment. For the differentiation of net profit, numerous factors play vital role, which may be transaction size, investment policy, investment sectors, collections of premiums, claim paid, agent commission etc.

Contribution of Insurance Business in GDP

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

Insurance companies are capable of providing industrial finance, government finance or even personal finance. They provide different finance through their own investment policy pattern based upon their own corporate objective and nature of the line of insurance business. Therefore, insurance companies have played a vital role in increasing gross domestic product (GDP). The contribution of insurance in GDP is just like other financial institution and banks, so we can neglect its significant on the development of Nepalese economy system. The following table shows the GDP of insurance companies from the fiscal year 055/56 to 065/66.

Table No. 24

GDP on Nepalese Economy by Insurance Companies

(Figure in NRs. 10 million)

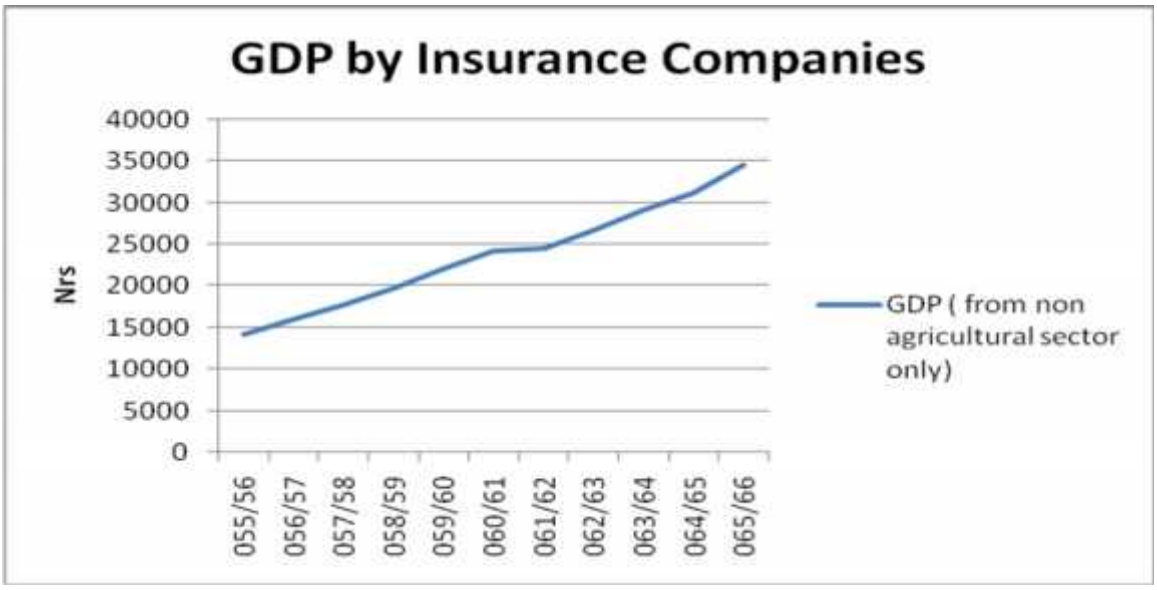
Fiscal Year	GDP (from non agricultural sector only)	Total gross Insurance Premium	Percentage (b/a x 100%)
055/56	14249.2	123.61	0.87
056/57	16078.5	137.22	0.85
057/58	17730.3	161.25	0.91
058/59	19764.5	161.57	0.82

059/60	22112.0	183.15	0.83
060/61	24299.3	219.25	0.90
061/62	24599.4	316.24	1.29
062/63	26644.2	372.78	1.40
063/64	29077.2	446.50	1.54
064/65	31081.0	579.13	1.86
065/66	34504.2	641.19	1.86

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

Chart No. 19

GDP by Insurance Companies



From the above presented table, it is clear that the amount contribution by insurance companies in GDP is increasing every year. But, the percentage of GDP by insurance companies to total GDP by non agricultural sector has fluctuated nature. It is due to the unequal increase with respect to each other. In the condition the amount increased in total GDP is very much than amount increase in GDP by insurance. It means percentage increase in total to insurance is differing. Therefore in some fiscal years the percentage of GDP from insurance is decreased by some values. In fiscal year 055/56, the GDP of insurance company is 0.87%.The lowest GDP in fiscal year 058/59 which is 0.82% of total while it was increase year by year and reach 1.29% in 061/62. After that, the input in GDP by insurance companies increases by greater amount and reach 1.86 in 065/66.

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

Existing Problems for the growth of Nepalese Insurance Companies

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

1. Limited scope for business

The volume of business is, undoubtedly, one of the key factors to check about any company's economic condition. The limited resources, land locked background, inefficient utilization of exited resources & political unsuitability etc. are seemed responsible for playing anti- role in the context of not getting proper opportunity for increasing business activities in the Insurance field.

2. Great Competition among existed Companies

The interest of getting business of the present existed so many General Insurance Companies to meet with each other due to lack of volume of insurance business in the market. The popular sentence that one's gain is other's loss comes to be suitable in Nepalese Insurance field.

3. Lack of Awareness

The backbone of development of Insurance field is awareness about the importance of its coverage. In Nepalese context, it is seen that people get their property insured only coming under bank or other financial institution's compulsion. As far as getting, their personal property insured is concerned they show their passive reaction about that. Only, the nominal case comes to be seen in that case.

4. Educational level

Education, undoubtedly, plays vital role for the growth of any sector. Moreover, this level is found low (below 50%) in Nepal. Naturally, this found unpleasant (condition) educational average is affecting adversely for the growth of Insurance Development in Nepal. On the one hand, we find poor condition about overall educational performance,

the other side; the government policy is not conducive to develop the influence of insurance education.

5. One Sided Economic Condition

The paradox of Nepalese economic condition is to be one sided in nature. In spite of being maximum part of Nepal "rural" , the economic condition is found centered on limited town. Naturally, the existed insurance companies in town are facing competition as well as unhealthy.

In this way, these sorts of problems are generally seen in Nepalese Insurance Market Field. For the long lasting growth and development of insurance companies all sectors should work together and try to overcome the problems.

4.2 Presentation, Analysis and Interpretation of Primary Data

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

This chapter concentrates on using aforementioned methodology to meet the objectives of the study and set forth a logical and qualitative framework to recommended probable solution to the problems that is in herein within investment and premium collection aspect of the insurance industry. For this purposes, some the collected questionnaire answers are analyzed and studied. The questioner was distributed to the management and the respective insurers. The respondents were regarded as the representative of the entire management for the purpose of analysis and classification of the primary data, a simple ranking method is used wherever felt appropriate. While ranking, rank 1^{st} was assumed as top most prioritized and the last number imparted for the query was assumed as last prioritized. Where the ranking was not possible or necessary, a simple objective (yes/no) question was used. For classification of the views, percentage method was used, considering the total number of respondent as 100%. Further, such classification was supported with the graphical and tabular presentation, wherever necessary.

A sample of questionnaires is attached in the Appendix – XVII. The number of respondents for the queries has differed due to the differentiation regarding the formation of the insurers. S, the number of respondents for each query is shown in sample questionnaire separately. Altogether, views of 60 respondents including staff, experts and concerned persons of sample insurance companies, insurance board, and Rastrya Beema Sansthan are taken in preformatted questionnaire sheets.

The focus of study is on premium collection and investment and the problems faced by insurance companies, so questionnaires are prepared for fulfilling the objectives.

Note: Primary data collection model, tabulation and calculations are shown in Appendix XV & XVI

Evaluation of Viewer Regarding the Premium Collection Aspect

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

4.2.1.1 Condition of the premium collection at present situation

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

Table No. 25

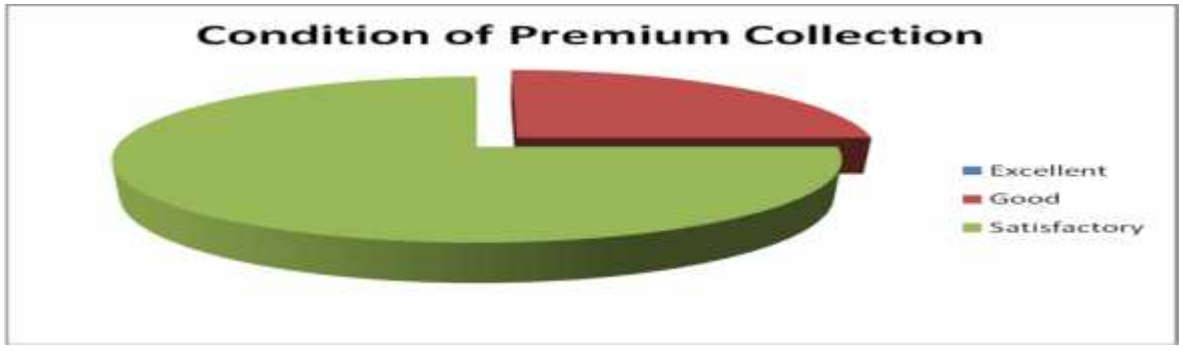
Condition of premium collection

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

Source :- Appendix - XVI

Chart No. 20

Premium Collection Condition of Insurance Companies



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

4.2.1.2 Premium collection system of Insurance Company

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

Table No. 26

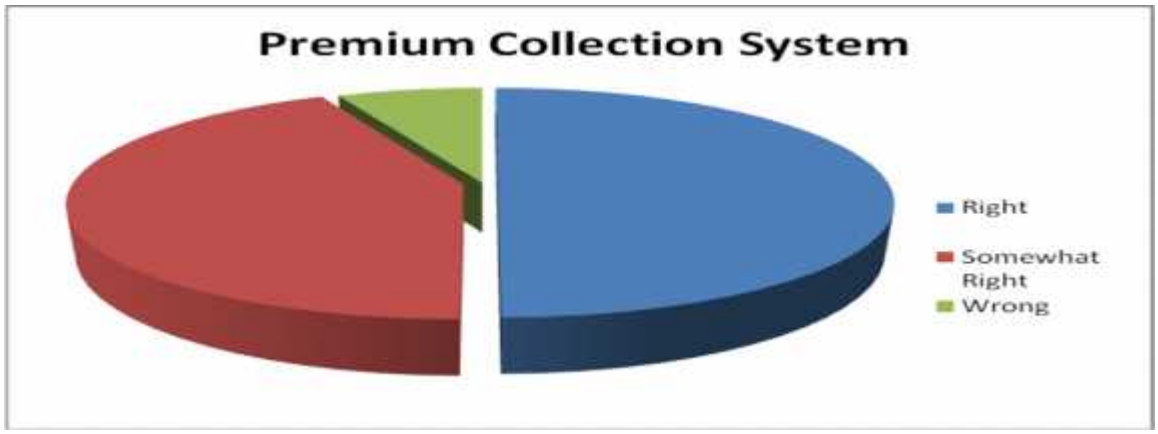
Premium Collection System

S.N.	Options	No. of viewers	%
1	Right	30	50
2	Some what right	26	43
3	Satisfactory	4	7

Source:- Appendix- XVI

Chart No. 21

Premium Collection System of Insurance Companies



Among the entire viewers, 50% are in the favor of first option 'Right, around 43% are in the favor of 'Somewhat right' and about 7% are in the favor of 'Wrong'. From this view, it

can be concluded the premium collection system of insurance companies is not in good stead, it should be made corrective so that companies can collect more premium through best system and method.

4.2.1.3 How is the collection from premium at present insurance market?

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

Table No. 27

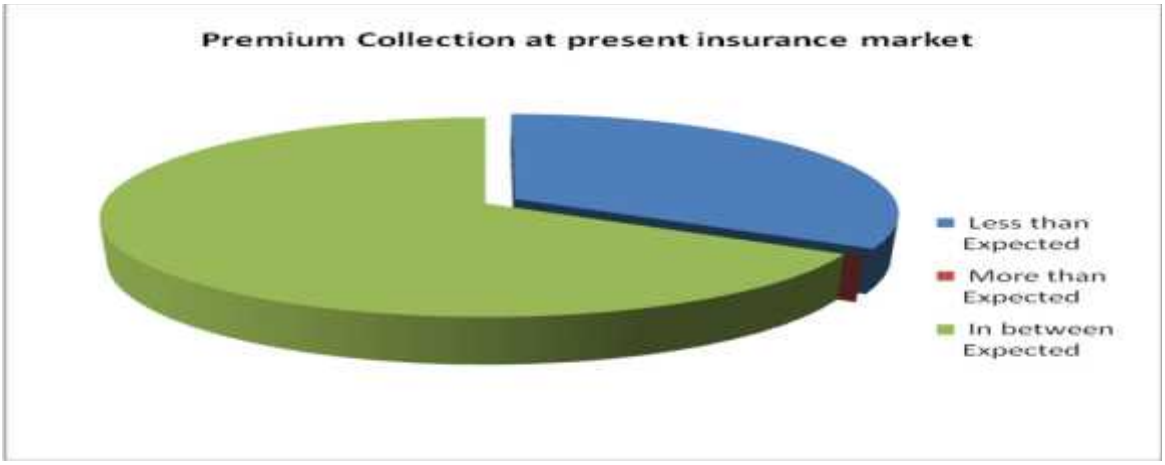
Premium collection at present market

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

Source:- Appendix- XVI

Chart No. 22

Premium Collection at present Market



Among the viewers, around 67% of the viewers have found that they are able to collect the target premium in between expected, that is they are just to meet the target. Other 33% found that their target of collection of premium is less than expected. No one is in the view of premium collection more than expected.

4.2.1.4 Insurance company's satisfaction with the rate of premium

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

Table No. 28

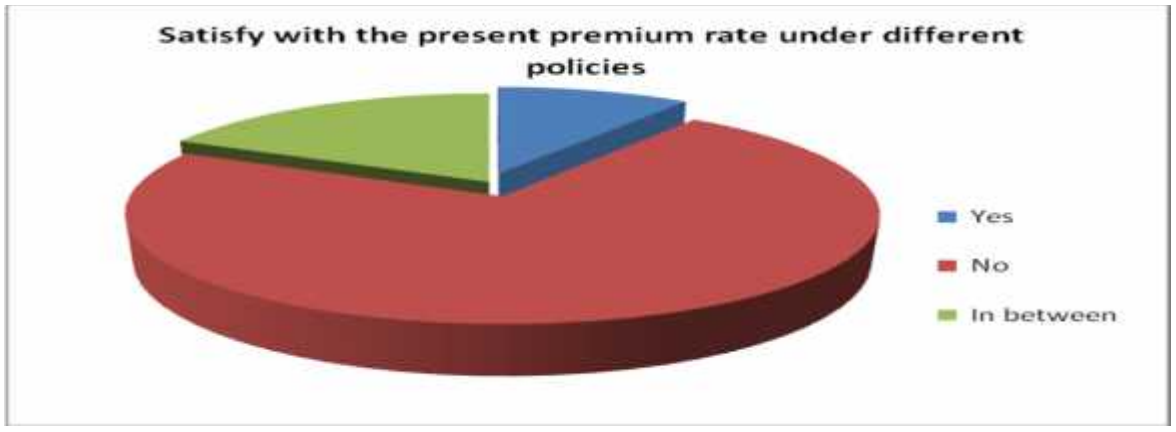
Insurer Satisfaction with premium rate

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

Source:- Appendix- XVI

Chart No. 23

Premium Rate at Different Policies



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

4.2.1.5 Customer/Clients satisfaction with premium rate and provided service

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

Table No. 29

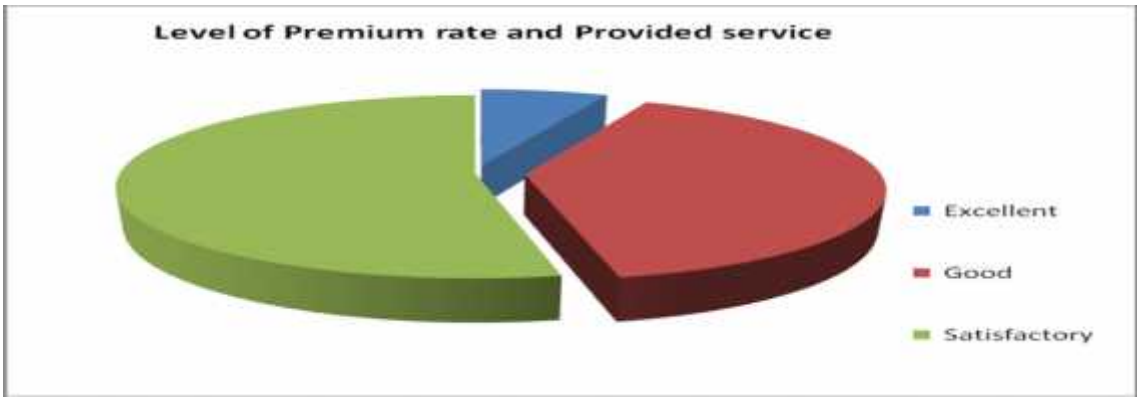
Clients Satisfaction with premium rate

S.N.	Options	No. of viewers	%
2	Good	21	35
3	Satisfactory	24	40
4.	Bad	15	25

Source:- Appendix- XVI

Chart No. 24

Level of Premium Rate and provided services



The above chart shows that about 35% of the viewers have good experience of service provided by the companies and the premium rate while more than 40% have satisfactory level. More than 25% people are badly responses by the insurance companies and are not satisfy with the present rate of premium and trend of collecting premium.

Evaluating of Insurer Views Regarding the Investment Pattern Aspect

4.2.1.6 Concerned with investment management and portfolio

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

4.2.1.7 To maintain desired / maximum beneficial investment policy

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

Table No. 30

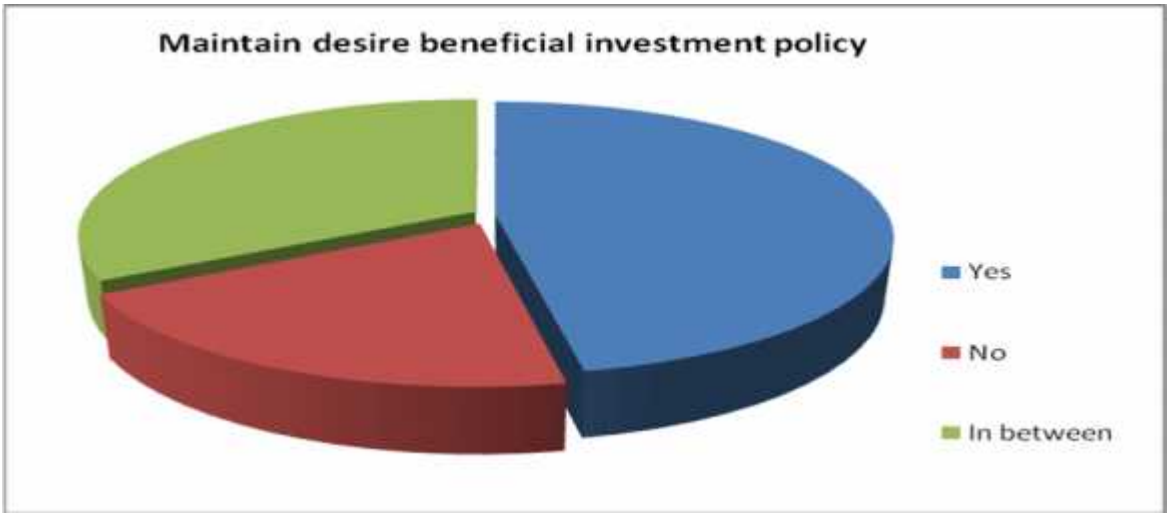
Maintain desire beneficial investment policy

S.N.	Options	No. of viewers	%
1	Yes	28	46.7
2	No	12	20
3	In between	20	33.3

Source:- Appendix- XVI

Chart No. 25

Following beneficial Investment Policy



From the chart above, we can say 47% of the viewers think that insurance companies are success to maintain the desired beneficial investment policy as they have planned to implement. About 33% are in between and 20% of the viewers are in against regarding to maintain desire beneficial investment policy.

4.2.1.8 Priority in formulating investment policy

As different companies give focuses to different terms and conditions, to find the views of insurer regarding the priority in forming investment policy, this query is mentioned in questionnaires. The following chart shows the number of person and percentage in the favor of options given in the opinion survey.

Table No. 31

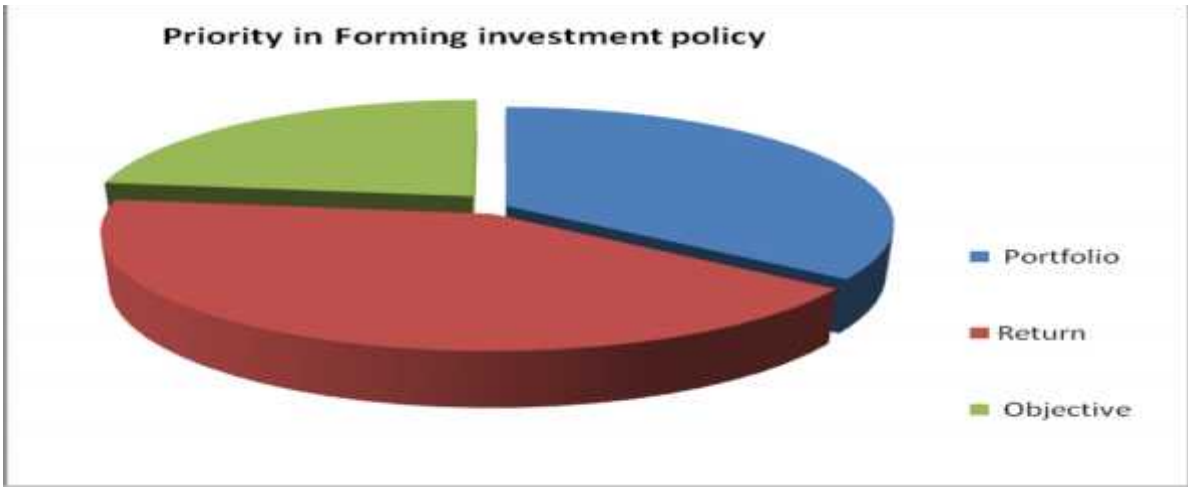
Priority in formulating investment policy

S.N.	Options	No. of viewers	%
1	Portfolio of investment	21	35
2	Return from investment	25	42
3	Objectives of investment	14	23

Source:- Appendix- XVI

Chart No. 26

Priority in Forming Investment Policy



Above chart shows that about 35% of the viewer are in the favor of giving priority in portfolio while forming investment policy. About 42% think that they should focus on return from investment and 23% are in the opinion of objectives. Therefore, viewers are totally diversified in the case of giving more while formulating investment policy.

4.2.1.9 Suitable sector for investment

More premium collection only cannot neither fulfill the companies' objectives nor meet the target of company's profit. Therefore, for getting the objective and increasing the wealth of companies, every company should invest their collected fund in most profitable, liquid able and secure sector. So, to know in which sector today insurance companies are investing, this query is prepared. The following chart shows the number of person and percentage in the favor of options given in the opinion survey. Suitable sector for investing fund

Table No. 32

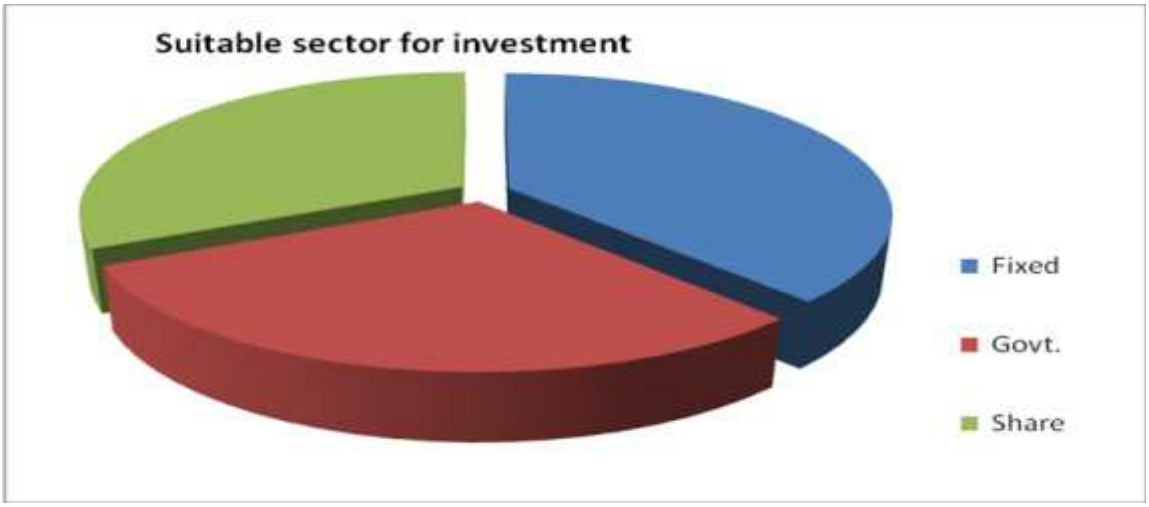
Suitable sector for investment

S.N.	Options	No. of viewers	%
1	Fixed deposit	23	38
2	Gov. saving bond	18	30
3	Share	19	32

Source:- Appendix- XVI

Chart No. 27

Suitable sector for investment



The above chart shows that the investment sector is different for different insurance companies. About 38% of the viewers are interested to invest the collected premium and fund in fixed deposit while 30% wants to invest in government saving bond,32% in share. The upper three sectors are the use to insurance companies, which get more weight.

4.2.1.10 Able to get desired return from investment

Choosing the best method and sector of investment only does not fulfill the objective of the companies. To determine the success, one should look into the return of investment that the company. Thus, this query is intended to find out whether insurance companies are able to get the desire return from the investment or not.

Table No. 33

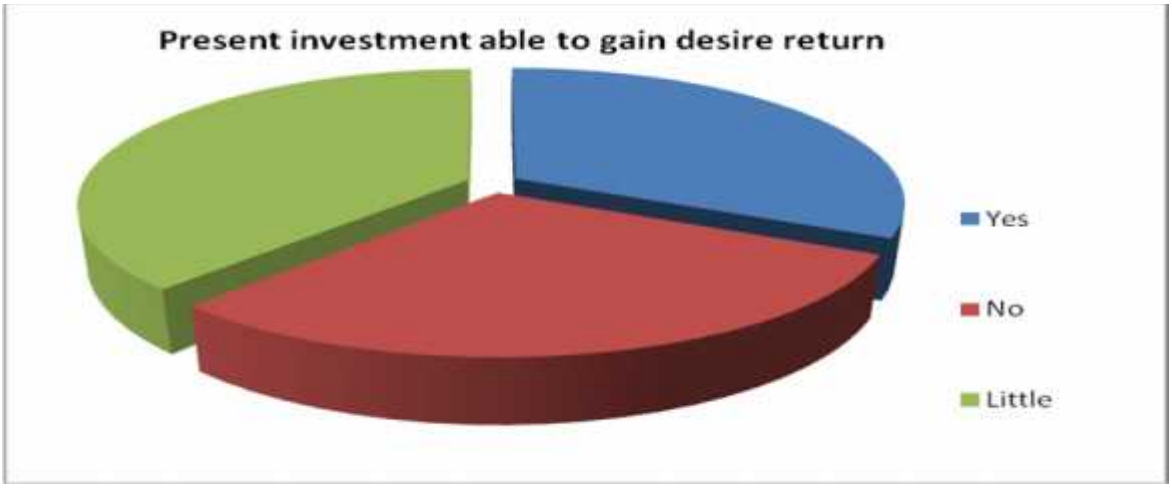
Able to get desire return from investment

S.N.	Options	No. of viewers	%
1	Yes	19	31.7
2	No	18	30
3	Little	23	38.3

Source:- Appendix- XVI

Chart No. 28

Gaining Desired Level of Return from Investment



Among the observed query around only 32% of the viewer, think that they are getting the desired level of return from present return. Besides these about 30% of viewer are in against and suggest improving the investment policy or sector as they have seen that the return from the investment in present context is not sufficient. About 38% of the viewers give opinion that only little return is gaining from present investment so need to improve this situation.

4.2.1.11 Current Investment Situation of Nepalese Insurance Companies

This question intended to find out the weight given by the insurers to the current investment system of Nepalese insurance companies. Now a days we are facing critical crises and worse situation in national economy which directly affects the insurance companies also. For finding how well companies are taking this situation, this query is forwarded. The following chart shows the number of person and percentage in the favor of options given in the opinion survey.

Table No. 34

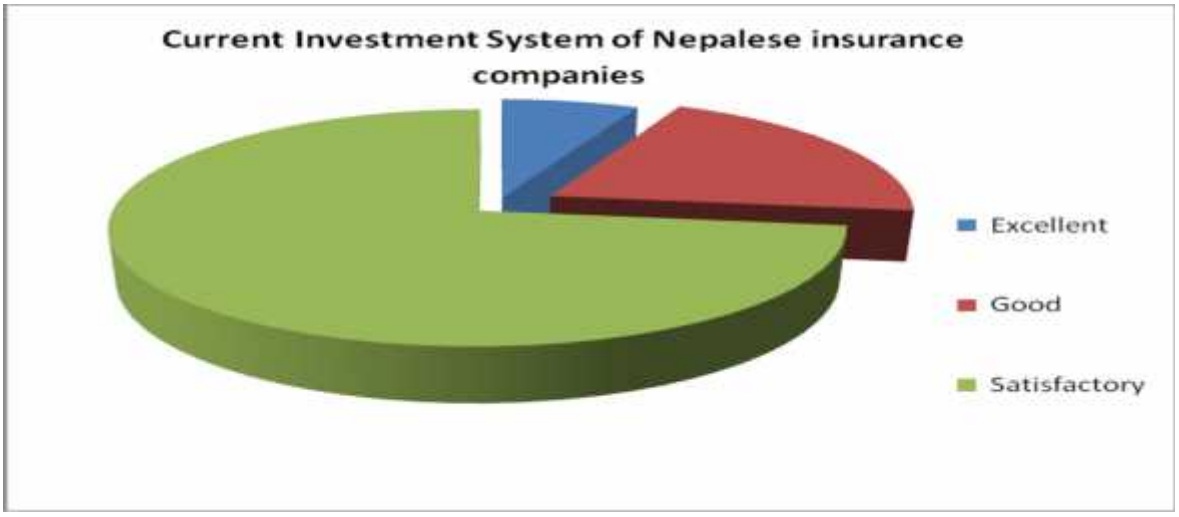
Current investment situation of Nepalese insurance companies

S.N.	Options	No. of viewers	%
1	Excellent	12	20
2	Good	44	73
3	Satisfactory	4	7

Source:- Appendix- XVI

Chart No. 29

Current Investment System of Insurance Companies



Among the observed query, around 73% are in the favor of the opinion satisfactory; it means Nepalese Insurance Companies are facing problems from current situation. Other 20% viewer thinks that the current system of investment is good and only 7% are in the favor of excellent and good, it is about in satisfactory position.

Evaluation of Insurer Views regarding the Current Situation, Problems facing and Others Aspect

4.2.1.12 Role of Insurance business for economic growth of country

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

All the viewers have the same opinions regarding the role of insurance company in economic growth of country i.e. significant role. No body has said of insignificant and minor role. Therefore, we can conclude that insurance companies have great deal of role in economic growth of the country.

4.2.1.13 Major threats of insurance business at present condition

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

Table No. 35

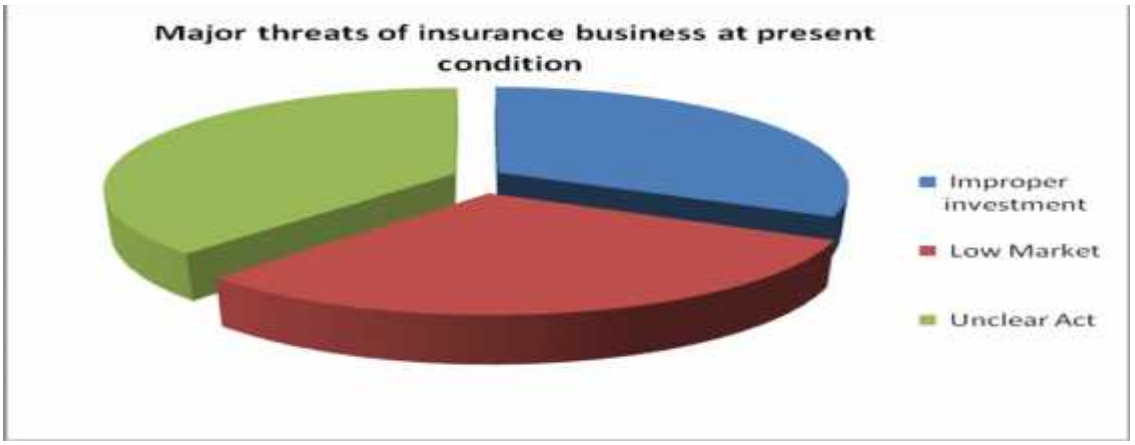
Major threats of Insurance Business

S.N.	Options	No. of viewers	%
1	Improper investment of fund	19	31.7
2	Low market opportunities	18	30
3	Unclear act	23	38.3

Source:- Appendix- XVI

Chart No. 30

Major threats of Insurance Companies



The above chart and figure show that 32% of the viewer accept improper investment of fund as major threats while 30% take low market opportunities as threats and highest percentage of 38 %think unclear act published by government regarding insurance business is major threats. So, different viewers accept different types of threats as major.

4.2.1.14 Problems Facing by Insurance Companies

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

Table No. 36

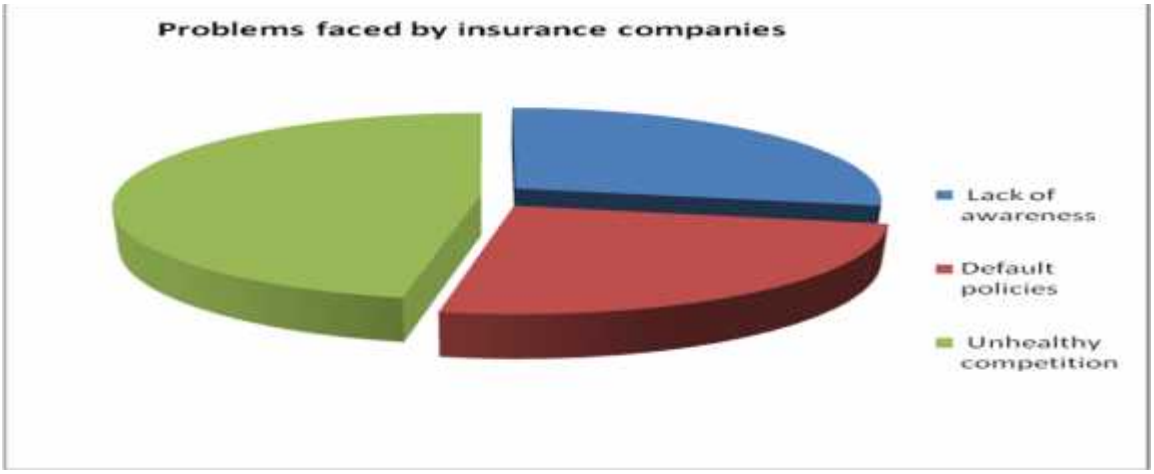
Problems facing by insurance companies

S.N.	Options	No. of viewers	%
1	Lack of awareness	17	28
2	Default policies	15	25
3	Unhealthy competition	28	47

Source:- Appendix- XVI

Chart No. 31

Problems Facing by Insurance Companies



Among the viewers, 28% accept lack of awareness as major problems by insurance companies while 25% think the main problem is default policies of government and companies too. Rest 40% of the viewer considers unhealthy competition is the main problems, which the insurance companies are facing too. As the numbers of companies are increasing day to day, companies are practicing unhealthy competition for their existence and growth.

4.2.1.15 Reasons for not Focusing rural area by insurance companies

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

Table No. 36

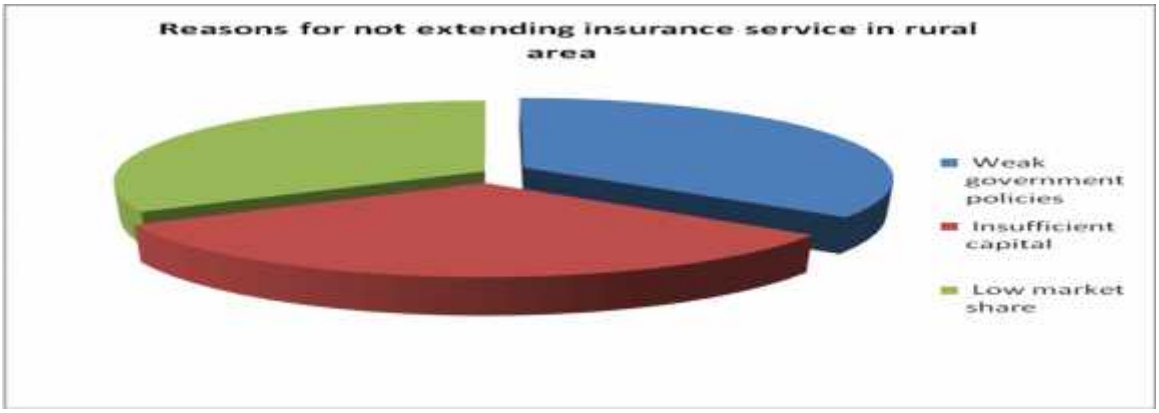
Reasons for not focusing rural areas

S.N.	Options	No. of viewers	%
1	Weak government policies	21	35
2	Insufficient capital to invest	19	32
3	Low market share	20	33

Source:- Appendix- XVI

Chart No. 32

Forces not to extend Insurance Service in Rural Area



From the chart presented above, we can say that neglecting services in the rural area is not of only one reason. All the reasons presented above play role for it. According to it, 35% of the viewer think that it due to weak government policies, 32% think that of insufficient capital to invest, 33% suppose due to the low market share.

4.2.1.16 To be done for the stability and growth of insurance companies in Nepal

Insurance companies are also considering as the major financial transaction institution. They have play a very much role in develop in economy condition of the country and provides better services, recover damages, control on risk, contribution on gross domestic product (GDP), they should be control, supervise and develop significantly and effectively. To query about the most essential factor, this question is included here. The following figure and chart show the number of persons in the favor of options in the opinions survey.

Table No. 37

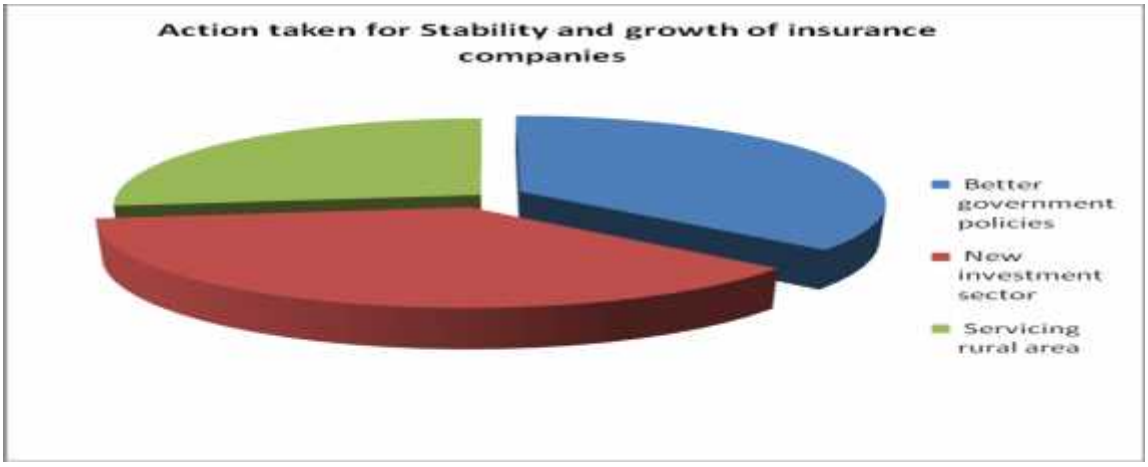
Stability and growth of insurance companies

S.N.	Options	No. of viewers	%
1	Better government policies	22	36
2	New investment sectors	23	37
3	Servicing rural areas	15	27

Source:- Appendix- XVI

Chart No. 33

Improvement for Stability and Growth of Insurance



The above figure and chart shows that we should take necessary step for the growth and stability of insurance companies. About 36% of the viewers suggest for the better government policies, 37% of viewer think to invest the fund in new area, 27% of people suggest extending the insurance service to rural area.

4.3 Major Findings of the Study

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

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

Based on Secondary Data Presentation and analysis some important findings were as follows:

- Earning Per Share of insurance companies is fluctuate in nature. Sagarmatha insurance has only increasing trend in EPS. Premier insurance has highest EPS of 61.16 in 062/63 while Neco insurance has lowest EPS of 0.58 at 063/64. All the insurance company has medium type of EPS and they are fluctuating in high ratio to each year. So, this will be the harmful to the insurance companies.

- Market values of share of insurance companies are differing from each other and their trend is also fluctuating by the year passes. Premier,and Everest insurance are decling from the beginning of the year to end of the year. While Neco insurance has decreasing trend from 061/62 to 063/64 then after it has increasing trend. Sagarmatha insurance has increasing trend from 061/62 to 063/64 then after it has decreasing trend. The variation in market price is due to increase in number of shares and high competitions among companies.

- The insurance industry has not consisted in the investment proportion of various investment sector and investment portfolio too but they have similarity in investment sectors, however the return on premium and interest earned to total premium collection ratio of insurance industry are in fluctuate trend in study period.

- Among, the insurance policy, the ratio of premium collection is higher in fire insurance and motor insurance and lower in marine and engineering policy.

- Claim paid ratio is increasing according, but the percentage increase is very low in respect to increase in premium collection.

- Return on investment is not satisfied, as the maximum return is only 18.73% and minimum is 0.29%. The average of return on investment of insurance of five years is about 8.67%.
- Interest earned on total investment is also not satisfied. Interest earned on investment is lower that is only 5.85% in an average.

- Investment on premium shows that more than 50% of premium amount is investment in different sector. The percentage is up to 111% due to investment from other source like capital and share.

- The trends of investing the fund of insurance companies are limited. They are investing is only specified or certain sectors. The bank deposit amount covers more than 70% of total investment, then in government bond, share and emergency investment fund respectively. So, they extend their investing sectors for more return and profit.

- The trend analysis of aggregate premium collection and investment shows that there is increasing trend in premium collection and investment amount but has fluctuating trend in respective policy.

- The coefficient of correlation between investment and average net profit earned seems to be high degree but insignificant relationship in case of premier insurance but all other have high degree positive correlation and significant relationship.

- The coefficient of correlation between premium and investment of Nepalese insurance industry has high degree positive correlation with significant relationship.

- The analysis of correlation between premium collection and investment of sampled companies show different relationship among the companies. Except Sagarmatha insurance because it has significant and high degree positive correlation.

- The analysis of correlation between premium collection and claim paid of sampled insurer and industry has positive relationship. However premier insurance has insignificant relation but all other have significant relationship.

- The test of hypothesis of total premium of five sampled insurer has significantly different. It indicates that the premium amount of companies has differed.

- The test of hypothesis of total investment amount of five sampled insurer has significantly different. It indicates that the investment amount of companies has differed.
- 'F' test for claim paid for insurance industries seems that, there is significant difference in claim paid. Hence, the claim paid is also differ among the Nepalese insurer.

- The test of hypothesis 'F' statistic of an income earned is significant different at 5% level of significance. It means there is variation in income earned ratio of Nepalese insurance industry.

- From the analysis of GDP in Nepalese economy by insurance companies is increasing year per year. However, the ratio is not satisfied in respect to total GDP.

- Various problems are existing for the development and growth of insurance companies in which main are limited scope for business, great competition among existed companies, lack of awareness, educational level and one-sided economic condition.

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

- In the case of premium collection condition of Nepalese insurance, there are variations of view. 75% of the insurers are side of good, 25% are in side of satisfactory and none is in side of excellent. But, 50% of the viewers are satisfied with the premium collection system and rest 43% and 7% are in side of somewhat right and wrong system.

- However, almost, of the insurer can collect the premium under their target. Only 33% of the insurer cannot collect under target and 67% are able to collect in between target. However, more than 72% of the insurance are not agree with the premium rate that is issued by Beema Samittee(Government of Nepal).

- Regarding customer's satisfaction of service and premium rate, different result has come out. About 5% have excellent service while 30% are in good side, 40% are in satisfactory side and 25% are satisfied with present premium rate and services.

- The premium collection rate of Nepalese insurance industry has been fluctuating trend under all respective policy in each year and differentiation in investment amount with respective investment sector (optional and compulsory). But almost of the insured chargeable rate of premium is based on beema samittee's regulation. However, as for life insurance, premium is calculates personal character sticks of insured person under based on Beema Samittee's regulation and policy.

- Almost of the companies followed the investment policy at investing a fund but some insurer give less importance on investment policy and they invest their fund only accordance to government rules and regulation and management desire. Although the entire insurer concerns with investment management and they heartily accepted if too.

- All the insurer or insurance industry prefers the portfolio to investment a fund and they accept its essence in investment. However only 47% of insurer utilizes and maintain the maximum beneficial investment policy among the insurer. Among the investment sector 31% of the insurer addressed their importance in fixed deposit, 30% are in side of government saving bond and rest of favor to make combination of investment sectors. Their view shows the higher preference to bank fixed deposit of insurer.

- Giving priority while forming investment policy, more than 35% are inside of portfolio, 42% concerned with the return from investment and 23% give priority to objectives. So, most companies now are focusing on the return from the investment.

- Regarding the earning desired return from the investment, 32% are able to get desired level of earning while 30% are unable to reach desired level and 38% earn only little in desired earning.

- From the data collected from the viewer, 7% think that current investment system of insurance companies is excellent while 20% think of good and remaining 73% are only satisfied with present investment system.

- Like other business, insurance business has also very much contribution on economic growth.Viewers think improper investment of fund, low market opportunities and unclear act as major threats of current insurance business in Nepal.

- The major problems indicated are lack of awareness, default policies and unhealthy competition and the focus is on unhealthy competition among companies.

- Viewers pointed 32% on weak government policies, 30% on insufficient capital to invest, 23% on low market share and remaining 15% in difficult topography as the reasons for not extending insurance business in rural area.

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

CHAPTER V

Summary, Conclusion and Recommendation

5.1 Summary

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

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

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

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

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

Insurance business is found in urban area only. In Nepal, there is the possibility of extending the insurance business in remote area. This party can be taken as an opportunity.

Among the 25 insurance companies, the study has been taken to evaluate the premium collection and investment pattern of industry through the sample basis. The study analyzed the annual report of five years starting from 061/62 to 065/66of premier, Everest, Sagarmatha, Neco and Alliance insurance are taken for the purpose of the study. Primary and secondary data are collected from relevant sources and to reveal the problems, financial as well as statistical tools are applied. The recommendation is provided based on findings from analysis.

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

5.2 Conclusion

As there is no any evidence or establishment of insurance companies, people were engaging in Guthee. In Nepal the history of insurance companies began only after the 2o24 under the Nepal Company Act, 2021. A year later, the company started operating with same name but under National Insurance Corporation Act 2025. On 2030 five years after its establishment, life insurance was introduced. However due to unclear act and policy only few companies came into existence. The growth of insurance business starts

effectively only after the Nepal Insurance Act 2049. After the 2049, a number of insurance companies are established and working which is going today also. Altogether, there are 25 insurance companies until 2067.From the ananysis and presentation of the data we are coming into following conclusions:-

- This study is concentrate on the premium collection and investment position and pattern of insurances industry in Nepal. Companies are aimed at evaluating and analyzing the premium collection trend.

- Insurance contributes to society by favorably affecting the apportionment of the factors of production, engaging in loss prevention activities, identifying losses serving as a basis of the credit structures, eliminating worry and providing a channel for investible fund.

- The rules and regulation relating to the investment aspect of life and non life insurance industry must be differentiating according to the differentiating nature of the future use of the invested funds, occurrence of the invested funds, and the invisibility of such funds.

- Ratio analysis and trend analysis show that as the transaction amount is increased, the increase in percentage is not so satisfactory. Increase in premium collection has fluctuated nature and investment fund is low in comparison to other financial companies.

- Nepalese insurance has followed traditional policy. They are not innovating modern and developed method and policy head for collecting premium. Under only limited insurance head, they are providing services. Similarly, in very few factors, insurance companies are investing their fund. They have seen only the fixed deposit and government saving fund as save and risk free sectors.

- Some insurance companies have net return low than interest received from deposit. Similarly, EPS and MPS of insurance companies are not satisfactory in respect to other financial institution like bank and finance.

- Some insurance companies have lower rate of income than interest received from fixed deposit and market share value lower than called up price. For increasing these sectors, better performance and result should draw out.

- Because of poor performance of premium collection and mobilization i.e. investing in suitable sectors, insurance companies are unable to meet the target and are unable to contribute great percentage on GDP. As the amount, contribution in GDP is increasing and the role of insurance companies in economic growth is significant but percentage increase is not ascending trend.

- Although, Nepali insurance industry runs smoothly with profit, they faced various problems. The main problem is cut throat competition because of the liberalization and privatization.

- Under rating, price cutting and unhealthy competition are the problems of insurance business in Nepal. Submission procedures for claim and premium are not clear to clients. Thus, there is delay in claim settlement.

- The volumes of transaction are increasing tremendously year by year but the growth of net earning is not in the same ratio. It is because of private waiting under raining and cut throat competition in the market.

- The insurance industry has not consisted in the investment proportion of various investment sector and investment portfolio too but they have similarity in investment sectors, however the return on premium and interest earned to total premium collection ratio of insurance industry are in fluctuate trend in study period.

- The premium collection rate of Nepalese insurance industry has been fluctuating trend under all respective policy in each year and differentiation in investment amount with respective investment sector (optional and compulsory). But almost of the insured chargeable rate of premium is based on beema samittee's

regulation. However, as for life insurance, premium is calculates personal character sticks of insured person under based on Beema Samittee's regulation and policy.

- The entire insurer should improve their premium collection system and investment systems too and try to increase customer service by providing different facilities and to withdraw unnecessary process of insurance and followed scientific insurance system.

- In the context of Nepal, insurance business is one of the business, which has not any loss and it suffered at profit from establishment date to till now. But the trend of premium collection investment and profit earned are fluctuated.

- Almost of the companies followed the investment policy at investing a fund but some insurer give less importance on investment policy and they invest their fund only accordance to government rules and regulation and management desire. Although the entire insurer concerns with investment management and they heartily accepted if too.

- Giving priority while forming investment policy, more than 35% are inside of portfolio, 42% concerned with the return from investment and 23% give priority to objectives. So, most companies now are focusing on the return from the investment.

- Investment on premium shows that more than 50% of premium amount is investment in different sector. The percentage is up to 111% due to investment from other source like capital and share.

- The trends of investing the fund of insurance companies are limited. They are investing is only specified or certain sectors. The bank deposit amount covers more than 70% of total investment, then in government bond, share and emergency investment fund respectively. So, they extend their investing sectors for more return and profit.

5.3 Recommendation

The recommendation are made as per the analysis of primary, secondary and valid findings from the study as well as relating information about Nepalese insurance industry. They have barrier from government rules and regulation and through other relevant side these correctives action needs to be introduced:

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

- The entire insurer should follow the investment policy and improves its management. In addition, should maintain and make uniformity on premium collection under all insurance policies and should try to reduce in claim paid amount.

- The insurer should enforce the diversification among the investment portfolio. In past, the insurer didn't seem to enforce the diversification. Such diversification will be able to manage level for rising and minimized in the long run.

- From the analysis of study and research on interview, field observation of Nepalese insurer, following facts are concluded there is no sound policy and separate department for investing a fund but it is necessary to manage. Therefore, the entire insurer should manage a separate department for the purpose investment and gain return without risk.

- As immediate corrective measure, they should look for increased net rate of investment return in aggregate. In present condition, some of the insurers are in worse position that their return is lower than market rate of return from bank fixed deposits.

- The entire insurer should improve their premium collection system and investment systems too and try to increase customer service by providing

different facilities and to withdraw unnecessary process of insurance and followed scientific insurance system.

- Insurance premium fund should be invested in different sector other than HMG bond and bank fixed deposit is order to inherence the life standard of people thereby increase the insurance premium.

- Premium earning and changes in premium analysis suggests insurer to be competitive in the market as well as their premium earnings percentage followed fluctuate trend almost all the year during the study period. Thus, the Nepalese insurance draws the attention of marketing division/department.

- Insurance companies should maintain their claim paid ratio as for size of the transaction because the claim paid ratio directly affected to the income generate.

- Insurance companies are suggested to expand insurance activities in rural area by the establishment of branches or by the appointment of agents according to its potentiality.

- The insurance companies should introduce new policies and attractive strategy to make ease for the development of insurance business.

- Nepalese insurance business should be social responsibility oriented rather than premium oriented in order to develop this business at present situation.

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Appendix – I A
Premium Collection of Insurance Companies

Premier Insurance Company Ltd.

FY	Amt.	Fire	Marine	Motor	Engineering	Aviation	Miscellaneous	Total
061/62	NRs.	25,424,793	2,936,304	31,361,304	39,400,591	0.00	18,527,319	117,650,311
	%	21.61	2.50	26.66	33.49	-	15.75	100
062/63	NRs.	28,124,366	3,448,661	3,215,052	106,132,469	0.00	21,598,394	162,518,942
	%	17.31	2.12	1.98	65.30	-	13.29	100
063/64	NRs.	33,164,862	3,097,074	34,435,173	731,572	0.00	24,633,597	96,062,278
	%	34.52	3.22	35.85	0.76	-	25.64	100
064/65	NRs.	34,763,880	4,309,153	58,492,477	105,548,976	0.00	33,709,952	236,824,438
	%	14.67	1.82	24.69	44.57	-	14.23	100
065/66	NRs.	38,209,823	5,452,624	62,084,694	3,796,736	0.00	31,490,161	141,034,038
	%	27.09	3.87	44.02	2.69	-	22.33	100

Everest Insurance Company Ltd.

FY	Amt.	Fire	Marine	Motor	Engineering	Aviation	Miscellaneous	Total
061/62	NRs.	50,688,890	22,653,163	41,064,848	7,128,361	116,859,984	35,918,680	274,313,926
	%	18.48	8.26	14.97	2.60	42.60	13.09	100
062/63	NRs.	52,704,058	22,169,511	47,687,590	8,658,091	32,933,527	42,886,549	207,039,326
	%	25.46	10.71	23.03	4.18	15.91	20.71	100
063/64	NRs.	59,355,213	20,292,510	46,460,985	10,391,939	44,962,734	41,512,278	222,975,659
	%	26.62	9.10	20.84	4.66	20.16	18.62	100
064/65	NRs.	76,185,815	16,832,984	117,837,473	25,948,324	46,651,397	55,508,501	338,964,494
	%	22.47	4.97	34.76	7.77	13.76	16.37	100
065/66	NRs.	81,854,716	15,513,230	194,519,216	35,333,037	53,646,628	68,967,233	449,834,061
	%	18.19	3.45	43.24	7.85	11.93	15.33	100

Sagarmatha Insurance Company Ltd.

FY	Amt.	Fire	Marine	Motor	Engineering	Aviation	Miscellaneous	Total
061/62	NRs.	42,857,000	22,757,000	52,239,000	3,492,000	0.00	19,463,000	140,808,000
	%	30.44	16.16	37.10	2.48	-	13.82	100
062/63	NRs.	57,436,000	24,719,000	72,768,000	4,822,000	0.00	23,806,000	183,551,000
	%	31.29	13.47	39.64	2.63	-	12.97	100
063/64	NRs.	56,062,000	25,914,000	94,136,000	4,894,000	0.00	20,631,000	201,637,000
	%	27.80	12.85	46.69	2.43	-	10.23	100
064/65	NRs.	61,056,550	27,844,900	89,360,000	5,469,000	0.00	30,500,000	214,230,450
	%	28.50	12.99	41.71	2.55	-	14.24	100
065/66	NRs.	64,750,000	35,960,000	84,750,000	5,700,000	0.00	35,865,000	227,025,000
	%	28.52	15.84	37.33	2.51	-	15.79	100

Source: Annual Report

Appendix – I B
Premium Collection of Insurance Companies

Neco Insurance Company Ltd.

FY	Amt.	Fire	Marine	Motor	Engineering	Aviation	Miscellaneous	Total
061/62	NRs.	27,812,267	6,841,806	25,991,138	2,674,030	6,895,619	26,436,911	96,651,771
	%	28.78	7.08	26.89	2.77	7.13	27.35	100
062/63	NRs.	30,628,345	8,743,150	29,128,909	4,820,707	18,384,615	22,279,252	113,984,978
	%	26.87	7.67	25.56	4.23	16.13	19.55	100
063/64	NRs.	31,413,908	8,040,837	24,463,554	2,098,424	26,664,024	26,965,974	119,646,721
	%	26.26	6.72	20.45	1.75	22.29	22.54	100
064/65	NRs.	48,733,400	4,641,358	39,916,725	8,408,596	5,998,109	35,870,964	143,569,152
	%	33.94	3.23	27.80	5.86	4.18	24.98	100
065/66	NRs.	54,797,007	5,701,848	42,362,784	19,070,697	7,546,342	43,019,793	172,498,471
	%	31.77	3.30	24.56	11.06	4.37	24.94	100

Alliance Insurance Company Ltd.

FY	Amt.	Fire	Marine	Motor	Engineering	Aviation	Miscellaneous	Total
061/62	NRs.	19,317,000	3,714,000	53,629,000	3,648,000	52,080,000	17,543,000	149,931,000
	%	12.88	2.48	35.77	2.43	34.74	11.70	100
062/63	NRs.	24,773,000	3,917,000	65,469,000	4,412,000	24,279,000	17,229,000	140,079,000
	%	17.69	2.80	46.74	3.15	17.33	12.30	100
063/64	NRs.	29,823,000	2,369,000	76,031,000	2,620,000	0.00	20,689,000	131,532,000
	%	22.67	1.80	57.80	1.99	-	15.73	100
064/65	NRs.	36,745,600	3,159,000	79,345,000	3,625,000	27,899,400	27,790,000	178,564,000
	%	20.58	1.77	44.43	2.03	15.62	15.56	100
065/66	NRs.	41,897,400	2,785,000	84,950,000	4,127,000	29,740,000	39,740,000	203,239,400
	%	20.61	1.37	41.79	2.04	14.63	19.55	100

Source: Annual Report

Appendix – II A
Investment Portfolio of Insurance Companies

Premier Insurance Company Ltd.

FY	Amt.	Fixed Deposit	Govt. Security Bond	Share	Emgc. Inc. Fund	Total
061/62	NRs.	64,626,019	13,725,000	4,164,981	3,571,429	86,087,429
	%	75.07	15.94	4.84	4.15	100
062/63	NRs.	76,515,253	13,725,000	4,164,981	3,571,429	97,976,663
	%	78.10	14.01	4.25	3.65	100
063/64	NRs.	81,907,009	13,725,000	8,200,981	3,571,429	107,404,419
	%	76.26	12.78	7.64	3.33	100
064/65	NRs.	89,907,500	13,725,000	60,650,000	3,571,429	167,853,929
	%	53.56	8.18	36.13	2.13	100
065/66	NRs.	77,850,000	13,725,000	47,860,000	3,571,429	143,006,429
	%	54.43	9.59	33.47	2.49	100

Everest Insurance Company Ltd.

FY	Amt.	Fixed Deposit	Govt. Security Bond	Share	Emgc. Inc. Fund	Total
061/62	NRs.	86,532,400	25,000,000	3,032,300	-	114,564,700
	%	75.53	21.82	2.65	0.00	100
062/63	NRs.	85,820,500	25,000,000	3,032,300	-	113,852,800
	%	75.38	21.96	2.66	0.00	100
063/64	NRs.	110,332,500	29,000,000	2,347,297	-	141,679,797
	%	77.87	20.47	1.66	0.00	100
064/65	NRs.	154,332,500	57,000,000	3,147,297	-	214,479,797
	%	71.96	26.58	1.47	0.00	100
065/66	NRs.	194,960,000	41,250,000	2,749,284	-	238,959,284
	%	81.59	17.26	1.15	0.00	100

Sagarmatha Insurance Company Ltd.

FY	Amt.	Fixed Deposit	Govt. Security Bond	Share	Emgc. Inc. Fund	Total
061/62	NRs.	98,500,000	22,300,000	14,381,410	-	135,181,410
	%	72.87	16.50	10.64	0.00	100
062/63	NRs.	113,700,000	22,300,000	14,383,060	-	150,383,060
	%	75.61	14.83	9.56	0.00	100
063/64	NRs.	133,861,595	22,300,000	14,261,434	-	170,423,029
	%	78.55	13.09	8.37	0.00	100
064/65	NRs.	139,874,560	24,600,000	15,721,640	-	180,196,200

	%	77.62	13.65	8.72	0.00	100
065/66	NRs.	146,946,000	24,600,000	17,294,000	-	188,840,000
	%	77.82	13.03	9.92	0.00	100

Source: Annual Report

Appendix – II B
Investment Portfolio of Investment Companies

Neco Insurance Company Ltd.

FY	Amt.	Fixed Deposit	Govt. Security Bond	Share	Emgc. Inc. Fund	Total
061/62	NRs.	97,025,000	-	-	3,571,429	100,596,429
	%	96.45	0.00	0.00	3.55	100
062/63	NRs.	97,525,000	-	-	3,571,429	101,096,429
	%	96.47	0.00	0.00	3.53	100
063/64	NRs.	97,425,000	-	-	-	97,525,000
	%	100.00	0.00	0.00	0.00	100
064/65	NRs.	99,500,000	7,815,000	35,496,000	-	142,811,000
	%	69.67	5.47	24.86	0.00	100
065/66	NRs.	102,571,000	9,765,000	37,486,000	-	149,822,000
	%	68.46	6.52	25.02	0.00	100

Alliance Insurance Company Ltd.

FY	Amt.	Fixed Deposit	Govt. Security Bond	Share	Emgc. Inc. Fund	Total
061/62	NRs.	77,625,500	7,025,000	4,500	3,571,429	88,226,429
	%	87.98	7.96	0.01	4.05	100
062/63	NRs.	53,800,000	7,025,000	4,500	3,571,429	64,400,929
	%	83.54	10.91	0.01	5.55	100
063/64	NRs.	59,700,000	7,025,000	4,500	3,571,429	70,300,929
	%	84.92	9.99	0.01	5.08	100
064/65	NRs.	97,500,000	7,025,000	4,500	3,571,429	108,100,929
	%	90.19	6.50	0.01	3.30	100
065/66	NRs.	101,290,000	7,025,000	4,500	3,571,429	111,890,929
	%	90.53	6.28	0.01	3.32	100

Source: Annual Report

Appendix – III
Premium Collection and Investment of Insurance companies

Figure in Million

Insurance Company	Amount	2061/62	2062/63	2063/64	2064/65	2065/66
Premier Insurance Company	Investment	86.09	97.98	107.40	167.85	143.01
	Premium	117.65	162.52	96.06	236.82	141.03
	Percentage	73.17	60.29	111.81	70.87	101.39
Everest insurance company	Investment	114.56	113.85	141.68	214.48	238.96
	Premium	274.31	207.04	222.98	338.96	449.83
	Percentage	41.76	54.99	63.54	63.28	53.12
Sagarmatha Insurance company	Investment	135.18	150.38	170.42	180.19	188.84
	Premium	140.81	183.55	201.64	214.23	227.03
	Percentage	96.00	81.93	84.52	84.11	83.18
Neco Insurance Company	Investment	100.60	101.10	101.10	142.81	149.82
	Premium	96.65	113.98	119.65	143.57	172.49
	Percentage	104.08	88.69	84.50	99.47	86.85
Alliance insurance Company	Investment	88.23	64.40	70.30	108.10	111.89
	Premium	149.93	140.08	131.53	178.56	203.24
	Percentage	58.84	45.97	53.45	60.54	55.05
Average of Year	Investment	104.93	105.54	118.18	162.686	152.076
	Premium	155.87	161.43	154.37	222.428	238.724

Source: Annual Report

Appendix – IV
Claim Paid to premium Collection Insurance Companies

Figure in Million

Insurance Company	Amount	2061/62	2062/63	2063/64	2064/65	2065/66
Premier Insurance Company	Claim Paid	23.69	36.93	54.75	105.76	65.15
	Premium	117.65	162.52	96.06	236.82	141.03
	Percentage	20.13	22.73	56.99	44.66	46.19
Everest insurance company	Claim Paid	23.39	19.77	28.13	137.45	210.67
	Premium	274.31	207.04	222.98	338.96	449.83
	Percentage	8.53	9.55	12.62	40.55	46.83
Sagarmatha Insurance company	Claim Paid	22.50	24.72	46.18	95.69	103.29
	Premium	140.81	183.55	201.64	214.23	227.03
	Percentage	15.98	13.47	22.90	44.67	45.50

Neco Insurance Company	Claim Paid	16.84	16.75	13.14	41.61	77.82
	Premium	96.65	113.98	119.65	143.57	172.49
	Percentage	17.42	14.69	10.98	28.98	45.11
Alliance insurance Company	Claim Paid	16.84	22.26	23.63	69.74	84.63
	Premium	149.93	140.08	131.53	178.56	203.24
	Percentage	11.23	15.89	17.96	39.06	41.63
Average of Year	Claim Paid	20.65	24.09	33.16	90.05	108.312
	Premium	155.87	161.43	154.37	222.428	238.724

Source: Annual Report

Appendix - V
Return on Premium Collection on Insurance Companies

Insurance Company	**Amount**	**2061/62**	**2062/63**	**2063/64**	**2064/65**	**2065/66**
Premier Insurance Company	Income	7,536,119	18,347,181	15,582,928	10,464,171	13,645,472
	Premium	117,650,311	162,518,942	96,062,278	236,824,438	141,034,038
	Percentage	6.41	11.29	16.22	4.42	9.97
Everest insurance company	Income	17,165,038	10,121,927	12,542,403	6,497,829	36,607,924
	Premium	274,313,926	207,039,326	222,975,659	338,964,494	449,834,061
	Percentage	6.26	4.89	5.63	1.92	8.14
Sagarmatha Insurance company	Income	15,791,022	16,949,364	16,902,350	21,680,122	25,676,528
	Premium	140,808,000	183,551,000	201,637,000	214,230,450	227,025,000
	Percentage	11.21	9.23	8.38	10.12	11.31
Neco Insurance Company	Income	4,433,545	1,503,601	295,734	1,634,081	7,954,522
	Premium	96,651,771	113,984,978	119,646,721	143,569,152	172,498,471
	Percentage	4.59	1.32	0.25	1.14	4.61
Alliance insurance Company	Income	1,996,156	3,347,119	6,576,231	11,142,394	10,913,956
	Premium	149,931,000	140,079,000	131,532,000	178,564,000	203,239,400
	Percentage	1.33	2.39	5.00	6.24	5.37

Source: Annual Report

Appendix – VI
Interest Earned to Total Investment of Insurance Companies

Insurance Company	**Amount**	**2061/62**	**2062/63**	**2063/64**	**2064/65**	**2065/66**
Premier Insurance Company	Interest	6,174,448	6,349,831	7,166,651	11,984,771	13,228,095
	Investment	86,087,429	97,976,663	107,404,419	167,853,929	143,006,429
	Percentage	7.17	6.48	6.67	7.14	9.25
Everest insurance company	Interest	4,130,678	5,317,278	7,862,891	8,986,703	12,521,467
	Investment	114,564,700	113,852,800	141,679,797	214,479,797	238,959,284
	Percentage	3.61	4.67	5.55	4.19	5.24
Sagarmatha Insurance	Interest	8,505,566	9,447,143	9,945,027	12,199,283	11,764,732
	Investment	135,181,410	150,383,060	170,423,029	180,196,200	188,840,000

company	Percentage	6.29	6.28	5.84	6.77	6.23
Neco Insurance Company	Interest	7,177,027	5,871,255	5,166,382	3,884,459	4,884,197
	Investment	100,596,429	101,096,429	101,096,429	142,811,000	149,822,000
	Percentage	7013	5.81	5.11	2.72	3.26
Alliance insurance Company	Interest	4,848,757	4,289,794	4,367,516	7,102,231	6,590,375
	Investment	88,226,429	64,400,929	70,300,929	108,100,929	111,890,929
	Percentage	5.50	6.66	6.21	6.57	5.89

Source: Annual Report

Appendix – VII
Net Return to Total Investment of Insurance Companies

Insurance Company	**Amount**	**2061/62**	**2062/63**	**2063/64**	**2064/65**	**2065/66**
Premier Insurance Company	Income	7,536,119	18,347,181	15,582,928	10,464,171	13,645,472
	Investment	86,087,429	97,976,663	107,404,419	167,853,929	143,006,429
	Percentage	8.75	18.73	14.51	6.23	9.54
Everest insurance company	Income	17,165,038	10,121,927	12,542,403	6,497,829	36,607,924
	Investment	114,564,700	113,852,800	141,679,797	214,479,797	238,959,284
	Percentage	14.98	8.89	8.85	3.03	15.32
Sagarmatha Insurance company	Income	15,791,022	16,949,364	16,902,350	21,680,122	25,676,528
	Investment	135,181,410	150,383,060	170,423,029	180,196,200	188,840,000
	Percentage	11.68	11.27	9.92	12.03	13.59
Neco Insurance Company	Income	4,433,545	1,503,601	295,734	1,634,081	7,954,522
	Investment	100,596,429	101,096,429	101,096,429	142,811,000	149,822,000
	Percentage	4.41	1.49	0.29	1.14	5.31
Alliance insurance Company	Income	1,996,156	3,347,119	6,576,231	11,142,394	10,913,956
	Investment	88,226,429	64,400,929	70,300,929	108,100,929	111,890,929
	Percentage	2.26	5.20	9.35	10.31	9.75

Source: Annual Report

Appendix – VIII
Net Return to No. of Share of Insurance Companies (EPS)

Insurance Company	**Amount**	**2061/62**	**2062/63**	**2063/64**	**2064/65**	**2065/66**
Premier Insurance Company	Income	7,536,119	18,347,181	15,582,928	10,464,171	13,645,472
	No. of Share	300000	300000	300000	630000	1020000
	EPS	25.12	61.16	51.94	16.61	13.38

Everest insurance company	Income	17,165,038	10,121,927	12,542,403	6,497,829	36,607,924
	No. of Share	300000	300000	600000	1012500	1012500
	EPS	57.22	33.74	20.90	6.42	36.16
Sagarmatha Insurance company	Income	15,791,022	16,949,364	16,902,350	21,680,122	25,676,528
	No. of Share	561000	561000	561000	900000	900000
	EPS	28.15	30.21	30.13	24.09	28.53
Neco Insurance Company	Income	4,433,545	1,503,601	295,734	1,634,081	7,954,522
	No. of Share	510000	510000	510000	550000	1100000
	EPS	8.69	2.95	0.58	2.97	7.23
Alliance insurance Company	Income	1,996,156	3,347,119	6,576,231	11,142,394	10,913,956
	No. of Share	499375	499375	499375	499375	499375
	EPS	4.00	6.70	13.17	22.31	21.86

Source: Annual Report

Appendix – IX
Computation of the Co-efficient of Correlation between Investment and Net Profit Earned (Income) of Nepalese Insurance

Figure in Million

Fiscal Year	X	Y	$x=X-\overline{X}$	$y=Y-\overline{Y}$	x^2	y^2	xy
061/62	104.93	9.38	-23.75	-2.43	564.25	5.90	57.72
062/63	105.54	10.05	-23.14	-1.76	535.64	3.09	40.73
063/64	118.18	10.38	-10.50	-1.43	110.33	2.04	15.02
064/65	162.69	10.28	34.006	-1.53	1156.41	2.34	-52.03
065/66	152.08	18.96	23.39	7.15	547.37	51.12	167.28
Total	643.42	59.05	0.00	0.00	2914.01	64.51	228.73

Source: Annual Report

X = Average investment of respective fiscal year of five companies
Y = Average income of respective fiscal year of five companies

$$\boxed{\overline{X}} = \frac{\sum X}{n} = \quad 643.42 / 5 = 128.684$$

$$\boxed{\overline{Y}} = \frac{\sum y}{n} = \quad 59.05 / 5 = 11.81$$

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

$$= \frac{228.73}{\sqrt{2914.01}\ \sqrt{64.51}}$$

$= 0.5275$

Computation of Probable Error(P.E.)

P.E. $= 0.6745 \text{ X } (1- r^2) / \sqrt{n}$
$= 0.6745 \text{ X } (1-0.5275^2) / \sqrt{5}$
$= 0.2177$

Now, 6 X P.E.(r)
= 6 X 0.2177
= 1.3062

Appendix – X
Computation of the Coefficient of Correlation between Investment and Total Premium Collection of Nepalese Insurance

Figure in Million

Fiscal Year	X	Y	x=X- $\overline{X}$	y =Y-$\overline{Y}$	x^2	y^2	xy
061/62	104.93	155.87	-23.75	-30.69	564.25	942.12	729.11
062/63	105.54	161.43	-23.14	-25.13	535.64	631.72	581.70
063/64	118.18	154.37	-10.50	-32.19	110.33	1036.45	338.17
064/65	162.69	222.43	34.01	35.87	1156.41	1286.37	1219.66
065/66	152.08	238.72	23.39	52.16	547.37	2720.25	1220.24
Total	643.42	932.82	0.00	0.00	2914.01	6616.91	4088.87

Source: Annual Report

X = Average investment of respective fiscal year of five companies
Y = Average premium of respective fiscal year of five companies

$\boxed{\overline{X}} = \frac{\sum x}{n} = 643.42 / 5 = 128.684$

$\boxed{\overline{Y}} = \frac{\sum y}{n} = 932.82 / 5 = 186.564$

$$r = \frac{\sum xy}{\sqrt{\quad}\ \sqrt{\quad}}$$

$$\sqrt{\quad}\ \sqrt{\quad}$$

$$= \frac{4088.87}{\sqrt{2914.01 \quad 6616.91}}$$

$$= \sqrt{\sum x^2 \sum y^2}$$

$$= 0.9312$$

Computation of Probable Error(P.E.)

$$P.E. = 0.6745 \times (1- r^2) / \sqrt{n}$$
$$= 0.6745 \times (1-0.9312^2) / \sqrt{5}$$
$$= 0.0401$$

Now, 6 X P.E.(r)

= 6 X 0.0401

= 0.2406

Appendix XI – A
F- Test for Premium Collection of Insurance Companies

Calculation of correction factor, total sum of square, sum of square between sample and sum of square within sample.

Let, X1

To simplify the calculation 100 is deducted from the amount of million

Year	X_1	X_2	X_3	X_4	X_5	$(X_1)2$	$(X_2)2$	$(X_3)2$	$(X_4)2$	$(X_5)2$
061/62	17.65	174.31	40.81	-3.35	-49.93	311.52	30383.98	1667.09	11.22	2493.01
062/63	62.52	107.04	83.55	13.98	40.08	3908.75	11457.56	6980.60	195.44	1606.41
063/64	-3.94	122.98	101.64	19.65	31.53	15.52	15124.08	10330.69	389.12	994.14
064/65	136.82	238.96	114.23	43.56	78.56	18719.71	57101.88	13048.49	1897.47	6171.67
065/66	41.03	349.83	127.03	72.49	103.24	1683.46	122381	16136.62	5254.8	10658.5
Total	**254.08**	**993.12**	**467.28**	**146.33**	**203.48**	**24638.97**	**236448.5**	**48163.49**	**7745.06**	**21923.72**

Source: Annual Report

Sum of all items (T) $= \sum x_1 + \sum x_2 + \sum x_3 + \sum x_4 + \sum x_5$

$= 254.08 + 993.12 + 467.28 + 146.33 + 203.48$

$= 2064.29$

Correction Factor(C.F.) $= T^2 / N$

$= (2064.29)^2 / 25$

$= 170451.7$

Total sum of squares (SST) $= \sum x_1^2 + \sum x_2^2 + \sum x_3^2 + \sum x_4^2 + \sum x_5^2$

= 24638.97 + 236448.5 + 48163.49 + 7745.06 + 21923.72
= 338919.8

Sum of squares between the samples (SSC)

$$=\sum(x_1)^2/n +\sum(x_2)^2/n+\sum(x_3)^2/n+\sum(x_4)^2/n+\sum(x_5)^2/n$$

$$= (254.08)^2/5 + (993.12)^2/5 +(467.28)^2/5 + (146.33)^2/5 + (203.48)^2/5$$

$$= 266402.2$$

Sum of squares within sample, (SSE)

= SST - SSC
= 338919.8 – 266402.2
= 72517.54

Note : Premium collection of insurance companies of five fiscal years is given below

Year	PIC	EIC	SIC	NIC	AIC
061/62	117.65	274.31	140.81	96.65	149.93
062/63	162.52	207.04	183.55	113.98	140.08
063/64	96.06	222.98	201.64	119.65	131.53
064/65	236.82	338.96	214.23	143.57	178.56
065/66	141.03	449.83	227.03	172.50	203.30

Appendix XI –B
ANOVA – Table

Source of Variation	**Sum of Square (SS)**	**Degree of Freedom**	**Mean Sum of Square (MS)**	**F – Ratio**
Between Sample (SSC)	266402	5-1 = 4	266402 / 4 =66600.5	Variance between sample / Variance within sample
Within Sample (SSE)	72517.54	25 – 5 = 20	72517.54 / 20 =3625.88	66600.5 /3625.88 =18.368
Total (SST)	338919.8	25 – 1 = 24	-	-

Source: Appendix XI - A

Where, Degree of freedom between sample = n – 1

Degree of freedom within sample = N – n
Degree of freedom of total = N – 1

Here,

Critical value of F at 5% level of significance for $\mu_1 = 4$, $\mu_2 = 20$ is 2.8717

Since the computed value of F(18.368) is very greater than it's tabulated value (2.87), H_0 is rejected i.e. there is significant difference between premium collection with regards to difference insurance companies at 5% level. Hence it is concluded that the premium collection of insurance companies are distinct with regards to each other.

Annex XII - A
F- Test for Investment of Insurance Companies

Calculation of correction factor, total sum of square, sum of square between sample and sum of square within sample.

Let, X1

To simplify the calculation 100 is deducted from the amount of million

Year	X_1	X_2	X_3	X_4	X_5	$(X_1)2$	$(X_2)2$	$(X_3)2$	$(X_4)2$	$(X_5)2$
061/62	-13.91	14.56	35.18	0.60	-11.77	193.49	211.99	1237.63	0.36	138.53
062/63	-2.02	13.85	50.38	1.10	-35.60	4.080	191.82	2538.14	1.21	1267.36
063/64	7.40	41.68	70.42	1.10	-29.70	54.76	1737.22	4958.98	1.21	882.09
064/65	67.85	114.48	80.19	42.81	8.10	4603.62	13105.67	6430.44	1832.69	65.61
065/66	43.01	138.96	88.84	49.82	11.89	1849.86	19309.88	7892.55	2482.03	141.37
Total	**102.33**	**323.53**	**325.01**	**95.43**	**-57.08**	**6705.811**	**34556.59**	**23057.73**	**4317.51**	**2494.97**

Source : Annual Report

Sum of all items (T) $= \sum x_1 + \sum x_2 + \sum x_3 + \sum x_4 + \sum x_5$
$= 102.33 + 323.53 + 325.01 + 95.43 - 57.08$
$= 789.22$

Correction Factor(C.F.) $= T^2 / N$

$= (789.22)^2 / 25$

$= 24914.73$

Total sum of squares (SST) $= \sum x_1^2 + \sum x_2^2 + \sum x_3^2 + \sum x_4^2 + \sum x_5^2$

$= 6705.811 + 34556.59 + 23057.73 + 4317.509 + 2494.965$

$= 71132.61$

Sum of squares between the samples (SSC)

$= \sum (x_1)^2/n + \sum (x_2)^2/n + \sum (x_3)^2/n + \sum (x_4)^2/n + \sum (x_5)^2/n$

$= (102.33)^2/5 + (323.53)^2/5 + (325.01)^2/5 + (95.43)^2/5 - (57.08)^2/5$

$= 46627.92$

Sum of squares within sample, (SSE)

$=$ SST - SSC

$= 71132.61 - 46627.92$

$= 24504.69$

Note : Total Investment of insurance companies of five fiscal years is given below

Year	PIC	EIC	SIC	NIC	AIC
061/62	86.09	114.56	135.18	100.60	88.23
062/63	97.98	113.85	150.38	101.10	64.40
063/64	107.40	141.68	170.42	101.10	70.30
064/65	167.85	214.48	180.19	142.81	108.10
065/66	143.01	238.96	188.84	149.82	111.89

Appendix XII –B
ANOVA – Table

Source of Variation	**Sum of Square (SS)**	**Degree of Freedom**	**Mean Sum of Square (MS)**	**F – Ratio**
Between Sample (SSC)	46627.92	5-1 = 4	46627.92 / 4 =11658.98	Variance between sample
				Variance within sample
Within Sample (SSE)	24504.69	25 – 5 = 20	24504.69 / 20 =1225.23	11658.98 /1225.23 =9.5157

Total (SST)	71132.61	25 – 1 = 24	-	-

Source: Appendix XII - A

Where, Degree of freedom between sample = n – 1
Degree of freedom within sample = N – n
Degree of freedom of total = N – 1

Here,
Critical value of F at 5% level of significance for $\mu_1 = 4$, $\mu_2 = 20$ is 2.8717

Since the computed value of F(9.5157) is very greater than it's tabulated value (2.87), H0 is rejected i.e. there is significant difference between total investment with regards to difference insurance companies at 5% level. Hence it is concluded that the investment of insurance companies are distinct with regards to each other.

Annex XIII - A
F- Test for Claim Paid of Insurance Companies

Calculation of correction factor, total sum of square, sum of square between sample and sum of square within sample.

Let, X1
To simplify the calculation 25 is deducted from the amount of million

Year	X_1	X_2	X_3	X_4	X_5	$(X_1)2$	$(X_2)2$	$(X_3)2$	$(X_4)2$	$(X_5)2$
061/62	-1.31	-1.61	-2.50	-8.16	-8.16	1.72	2.59	6.25	66.59	66.59
062/63	11.93	-5.23	-0.28	-8.25	-2.74	142.32	27.35	0.08	68.06	7.51
063/64	29.75	3.13	21.18	-11.86	-1.37	885.06	9.79	448.59	140.66	1.88
064/65	80.76	112.45	70.69	16.61	45.74	6522.18	12645	4997.08	275.89	2092.15
065/66	40.15	185.67	78.29	52.82	59.63	1612.02	34473.35	6129.32	2789.95	3555.74
Total	**161.28**	**294.41**	**167.38**	**41.16**	**93.10**	**9163.30**	**47158.09**	**11581.32**	**3341.15**	**5723.86**

Source : Annual Report

Sum of all items (T) $= \sum x_1 + \sum x_2 + \sum x_3 + \sum x_4 + \sum x_5$

$= 161.28 + 294.41 + 167.38 + 41.16 + 93.10$

$= 757.33$

Correction Factor(C.F.) $= T^2 / N$

$= (757.33)^2 / 25$

$= 22941.95$

Total sum of squares (SST) $= \sum x_1^2 + \sum x_2^2 + \sum x_3^2 + \sum x_4^2 + \sum x_5^2$

$= 9163.304 + 47158.09 + 11581.32 + 3341.152 + 5723.855$

$= 76967.72$

Sum of squares between the samples (SSC)

$= \sum (x_1)^2/n + \sum (x_2)^2/n + \sum (x_3)^2/n + \sum (x_4)^2/n + \sum (x_5)^2/n$

$= (161.28)^2/5 + (294.41)^2/5 + (167.38)^2/5 + (41.16)^2/5 + (93.10)^2/5$

$= 30213.26$

Sum of squares within sample, (SSE)

$= SST - SSC$

$= 76967.72 - 30213.26$

$= 46754.46$

Note : Total Claim paid of insurance companies of five fiscal years is given below

Year	PIC	EIC	SIC	NIC	AIC
061/62	23.69	23.39	22.50	16.84	16.84
062/63	36.93	19.77	24.72	16.75	22.26
063/64	54.75	28.13	46.18	13.14	23.63
064/65	105.76	137.45	95.69	41.61	69.74
065/66	65.15	210.67	103.29	77.82	84.63

Appendix XIII –B
ANOVA – Table

Source of Variation	Sum of Square (SS)	Degree of Freedom	Mean Sum of Square (MS)	F – Ratio
Between Sample (SSC)	30213.26	5-1 = 4	30213.26 / 4 =7553.315	Varince between sample Variance within sample
Within Sample (SSE)	46754.46	25 – 5 = 20	46754.46 / 20 =2337.723	7553.315 /2337.723 =3.2316
Total (SST)	76967.72	25 – 1 = 24	-	-

Source: Appendix XIII - A

Where, Degree of freedom between sample = n – 1
Degree of freedom within sample = N – n
Degree of freedom of total = N – 1

Here,

Critical value of F at 5% level of significance for $\mu_1 = 4$, $\mu_2 = 20$ is 2.8717

Since the computed value of F(3.2316) is very greater than it's tabulated value (2.87), H0 is rejected i.e. there is significant difference between total claim paid with regards to difference insurance companies at 5% level. Hence it is concluded that the claim paid of insurance companies are distinct with regards to each other.

Annex XIV - A
F- Test for Net Profit Insurance Companies

Calculation of correction factor, total sum of square, sum of square between sample and sum of square within sample.

Let, X1

Amount in million

Year	X_1	X_2	X_3	X_4	X_5	$(X_1)2$	$(X_2)2$	$(X_3)2$	$(X_4)2$	$(X_5)2$
061/62	7.54	17.17	15.79	4.43	2.00	56.85	294.81	249.32	19.62	4
062/63	18.35	10.12	16.95	1.50	3.35	336.72	102.41	287.30	2.25	11.22
063/64	15.58	12.54	16.90	0.30	6.58	242.74	157.25	285.61	0.09	43.29
064/65	10.46	6.49	21.68	1.63	11.14	109.41	42.12	470.02	2.6569	124.09
065/66	13.64	36.61	25.68	7.95	10.91	186.05	1340.29	659.46	63.20	119.03
Total	**66.57**	**82.93**	**97**	**15.81**	**33.98**	**931.77**	**1936.89**	**1951.72**	**87.82**	**301.65**

Source : Annual Report

Sum of all items (T) $= \sum x_1 + \sum x_2 + \sum x_3 + \sum x_4 + \sum x_5$

$= 65.57 + 82.93 + 97 + 15.81 + 33.98$

$= 295.29$

Correction Factor(C.F.) $= T^2 / N$

$= (295.29)^2 / 25$

$= 3487.847$

Total sum of squares (SST) $= \sum x_1^2 + \sum x_2^2 + \sum x_3^2 + \sum x_4^2 + \sum x_5^2$

$= 931.77 + 1936.89 + 1951.72 + 87.82 + 301.65$

$= 5209.85$

Sum of squares between the samples (SSC)

$= \sum (x_1)^2/n + \sum (x_2)^2/n + \sum (x_3)^2/n + \sum (x_4)^2/n + \sum (x_5)^2/n$

$= (65.57)^2/5 + (82.93)^2/5 + (97)^2/5 + (15.81)^2/5 + (33.98)^2/5$

$= 4398.08$

Sum of squares within sample, (SSE)

$=$ SST - SSC

$= 5209.851 – 4398.081$

$= 811.7698$

Note : Net Profit of insurance companies of five fiscal years is given below

Year	PIC	EIC	SIC	NIC	AIC
061/62	7.54	17.17	15.79	4.43	2.00
062/63	18.35	10.12	16.95	1.50	3.35
063/64	15.58	12.54	16.90	0.30	6.58
064/65	10.46	6.49	21.68	11.14	1.63
065/66	13.65	36.61	25.68	10.91	7.95

Appendix XIV –B
ANOVA – Table

Source of Variation	**Sum of Square (SS)**	**Degree of Freedom**	**Mean Sum of Square (MS)**	**F – Ratio**
Between Sample (SSC)	4398.081	5-1 = 4	4398.081 / 4 =1099.520	Variance between sample
				Variance within sample
Within Sample (SSE)	811.7698	25 – 5 = 20	811.7698 / 20 =40.588	1099.520 /40.588 =27.0898
Total (SST)	5209.851	25 – 1 = 24	-	-

Source: Appendix XIV – A

Where, Degree of freedom between sample = n – 1
Degree of freedom within sample = N – n
Degree of freedom of total = N – 1

Here,
Critical value of F at 5% level of significance for $\mu_1 = 4$, $\mu_2 = 20$ is 2.87

Since the computed value of F(27.0898) is very greater than it's tabulated value (2.87), H0 is rejected i.e. there is significant difference between total net profit with regards to difference insurance companies at 5% level. Hence it is concluded that the net profit of insurance companies are distinct with regards to each other.

Appendix XV

Questionnaires for Research

This questionnaire is prepared only for assist the research conducted for the partial fulfillment of requirement of the master of Business Studies (MBS) Degree. The collected views will be used for the purpose of the study and will not misuse anywhere. Therefore the views and opinions will be kept confidential and will not be published anywhere.

Further, I would like to request you to fill up the questionnaire and conferring our view with full co-operation and radiant participation. Your co-operation counts a lot for the success of the study. To attain your views and opinions, please put the tick mark on the 'Box' and write your ideas, opinions, judgment and conclusion as for questionnaire.

Again, requesting and thanking you.

Name of Insurance Company .....

Name of Representing Personnel: .....

Designation : .....

Schedules of Questionnaires:

1. What condition is of the premium collection (of insurer) at present situation ?

☐ Excellent ☐ Good ☐ Satisfactory

2. How is the premium collection system of yours insurance company ?

☐ Right ☐ Somewhat Right ☐ Wrong

3. How is the collection from premium, at present insurance market ?

☐ Less than expected ☐ In between expected ☐ More than expected

4. Are you/your firms satisfied with the various rate of premium under different insurance policy ?

☐ Yes ☐ No ☐ In Between

5. How well are you / your firm concern with the investment management and portfolio ?

☐ Significant concerned ☐ Somewhat concerned ☐ Not concerned

6. Do you feel that you / your firm are able to maintain the desired / maximum beneficial investment policy ?

☐ Yes ☐ No ☐ In Between

7. While forming the investment policy, what will be you / your firm's preferences among these ?

☐ Portfolios of investment ☐ Return from investment ☐ Objective of investment

8. Which sectors are suitable for the purpose of invest to the insurer ?

☐ Fixed deposit ☐ Gov. saving bond ☐ Share in market

9. Is the present investment able to gain desired return ?

☐ Yes ☐ No ☐ Little

10. How is the current investment system of Nepalese insurance companies ?

☐ Excellent ☐ Good ☐ Satisfactory

☐ Any others.....

11. Is the insurance company has any role in the growth of economic condition of country ?

☐ Significant ☐ Insignificant ☐ Minor

12. What may be the major threats of insurance business at present condition ?

☐ Improper investment of fund ☐ Low market opportunities ☐ Unclear act

13.What are the problems, do you think, insurances companies are facing now ?

☐ Lack of professional manpower ☐ Default policy ☐ Unhealthy competition

14. What is the level of services and solutions provided by Nepalese insurance companies ?

☐ Excellent ☐ Good ☐ Satisfactory ☐ Bad

15. Most insurance companies not focus in the rural area due to

☐ Weak govt. policy ☐ insufficient capital to invest ☐ Low market share

16. What should do for the stability and growth of insurance companies in Nepal ?

☐ Formulate better govt. policies ☐ Increase people awareness ☐ Extend in rural area

☐ Explore new investment area

Researcher (MBS student)

Appendix XVI
Primary Data Collection and Tabulations
Total Numbers of Viewers = 60

Condition of premium collection

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

System of premium collections

S.N.	Options	No. of viewers	%
1	Right	30	50
2	Some what right	26	43
3	Satisfactory	4	7

Premium collection at present market

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

Insurer satisfaction with premium rate

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

Clients satisfaction with premium rate and service

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

Suitable sector for investment

S.N.	Options	No. of viewers	%
1	Fixed deposit	19	31
2	Gov. saving bond	18	30
3	Share	16	27
4.	Long term projects	7	12

Concerned with investment management and portfolio – 100% viewers are in options of significant concerned

Maintain desire beneficial investment policy

S.N.	Options	No. of viewers	%
1	Yes	28	46.7
2	No	12	20
3	In between	20	33.3

Priority in forming investment policy

S.N.	Options	No. of viewers	%
1	Portfolio of investment	21	35
2	Return from investment	25	42
3	Objectives of investment	14	23

Present investment able to get desired return

S.N.	Options	No. of viewers	%
1	Yes	19	31.7
2	No	18	30
3	Little	23	38.3

current investment system and situation

S.N.	Options	No. of viewers	%
1	Excellent	12	20
2	Good	44	73
3	Satisfactory	4	7

Role of insurance companies for economic growth of country – All the viewers are in opinions that insurance business has play significant role for the growth of economic condition of country.

Major threats at present situation

S.N.	Options	No. of viewers	%
1	Improper investment of fund	19	31.7
2	Low market opportunities	18	30
3	Unclear act	23	38.3

Problems faced by insurance companies

S.N.	Options	No. of viewers	%
1	Lack of awareness	17	28
2	Default policies	15	25
3	Unhealthy competition	28	47

Reasons for not extending in rural areas

S.N.	Options	No. of viewers	%
1	Weak government policies	19	31.7
2	Insufficient capital to invest	18	30
3	Low market share	14	23.3
4.	Default topography	9	15

Problems faced by insurance companies

S.N.	Options	No. of viewers	%
1	Better government policies	20	33
2	New investment sectors	18	30
3	Servicing rural areas	9	15
4	Increase people awareness	13	22

Source : Appendix XV (Questionnaire)