

**PERFORMANCE ANALYSIS OF PREMIER INSURANCE
COMPANY IN THE FRAME WORK OF IRDA**

By:

Santosh Bahadur Adhikari

T. U. Registration No.: 7-1-297-574-99

A Thesis Submitted to:

Office of the Dean
Faculty of Management
Tribhuvan University

*In partial fulfillment of the requirements of the degree of
Master of Business Studies (M.B.S)*

Pokhara

April, 2011

RECOMMENDATION

This is to certify that the thesis:

Submitted by:

SANTOSH BAHADUR ADHIKARI

Entitled

**PERFORMANCE ANALYSIS OF PREMIER INSURANCE
COMPANY IN THE FRAME WORK OF IRDA**

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

Supervisor

Name: Associate Prof. Dr.Puspa Raj
Sharma

Signature:

Head of Department

Name: Associate Prof. Dr.Puspa Raj
Sharma

Signature:

Campus Chief

Signature:

Date:

VIVA- VOCE SHEET

We have conducted the viva-voce examination of the thesis

Submitted by:

SANTOSH BAHADUR ADHIKARI

ENTITLED

**PERFORMANCE ANALYSIS OF PREMIER INSURANCE
COMPANY IN THE FRAME WORK OF IRDA**

**AND FOUND THE THESIS TO BE THE ORIGINAL WORK
OF THE STUDENT AND WRITTEN
ACCORDING TO THE PRESCRIBED FORMAT. WE
RECOMMEND THE THESIS TO
BE ACCEPTED AS PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR**

MASTER'S DEGREE IN BUSINESS STUDIES (M. B. S.)

VIVA-VOCE COMMITTEE

Head of Research Department :

Member (Thesis Supervisor) :

Member (External Expert) :

Date:

Declaration

I HEREBY DECLARE THAT THE WORK REPORTED THIS THESIS ENTITLED" PERFORMANCE ANALYSIS OF PREMIER INSURANCE COMPANY IN THE FRAME WORK OF irda", SUBMITTED TO OFFICE OF THE DEAN, FACULTY OF MANAGEMENT, TRIBHUVAN UNIVERSITY, IS MY ORIGINAL WORK DONE IN THE FORM OF PARTIAL FULFILLMENTS OF THE REQUIREMENT FOR THE MASTER IN BUSINESS STUDIES (M.B.S.) UNDER THE SUPERVISION OF PROF. DR. PUSHPA RAJ SHARMA OF PRITHVI NARAYAN CAMPUS.

Santosh Bahadur Adhikari

Researcher

Prithvi Narayan Campus

Date: April, 2011

ACKNOWLEDGEMENTS

It is prepared for partial fulfillment of the requirement for the degree of Master of Business Studies (M.B.S.). This study has been made with a view to Performance Analysis of Premier Insurance Company in the Frame Work of IRDA.

I would like to express my deep gratitude towards respected supervisor Prof. Dr. Pushpa Raj Sharma for incisive and constant guidance. It would not have been possible for me to complete this research work without their unflagging supervision, advice and direction. So, I owe great debt of gratitude to them.

I am also grateful to all staffs of Premier Insurance Company for providing the information and necessary data sincerely and timely and other all staffs of the library and administration of Prithvi Narayan Campus and central library of Tribhuvan University.

I extend my hearty thanks especially to my friend Mr Mohan Thapa and Kapil Sigdel for providing me valuable suggestions & encouraging me writing this thesis and I would also like to express hearty thanks to Mr Nabin Bahadur Adhikari who provide me valuable suggestions.

Santosh Bahadur Adhikari
Prithvi Narayan Campus

Date:

TABLE OF CONTENTS

List of Tables

List of Figures

Abbreviation

<u>CHAPTER I: INTRODUCTION</u>	1-9
1.1 <u>Background of the Study</u>	1
1.2 <u>Evaluation of Insurance</u>	3
1.3 <u>Development of Insurance Business in Nepal</u>	3
1.4 <u>Focus of the Study</u>	6
1.5 <u>Statement of the Problem</u>	6
1.6 <u>Objectives of the Study</u>	7
1.7 <u>Significance of the Study</u>	7
1.8 <u>Limitations of the Study</u>	8
1.9 <u>Organization of the Study</u>	8
<u>CHAPTER II: REVIEW OF LITERATURE</u>	10-39
2.1 <u>Conceptual Framework</u>	10
2.1.1 <u>Concept of Insurance</u>	10
2.1.2 <u>Legal Concept of Insurance</u>	12
2.1.3 <u>Concept of Financial Performance</u>	13
2.1.4 <u>Concept of IRDA</u>	14
2.1.5 <u>Concept of Insurance Analysis</u>	17
2.1.6 <u>Concept of Insurance Profitability</u>	18
2.1.7 <u>Benefit of Insurance</u>	19
2.1.8 <u>Value of Insurance</u>	20
2.1.9 <u>Legal Provision of Insurance Industry</u>	20
2.2 <u>Types of Insurance</u>	24
2.2.1 <u>Life Insurance</u>	24
2.2.2 <u>Non life Insurance</u>	25
2.3 <u>Review of Book</u>	27
2.4 <u>Review of Article and Journals</u>	28

2.4.1 Review of Previous Studies	30
<u>2.5</u> Research Gap	38
<u>CHAPTER III: RESEARCH METHODOLOGY</u>	40-45
3.1 Research Design	40
3.2 Population and Sample	40
<u>3.3</u> Nature and Sources of Data	41
<u>3.4</u> Data Analysis Tools	42
3.4.1 Financial Ananlysis Tolls	42
<u>CHAPTER IV: PRESENTATION AND ANALYSIS OF DATA</u>	46-62
<u>4.1</u> Financial Analysis	46
<u>4.1.1</u> Earning Per Share	46
<u>4.1.2</u> Loss Ratio	48
<u>4.1.3</u> Expenses Ratio	49
<u>4.1.4</u> Combined Ratio	51
<u>4.1.5</u> Return On Equity	52
<u>4.1.6</u> Return on Assets	54
<u>4.1.7</u> Investment Yeilds	55
<u>4.1.8</u> Return on Net Worth	57
4.1.9 Branch of PIC Nepal	58
4.1.10 NPAT and Net Worth of PIC	59
4.2 Major Findings	61
<u>CHAPTER V: SUMMARY CONCLUSIONS AND RECOMMENDATIONS</u>	63-66
<u>5.1</u> Summary	63
<u>5.2</u> Conclusion	64
<u>5.3</u> Recommendations	66

BIBLIOGRAPHY

APPENDICES

LIST OF TABLES

Table No. Title

Table 1.1	Insurance Company in Nepal	5
Table 4.1	Earning per Share	47
Table 4.2	Loss Ratio	48
Table 4.3	Expenses Ratio	50
Table 4.4	Combine Ratio	51
Table 4.5	Return on Equity	53
Table 4.6	Return on Total Assets	54
Table 4.7	Investment Yields Ratio	56
Table 4.8	Returns on Net Worth	57
Table 4.9	Branch of PIC Nepal	59
Table 4.10	NPAT and Net Worth of PIC	60

LIST OF FIGURES

Figure No.	Title	Page
Figure 4.1	Earning per share	47
Figure 4.2	Loss ratio	49
Figure 4.3	Expenses ratio	50
Figure 4.4	Combine ratio	52
Figure 4.5	Return on equity	53
Figure 4.6	Return on Total Assets	55
Figure 4.7	Investment Yields Ratio	56
Figure 4.8	Return ON Net Worth	58
Figure 4.10	NPAT and Net Worth of PIC	60

ABBREVIATIONS

Co.	-	Company
EIC	-	Everest Insurance Company Limited
EPS	-	Earning Per Share
IRDA	-	Insurance Regulation and Development Authority India
MPS	-	Market Price per Share
NIC	-	Nepal Insurance Company
NRB	-	Nepal Rastra Bank
PIC	-	Premier Insurance Company Nepal
ROA	-	Return on Assets
ROE	-	Return on Equity
RONW	-	Return on Net worth
TU	-	Tribhuvan University