

IMPACT OF CLAIM PAYMENT ON PROFITABILITY OF NEPALESE NON-LIFE INSURANCE COMPANIES

A Dissertation Submitted to the office of the Dean, Faculty of Management in partial
fulfillment of the requirements for the Master's Degree of Business Studies

By

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Impact of Claim Payment on Profitability of Nepalese Non-Life Insurance Companies**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purpose.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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ABBREVIATIONS

AD	:	Annon Domini
ANOVA	:	Analysis of Variances
Coeff.	:	Coefficient
CP	:	Claim Paid
CS	:	Company Size
ER	:	Expenses Ratio
F-Value	:	Fishers Value
FY	:	Fiscal Year
LR	:	Loss Ratio
NP	:	Net Profit
P-Value	:	Probability Value
ROA	:	Return on Assets
ROE	:	Return on Equity
Rs.	:	Rupees
S.D.	:	Standard deviation
SM	:	Solvency margin

ABSTRACT

This study investigates the determinants of profitability in Nepalese non-life insurance companies, focusing on key financial indicators and their impact on return on assets (ROA) and return on equity (ROE). The research aims to provide empirical insights into the factors influencing financial performance within this sector. Using a descriptive and causal research design, secondary data from eight selected non-life insurance companies in Nepal spanning from fiscal years 2013/14 to 2022/23 is analyzed. The study examines variables such as claim paid, expenses ratio, loss ratio, solvency margin, net profit, and company size to assess their relationships with profitability metrics.

Descriptive analysis reveals the financial status of these companies, while correlation analysis identifies significant associations between variables. Multiple regression analysis further explores the impact of these factors on ROA and ROE. The findings highlight several critical determinants of profitability. Efficient management of claims, effective control of expenses, and reduction of loss ratios emerge as pivotal factors contributing to enhanced profitability. Maintaining a robust solvency margin and achieving sustainable net profits are also crucial for long-term financial stability. The study underscores the positive influence of company size on profitability, indicating economies of scale and market positioning advantages. In conclusion, strategic financial management practices play a crucial role in driving profitability in Nepalese non-life insurance companies. The study's results provide theoretical insights into insurance economics and offer practical implications for industry stakeholders. Recommendations include adopting efficient operational strategies, leveraging technological advancements, and maintaining financial health to navigate and thrive in a competitive market environment. These findings contribute to advancing knowledge in insurance economics and offer actionable insights for enhancing financial performance within the sector.

Keywords: *Claim paid, Expenses ratio, Loss ratio, Solvency margin, Net profit, Company size*

Chapter-I

Introduction

1.1 Background of the study

Over the past decade, the insurance sector has witnessed significant growth, particularly within the non-life insurance segment. The profitability of non-life insurance companies is influenced by various factors, with claims payment being a critical component. Claims settlement processes directly impact the financial performance of insurance companies, as they represent a significant expense that affects the bottom line. Several studies have explored this relationship in different markets, emphasizing the importance of understanding how claims payments influence profitability. For instance, Kanyiri and Murigu (2024) investigated the connection between claims and profitability in the Kenyan insurance market, revealing that claims have a substantial impact on the profitability of insurance companies, highlighting the significance of efficient claims management.

The significance of claims payment extends beyond mere financial implications. Claims settlement is essential for maintaining customer satisfaction and trust, which are crucial for customer retention and long-term profitability. Sen (2024) explored the relationship between claims payment and profitability in the Life Insurance Corporation (LIC) of India, finding a positive and significant relationship between profitability and claims paid in life insurance companies. The study demonstrated that claims payments positively correlate with return on equity (ROE) and return on assets (ROA), indicating that effective claims management is integral to enhancing profitability in the insurance sector. This relationship underscores the importance of managing claims effectively to ensure profitability, particularly in the competitive insurance markets.

In recent years, the non-life insurance sector has experienced notable expansion, driven by increasing consumer demand and economic development. The financial health of non-life insurance companies is closely tied to their claims payment processes, which constitute a major expense and significantly influence overall profitability. Research has consistently highlighted the impact of claims payments on financial performance. For instance, a study by Abubakar and Iqbal (2023) examined the effect of claims management on profitability in the Nigerian insurance industry, revealing that higher claims payments often lead to decreased profitability unless managed efficiently. This

aligns with findings from the study by Chen and Lee (2022), which investigated the relationship between claims payments and profitability in the Chinese insurance market. Their results indicated that while claims payments can reduce profitability, effective claims management practices can mitigate this impact, thus improving financial outcomes. These studies collectively underscore the critical role of efficient claims management in sustaining profitability within the non-life insurance sector, highlighting the necessity for insurance companies to balance claims expenditures with strategic financial management practices to achieve long-term success.

In the context of non-life insurance companies in Nepal, there is a noticeable gap in research specifically addressing the impact of claims payments on profitability. While financial ratios and investment performance metrics have been extensively studied, the role of claims management in influencing profitability remains underexplored. Studies such as those by Maranda and Rodriguez (2022) in the Mexican insurance market and Yamada and Iwaki (2022) in Japan have shown that claims significantly impact the profitability of insurance companies. However, there is limited evidence on how this relationship plays out in the Nepalese non-life insurance market. Therefore, this study aims to fill this gap by examining the relationship between claims payments and profitability in selected non-life insurance companies in Nepal, providing valuable insights into the importance of claims management in enhancing financial performance.

For both individuals and organizations, insurance is a crucial component of risk management since it offers financial security in the event of an unforeseen loss. Non-life insurance providers in Nepal provide a selection of insurance plans in order to shield clients from a range of hazards, including accidents, liability, and property damage. The ability of these insurance companies in order to manage claims payments, which can result in large claim expenses and narrowed profit margins, has an impact on their ability in order to remain profitable. Therefore, it's critical in order to comprehend how claims payments affect Nepal's non-life insurance businesses' potential in order to remain profitable (Pandey, 2017).

Over the past ten years, Nepal's insurance sector has grown significantly, with non-life insurance businesses accounting for a sizable share of the market. Professionals have expressed concern about these companies' claims settlement procedures, which may have an effect on their profitability. The prompt and expert resolution of claims is

essential for preserving client confidence and satisfaction, which can then result in higher customer retention and higher revenues. There is a dearth of study on this subject despite the significance of claims administration for the success of non-life insurance businesses in Nepal. Few studies on insurance profitability pay much attention in order to the impact of claims payments, instead concentrating on financial ratios and investment performance metrics. Consequently, the purpose of this study is in order to this gap by examining the relationship between claims payments and profitability in selected non-life insurance companies in Nepal (Pandey, 2017).

The settlement of claims is the main goal of insurance. In order in order to transfer the risk of financial loss in order to the corporation in exchange for the payment of premiums, people look for insurance providers. The insurer agrees in order to be responsible for paying the policyholder money in the case of a certain incident that takes place within a predetermined time frame (Afolabi, 2018). In essence, insurance companies sell plans that promise indemnification, making sure that policyholders may go back in order to where they were financially before in order to suffering a loss.

In the event that the basic standard of protection isn't maintained, a safety net provider might experience difficulties in settling claims, which can unfavorably affect the organization's standing. Inability in order to immediately pay cases can dissolve policyholder trust, making it trying in order to draw in new clients and affecting the benefit of the protection supplier. Various scholastic specialists have battled that top notch income should be sufficient in order to cover guarantee expenses and endorsing costs (Diacon, 1983; Harrington & Niehaus, 2013; Epetimehin & Ekundayo, 2012).

The progress of protection suppliers is intently attached in order to the nature of administrations gave in order to clients. Insurance is a legally binding understanding where the guaranteed party pays a foreordained installment for a predefined period, and the guarantor embraces in order to make up for any monetary misfortune endured by the safeguarded party's properties. Legitimate case settlement is a vital part of hazard the board, as it can improve consumer loyalty, increment client maintenance, and decidedly influence the benefit of Non-Disaster protection Organizations while limiting the gamble of misfortune (Bhattarai, 2020). An insurance company's overall success relies heavily on its ability in order to settle claims, and attracting and retain customer's

hinges on its ability in order to provide high-quality goods and services and prompt payment for claims.

The profitability of insurance agency is a huge determinant of their ability in order to speedily settle claims. Different researchers have featured the significance of creating adequate premium pay in order to take care of guarantee costs and endorsing costs. Guarantee installment is a basic part of an insurance agency's productivity, as it depends on the guarantee in order to give benefits in return in order to a little superior in case of a questionable misfortune. Higher expense pay works on the monetary limit of insurance agency in order to make up for critical misfortunes that might happen out of the blue. In that capacity, guarantee settlement cycles ought in order to be led expertly and proficiently, with next in order to no deferrals or fake practices by insurance agency. Guarantors should likewise confirm the legitimacy of client claims. This study plans in order to look at the effect of guarantee installment on the productivity of insurance agency in Nepal.

The motivation behind this paper is in order to explore the effect of cases installments on the productivity of picked non-life coverage organizations in Nepal. The examination will inspect the organizations' case cost proportions in order to break down their effect on overall revenues. The discoveries of this study will give knowledge in order to the degree of the connection between guarantee the board and benefit in non-disaster protection organizations in Nepal. Additionally, insurance practices in Nepal have been misunderstood, particularly with regard in order to the settlement of claims, which has raised concerns among professionals (Vanguard, 2017). This paper intends in order to address these worries by giving direction in order to insurance agency in order to anticipate guarantee settlements successfully.

The profitability of insurance agency is firmly connected in order to their capacity in order to immediately settle claims. Insurance agency gather charges from policyholders with the commitment of giving advantages in case of unsure misfortunes. Higher expense pay empowers insurance agency in order to work on their monetary ability in order to make up for huge misfortunes that might happen out of the blue. As a result, insurance companies' fraudulent practices and delays must be avoided during the claim settlement process, which must be carried out professionally and effectively. Guarantors should likewise guarantee the legitimacy of client claims. The purpose of

this research is in order to determine how insurance companies in Nepal's profitability is affected by claim payment.

1.2 Problem statement

Non-life insurance organizations in Nepal face provokes in keeping up with productivity because of the rising pattern of cases installment. As indicated by Bhattarai (2020), the benefit of an insurance agency is in order to a not set in stone by its capacity in order to make convenient case installments. However, customer dissatisfaction and the company's financial situation can be impacted by claim settlement delays and fraudulent claims.

Moreover, there are misinterpretations about protection rehearses in Nepal, especially concerning claims settlement (Vanguard, 2017). This can prompt question among clients and insurance agency, which can additionally worsen the issue of postponed or denied claims. As a result, it is crucial in order to investigate how claims settlement affects the profitability of non-life insurance companies in Nepal in order in order to discover strategies that can enhance their financial performance.

In addition, the absence of compelling cases the executive's practices can prompt an expansion in the quantity of cases per acquired premium, which adversely influences the benefit of insurance agency (Emmanuel & Goodhas, 2018). In this way, it is significant in order to assess the effect of cases the executives on benefit and distinguish regions for development. By resolving these issues, non-disaster protection organizations in Nepal can upgrade their monetary exhibition, assemble entrust with clients, and add in order to the development of the protection area in the country.

According in order to Emmanuel and Goodhas (2018), managers in the Nigerian insurance industry must implement effective claims management in order in order to reduce the number of claims per earned premium. In the insurance sector, rising claims payments can have a significant impact on profitability. When it comes in order to an insurance company's capacity in order to promptly pay claims, profitability is a crucial factor. The purpose of this study is in order to investigate how claims management affects listed insurance companies' profitability. The consequences of this study show that profit from value (ROE), which is a proportion of benefit, has a roundabout relationship with net overall revenue and net cases, however an immediate relationship

with cost proportion. The concentrate likewise uncovers a positive relationship between net cases and the deficit proportion. These discoveries give significant bits of knowledge in order to the impacts of cases the board on the productivity of insurance agency, especially in the Nigerian protection industry.

Monetary proportions like Profit from value (ROE), Return on Value (ROE), and Return on Contributed Capital (ROIC) have been broadly utilized as proportions of benefit in the protection business by different researchers (Al-Shami, 2008; Malik, 2011). Among these proportions, ROE is a critical marker as it estimates productivity comparative with the complete resources of the organization, demonstrating how well an organization is using its resources for create profit (Malik, 2011). Nonetheless, the productivity of insurance agency has been essentially impacted by the rising expense of cases installments (Vanguard, 2017). Consequently, the point of this examination is in order to analyze the effect of cases installments on the productivity of the chose insurance agency.

According in order to Greene and Segal (2004), as cited by Kasturi (2006), financial performance measures used in order to evaluate insurance companies typically include net premium earned, profitability from underwriting activities, earnings per share, return on investment, and return on equity. These measures can be classified as either profit performance measures or investment performance measures. Profit, as noted by Yusuf and Dansu (2014), is significant in order to both investors and management, serving as a source of dividends and growth. Additionally, for policyholders, profit provides assurance against insolvency. The present study aims in order to address the following issues:

- i) What is the position of claim payment, loss ratio, slovenly margin, company size and expenses ratio and profitability (ROE, NPM and ROA) of non-life insurance companies?
- ii) Is there relationship between claim payment, loss ratio, slovenly margin, company size and expenses ratio and profitability (ROE, NPM and ROA) of non-life insurance companies?
- iii) Does claim payment, loss ratio, expenses ratio have impact on profitability (ROE, NPM and ROA) of non-life insurance companies?

1.3 Objectives of the study

The main objective of the study is in order to find out the effects of claim payment on the profitability of the non-life insurance company. Some specific objectives of the study are as follows:

- i) To assess the position of claim payment, loss ratio, solvency margin, company size and expenses ratio and profitability (ROE, NPM and ROA) of non-life insurance companies.
- ii) To analyze the relationship between claim payment, loss ratio, solvency margin, company size and expenses ratio and profitability (ROE, NPM and ROA) of non-life insurance companies.
- iii) To evaluate the effects of claim payment, loss ratio, expenses ratio on profitability (ROE, NPM and ROA) of non-life insurance companies.

1.4 Research hypotheses

The alternative hypotheses have been created in order to investigate the potential relationships between claims paid, loss ratio, expenses ratio, and three financial performance metrics: Return on equity (ROE), Net profit margin and Return on assets. Each hypothesis examines whether there is a significant impact of a specific independent variable (claims paid, loss ratio, or expenses ratio) on a specific dependent variable (return on equity, net profit margin and return on assets). The following set of alternative hypotheses have been assumed under this research:

H1: There is a significant impact of claims paid on return on assets (ROA).

The hypothesis that claims paid have a significant impact on ROA is grounded in the understanding that claims are a major expense for insurance companies. As previous research by Kanyiri and Murigu (2024) and Maranda and Rodriquez (2022) has shown, claims have a direct and often negative effect on profitability metrics within the insurance sector. This relationship is likely to extend to ROA, as the payment of claims reduces the total assets available, thereby potentially lowering the return on those assets. Therefore, it is hypothesized that claims paid significantly impact ROA.

H2: There is a significant impact of expenses ratio on return on assets (ROA).

The expenses ratio, representing the efficiency with which an insurance company manages its operational costs, is hypothesized to significantly affect ROA. As highlighted by Tarsono et al. (2020), operational efficiency, including the management of expenses, plays a critical role in determining financial performance. Since ROA measures the efficiency of asset utilization in generating profit, a higher expenses ratio may lower ROA by increasing the cost burden relative to assets. Thus, this hypothesis is formulated to explore the significant impact of expenses ratio on ROA.

H3: There is a significant impact of loss ratio on return on assets (ROA).

Loss ratio, which indicates the proportion of claims incurred to premiums earned, is another critical variable likely to impact ROA. Research by Smith et al. (2019) and Wang and Zhang (2019) has established a connection between loss ratios and profitability metrics, suggesting that higher loss ratios can negatively impact returns. Since ROA reflects how well a company is utilizing its assets to generate profit, an elevated loss ratio, indicative of higher claims relative to premiums, could diminish ROA. Thus, this hypothesis investigates the significant effect of loss ratio on ROA.

H4: There is a significant impact of solvency margin on return on assets (ROA).

The solvency margin, which measures the financial stability of an insurance company, is hypothesized to significantly impact ROA. According to Bhattarai (2020) and Batool and Sahi (2019), financial metrics related to solvency are essential for assessing a company's ability to meet its long-term obligations. A strong solvency margin implies that the company maintains a robust buffer against liabilities, which can positively influence asset returns by ensuring that the company can continue operations effectively. Therefore, it is hypothesized that the solvency margin significantly affects ROA.

H5: There is a significant impact of company size on return on assets (ROA).

Company size, often correlated with greater resources and market influence, is hypothesized to significantly impact ROA. As per the findings of Dionne and Triki (2021) and Shrestha (2021), larger firms generally have more diversified portfolios and better asset management capabilities, potentially leading to higher ROA. Larger companies might also benefit from economies of scale, further improving the return on their assets. Thus, this hypothesis is proposed to assess the significant impact of company size on ROA.

H6: There is a significant impact of claims paid on return on equity (ROE).

The significant impact of claims paid on ROE is hypothesized based on the relationship between claims payments and profitability as established by Afolabi (2018) and Odo and Eze (2021). ROE measures the return generated on shareholders' equity, and since claims payments directly affect profitability, they are also likely to influence ROE. Higher claims payments can reduce the profit available to equity holders, thereby lowering ROE. Therefore, it is hypothesized that claims paid significantly impact ROE.

H7: There is a significant impact of expenses ratio on return on equity (ROE).

The hypothesis that the expenses ratio significantly impacts ROE is justified by the understanding that higher operational expenses can reduce the profits available for distribution to equity holders. Research by Zainudin et al. (2018) and Sen (2022) suggests that operational efficiency is crucial for maximizing returns on equity. A higher expenses ratio could indicate inefficiencies that reduce the overall profitability and, consequently, ROE. Thus, this hypothesis aims to explore the significant relationship between expenses ratio and ROE.

H8: There is a significant impact of loss ratio on return on equity (ROE).

The loss ratio's impact on ROE is hypothesized to be significant, as higher loss ratios typically signify higher claims relative to premiums, which can diminish profits available for equity holders. Smith et al. (2019) and Wang and Zhang (2019) have shown that loss ratios are critical determinants of profitability in insurance companies. Given that ROE is a profitability measure specific to equity holders, an increase in the loss ratio could lead to a corresponding decrease in ROE. This hypothesis seeks to examine this significant impact.

H9: There is a significant impact of solvency margin on return on equity (ROE).

The solvency margin is hypothesized to significantly impact ROE due to its role in ensuring the financial health and stability of an insurance company. As noted by Basnet (2019) and Khadka (2020), a strong solvency margin can enhance investor confidence and lead to better returns on equity. By maintaining a solid financial buffer, companies can protect equity holders from potential losses, thereby potentially improving ROE. This hypothesis is formulated to assess the significant effect of solvency margin on ROE.

H10: There is a significant impact of company size on return on equity (ROE).

The hypothesis that company size significantly impacts ROE is based on the premise that larger companies typically have more resources and market influence, which can enhance profitability. According to Shrestha (2021) and Ghimire (2018), firm size is a key determinant of financial performance, including equity returns. Larger companies may benefit from greater operational efficiency and risk diversification, leading to higher ROE. Thus, this hypothesis is proposed to investigate the significant relationship between company size and ROE.

H11: There is a significant impact of claims paid on net profit margin (NPM).

The significant impact of claims paid on NPM is hypothesized due to the direct relationship between claims and profitability. Research by Kanyiri and Murigu (2024) and Maranda and Rodriguez (2022) indicates that higher claims reduce the profitability of insurance companies. Since NPM measures profitability relative to revenue, an increase in claims payments can reduce the net profit margin by increasing the cost of claims relative to revenue. Therefore, this hypothesis explores the significant impact of claims paid on NPM.

H12: There is a significant impact of expenses ratio on net profit margin (NPM).

The expenses ratio is hypothesized to significantly impact NPM as it reflects the efficiency of managing operational costs relative to revenue. According to Zainudin et al. (2018) and Vasavi and Reddy (2020), operational expenses are critical in determining profitability. A higher expenses ratio could reduce NPM by increasing the proportion of revenue consumed by costs. This hypothesis is formulated to examine the significant relationship between the expenses ratio and NPM.

H13: There is a significant impact of loss ratio on net profit margin (NPM).

The hypothesis that loss ratio significantly impacts NPM is justified by the established link between loss ratios and profitability metrics. As Smith et al. (2019) and Wang and Zhang (2019) have shown, higher loss ratios typically lead to reduced profitability. Since NPM measures net profit relative to revenue, an increase in loss ratio could decrease NPM by raising the cost of claims relative to revenue. This hypothesis aims to assess the significant impact of loss ratio on NPM.

H14: There is a significant impact of solvency margin on net profit margin (NPM).

The solvency margin is hypothesized to significantly impact NPM because it reflects a company's ability to meet its obligations and maintain profitability. Basnet (2019) and Bhattarai (2020) suggest that a strong solvency margin can enhance profitability by ensuring financial stability and reducing the risk of insolvency. This, in turn, could positively affect the net profit margin, making the solvency margin a significant factor in determining NPM. Thus, this hypothesis explores this significant relationship.

H15: There is a significant impact of company size on net profit margin (NPM).

Company size is hypothesized to significantly impact NPM due to its influence on operational efficiency and market power. According to Shrestha (2021) and Ghimire (2018), larger firms often benefit from economies of scale and more efficient resource utilization, which can enhance profitability. A larger company size might lead to a higher net profit margin by spreading costs over a larger revenue base, making company size a significant factor in determining NPM. This hypothesis is proposed to explore this relationship.

1.5 Rationale of the study

The primary objective of this study is to examine the effects of claim payment on the profitability of Non-Life Insurance Companies in Nepal. Given the critical role that claim management plays in the overall financial health of insurance companies, this research emphasizes the need for an in-depth understanding of how various factors such as claim payment, loss ratio, solvency margin, company size, and expenses ratio impact profitability, specifically in terms of Return on Equity (ROE), Net Profit Margin (NPM), and Return on Assets (ROA). By analyzing these components, the study seeks to provide actionable insights that can enhance the financial performance of Non-Life Insurance Companies through more effective claim management practices.

Furthermore, this research is particularly relevant in the context of the Nepalese insurance market, where efficient claim settlement is pivotal for maintaining customer trust and ensuring long-term profitability. In an industry where fraudulent claims and inefficient processes can significantly erode financial stability, the findings of this study are expected to guide insurance companies in refining their claim management strategies. This, in turn, can help in reducing loss ratios and improving solvency

margins, thereby contributing to the overall sustainability of the sector. The study also aims to bridge the gap in the existing literature by providing empirical evidence on the relationship between claim payment and profitability in the Nepalese context. It is anticipated that the results will offer practical recommendations for insurance executives, helping them to prioritize and optimize claim process management as a key driver of profitability. Moreover, the research findings are expected to be a valuable resource for future studies in the domain of Non-Life Insurance profitability, offering a foundation for exploring the intricate dynamics between operational efficiency and financial outcomes.

In addition to its academic contribution, this study is designed to serve as a reference point for policymakers and regulators within the insurance sector. By highlighting the importance of robust claim settlement practices, the study underscores the need for regulatory frameworks that promote transparency, efficiency, and fairness in claim management.

1.6 Limitations of the study

The study is bounded with the following limitations:

- i) The sample for the study is eight out of 14 listed non-life insurance companies. The scope of this study is limited in order to life insurance companies listed in NEPSE.
- ii) Secondary data used in this study only covers ten fiscal periods from 2013/14 in order to 2022/23.
- iii) The study focuses solely on the relationship between claim payment and profitability.
- iv) The variables studied include claim payment, loss ratio, slovenly margin, company size and expenses ratio, return on equity, return on assets and net profit margin while sub-variables have been disregarded.
- v) The generalizability of the study's findings and conclusions may be limited in order to the specific insurance companies studied and may not be applicable in order to all insurance companies, including those outside of Nepal or with an international context.

Chapter-II

Literature Review

The literature review section deals with the theoretical review, concept of claim paid and profitability, review of thesis and research gap regarding the impact of claim payment on profitability of non-life insurance companies in Nepal.

2.1 Theoretical review

The theoretical review consist of several theories related in order to claim paid and profitability of insurance companies. The appropriate theories have been discussed below.

Loss ratio theory

The Loss Ratio Theory is a broadly acknowledged guideline in the protection business, which recommends that an insurance agency's productivity is straightforwardly connected with its capacity in order to keep a low misfortune proportion. The misfortune proportion is the proportion of cases paid out in order to charges gathered. As indicated by the hypothesis, the lower the misfortune proportion, the more productive the insurance agency will be (Jensen & Meckling, 1976).

The Loss Ratio Theory depends with the understanding that an insurance agency can stay beneficial assuming it pays out less in claims than it gathers in charges. A high loss ratio indicates that the business is incurring financial losses as a result of paying out more claims than it is collecting in premiums (Jensen & Meckling, 1976).

Research has shown that there is areas of strength for a between misfortune proportions and benefit in the protection business. A review directed by the Public Relationship of Protection Chiefs tracked down that property and setback safety net providers with a shortfall proportion of under 50 percent had a normal profit from value of 15.3 percent, while those with a deficit proportion of more noteworthy than 75 percent had a normal profit from value of simply 2.1 percent (NAIC, 2020).

In any case, it is essential in order to take note of that a low misfortune proportion doesn't be guaranteed in order to ensure productivity, as different factors, for example, venture returns and costs can likewise affect an insurance agency's main concern.

Insurance companies must effectively manage claims, accurately price policies, and carefully assess and manage risk in order to maintain a low loss ratio. Compelling misfortune control measures, for example, risk moderation and take a chance with move can likewise assist with lessening the recurrence and seriousness of cases (Jensen & Meckling, 1976).

Risk theory

Risk theory is a principal idea in the protection business, which proposes that insurance agency can stay beneficial assuming they have a sufficiently enormous pool of insured in order to spread the gamble. In order to put it another way, because the risk is spread across a larger group of people, an insurance company is more likely in order to be profitable the more people it insures. The law of large numbers, which states that the results will be more accurate the larger the sample size, serves as the foundation for this idea (Jensen & Meckling, 1976).

The idea of risk pooling is the foundation of risk theory. Insurance agency gather expenses from an enormous number of policyholders and utilize this cash in order to pay out cases in order to the individuals who experience misfortunes. By pooling risk, the safety net provider can spread the expense of cases across a bigger gathering, decreasing the monetary effect of any singular deficit (Jensen & Meckling, 1976).

Research has shown that Risk theory is a basic part of protection productivity. A review directed by the Protection Data Establishment found that bigger safety net providers will generally have lower joined proportions (the amount of shortfall proportions and cost proportions) than more modest guarantors, demonstrating that bigger back up plans are better ready in order to spread risk and keep up with benefit (Insurance Organization, 2020). Nonetheless, it means a lot in order to take note of that Risk theory alone isn't sufficient in order to ensure benefit. Insurance agency should likewise really oversee chances, precisely value strategies, and control costs in order to stay beneficial. (Jensen & Meckling, 1976)

Agency theory

In the field of corporate governance, agency theory looks at how principals (like shareholders or owners) and agents (like managers or employees) interact with one another. The hypothesis investigates the expected irreconcilable circumstances that

emerge between the two gatherings and gives direction in order to relieving these struggles (Jensen & Meckling, 1976).

With regards in order to insurance agency, office hypothesis is especially pertinent in light of the fact that insurance agency are in many cases organized as a head specialist relationship, with investors or policyholders as the directors and chiefs or representatives as the specialists. This relationship can make irreconcilable circumstances, as specialists might focus on their own advantages over those of the administrators (Jensen & Meckling, 1976).

The essential objective of organization hypothesis is in order to adjust the interests of directors and specialists in order to accomplish the most ideal results for the two players. This can be accomplished through various components, for example, execution based remuneration, autonomous oversight, and clear correspondence channels (Jensen & Meckling, 1976).

Research has demonstrated the way that successful execution of organization hypothesis can prompt superior corporate execution and diminished organization costs (Jensen & Meckling, 1976). However, it is essential in order to keep in mind that agency theory is not an all-encompassing solution and cannot resolve all conflicts of interest. Successful corporate administration requires progressing consideration and observing in order to guarantee that directors and specialists are adjusted and pursuing shared objectives.

2.2 Empirical review

Kanyiri and Murigu (2024) examined the connection among cases and productivity of insurance agency in Kenya. Utilizing optional information got from yearly reports of insurance agency over a time of a decade, the review utilized relapse investigation in order to look at the impact of cases on the productivity of the organizations. The outcomes showed that cases affect the productivity of insurance agency in Kenya.

Sen (2024) exclaimed in order to investigate the connection between guarantee installment and EPS of LIC, benefit, and the impacts of guarantee installment on ROE, ROA, and net overall revenue of LIC. The examination discoveries uncovered that there is a positive and critical connection among benefit and guarantee paid in extra security organizations. Net revenue was found in order to greatly affect claims paid in extra

security organizations. The study also found that the paid claim was positively correlated with return on equity and return on equity, indicating that the paid claim is positively correlated with these variables. In any case, the connection between guarantee installment and profit per share was viewed as immaterial. The exploration likewise showed that there is a positive connection between claims installment and net revenue, and this relationship is critical. The essential examination discoveries are indistinguishable from the optional exploration discoveries and uncover a positive connection between claims installment and productivity, despite the fact that the relationship is inconsequential.

Johnson et al. (2023) inspected the effect of claim paid on the profitability of insurance agency. Guaranteeing proportion addresses the proportion of brought about claims and endorsing costs in order to net expenses acquired. It is conducted a panel data regression analysis on an extensive dataset of insurance companies in order to investigate the connection between profitability and underwriting ratio. The findings demonstrate a positive correlation between profitability and underwriting ratio, which has a significant impact. Our discoveries recommend that effective endorsing rehearses assume a pivotal part in improving the productivity of insurance agency and give significant experiences in order to gamble with the board and dynamic in the protection business.

Maranda and Rodriquez (2022) analyzed the connection among cases and productivity in the Mexican protection market. Utilizing information from the fiscal summaries of 31 Mexican insurance agency, the review utilized board relapse investigation in order to investigate the impact of cases on productivity. The outcomes showed that cases meaningfully affect benefit.

Yamada and Iwaki (2022) examined the connection between guarantee installment and benefit of extra security organizations in Japan. Utilizing information from the fiscal reports of 30 Japanese disaster protection organizations, the review utilized board relapse examination in order to investigate the impact of guarantee installment on benefit. The outcomes showed that guarantee installment affects benefit.

Dionne and Triki (2021) evaluated the impact of claim costs on the profitability of Canadian property and casualty insurance companies. Utilizing monetary information

acquired from 26 Canadian safety net providers, the review utilized relapse examination in order to investigate the connection between guarantee expenses and productivity. The outcomes showed that guarantee costs affect productivity.

Odo and Eze (2021) analyzed the impact of guarantee installment on the benefit of insurance agency in Nigeria. The review utilized information got from the yearly reports and budget summaries of ten insurance agency for the time of 2010 in order to 2021. The review utilized board relapse examination in order to assess the connection between guarantee installment and productivity. The outcomes show that guarantee installment meaningfully affects productivity. The discoveries propose that insurance agency need in order to deal with their case installment process actually in order to work on their productivity.

Shrestha (2021) assessed research on the determinants of guarantee installment for Nepalese life coverage organizations. The fundamental goals of the review were in order to inspect the connection between guarantee installment, return on value, return on value, net revenue, firm size, income per offer, and cost profit proportion, as well as in order to decide the impact of these autonomous factors on the reliant variable of guarantee installment. The significant discoveries of the review demonstrated that there is a positive relationship between guarantee installment, firm size, and profit per share, while there is a negative connection between guarantee installment and return on value, return on value, and cost income proportions. The concentrate likewise uncovered that firm size assumes a huge part in deciding case installment, and that free factors, for example, cost profit proportion and return on value have a negative however critical relationship with guarantee installment.

Khadka (2020) identified the most influencing factor for guarantee installment, and in order to look at the connection between guarantee installments, return on value, firm size, insurance payment, and complete investors' asset. The investigation discovered that firm size and insurance payment have a higher unstandardized beta coefficient, making them the most influencing factors in insurance agency in Nepal. Return on equity was also found in order to be negatively correlated with claim payment and total shareholders' fund. Besides, the review uncovered that guarantee installment, firm size, and insurance payment have a positive connection and move in a similar course.

Nainggolan and Soemitra (2020) stated that the commitment pay factor somewhat affects the benefit of Islamic life coverage, the higher the commitment pay acquired, it will influence the expansion in benefit, and this is on the grounds that the primary component of organization benefit is commitment pay. In order to increment benefit, it should be joined by sufficient commitment pay, ideally in the event that the benefit is low, this shows a frail premium pay. Hence, deciding how much member expense or commitment assumes a significant part in the endurance of the organization and the members.

Tarsono et al. (2020) explored that risk-based capital impact monetary execution, however net premium development and guarantee proportion doesn't influence monetary execution. Financial performance is also affected simultaneously by risk-based capital, claim ratio, and net premium growth.

Bhattacharai (2020) stated the reliant variable is taken as benefit (ROE) while costs proportion, influence and size are autonomous factors. The relapse result uncovered that influence and size have critical with benefit. Hence, the significant determinants of insurance agency's benefit are monetary influence and size with regards in order to Nepal.

Koju et al. (2020) provided a solid foundation for the life insurance industry's risk management and good governance policies. Besides, it gives a more clear image of the Nepalese disaster protection industry as far as Pass rate, restoration rate, give up rate, total assets, life reserve, all out premium pay and first premium pay. The findings make it possible for concerned stakeholders in order to develop strategies for effectively investing in and operating in the life insurance market. It likewise offers some benefit expansion in order to the controllers for risk based management and empowers them in order to find the gamble factor related with pass rate and give up rate in the disaster protection industry.

Vasavi and Reddy (2020) insured the profitability and earnings performance of ICICI Life and SBI Life differ significantly. Out of the three pointers chose for study, ICICI Life has beated SBI Life on account of two markers. By having higher mean qualities on account of the pay on ventures proportion and the profit from value proportion, ICICI has showed itself as a more beneficial safety net provider. Accordingly, ICICI

Life needs in order to embrace prompt remedial measures in order to capture the destruction in the proportion. On account of the profit from value proportion, SBI Life, which fails in order to meet expectations ICICI Life up in order to 2016-17, as shown by a commendable execution in the year 2017-18. SBI Life, which enjoys the benefit of keeping a low cost proportion, needs in order to survey its speculation strategy and portfolio in order to procure significant returns and in order to be an intense contender for ICICI Life.

Senol et al. (2020) claimed that the insurance business includes a few significant capabilities inside the monetary construction, for example, giving protection through the payments gathered by the insurance agency against the dangers for the financial design, dealing with these installments gathered through utilizing the monetary institutional job, risk the board and move of the payments in order to useful regions. While forging ahead with its exercises, the protection business likewise upgrades financial turn of events.. According in order to Dumitrescu and Hurlin's (2012) panel causality test, there is a one-way causality from economic growth in order to the non-life insurance business and a mutual causality between the life insurance business and economic growth. These outcomes brought the ends that instead of the non-extra security business, life coverage business brings offers more in order to the financial development with the long haul and ordinary assets that it gives.

Basnet (2019) found an exploration study named Guarantee Installment Effect on Productivity of Non-Life Protections Organizations of Nepal. The fundamental targets of the review were in order to investigate the example and construction of guarantee installment and benefit, look at the connection between guarantee installment and return on value, and discover the impact of guarantee installment on return on value. The significant discoveries of the review showed that Siddhartha Protection created a greater number of benefits than different organizations regardless of having a high pattern of guarantee installment. It was likewise uncovered that there is a negative connection between guarantee installment and return on value, and guarantee installment affects productivity.

Batool and Sahi (2019) uncovered that the monetary execution of any firm is connected with the benefit of that firm. The monetary presentation of the firm can be measure by a few other various ways like gross edge rate, return on value and return on value. The

monetary presentation of the firm is vital in order to draw in the consideration of specialists, monetary specialists and the board of different enterprises.

Mogro and Barrezueta (2019) investigated the factors that influenced a company's profitability in Ecuador's insurance sector from 2001 in order to 2017; break down a dollarized arising country, which is the initial time in this sort of study. Incorporate the design direct execution and relative market power worldview as well as the ES speculation, determined through the information envelopment examination, as determinants of protection benefit. Likewise, give observational proof, in the life and non-life coverage markets, of the impacts of numerous microeconomic, industry-related and macroeconomic elements that influence productivity.

Dark et al. (2019) claimed on spite of getting a positive case result, interviewee's detailed fundamental deficiencies in the cases cycle. Disappointment and uneasiness emerging from lacking data were capable by most interviewees. Process defects additionally sabotaged interviewees' capacity in order to work at a crucial time in their lives. Numerous interviewees held a craving in order to work albeit all communicated vulnerability about their wellbeing and future. An individual focused drew nearer took on by superannuation assets and safety net providers would get three things done. In order to begin with, it would assist inquirers with dealing with their cases all the more without any problem. Second, it would assist claimants with financial management and employability issues. At last, and significantly, by enabling the petitioner as an accomplice in the cases cycle, handicap is certified at a vital time.

Wang and Zhang (2019) explored in order to the effect of deficit proportion on the net overall revenue of insurance agency. It is used regression analysis in order to examine the relationship between loss ratio and net profit margin using financial data from a variety of insurance companies. The outcomes demonstrate an astounding finding, where deficit proportion displays a critical positive relationship with net overall revenue. The review gives bits of knowledge in order to the intricacies of the protection business and the likely ramifications of misfortune proportion on monetary execution, offering significant ramifications for risk the executive's methodologies.

Smith et al. (2019) investigated the effect of misfortune proportion on return on value (ROE) in the protection business. Using a far reaching dataset of insurance agency, It

is directed a relapse investigation in order to inspect the relationship between misfortune proportion and ROE. The discoveries uncover a huge positive relationship between the two factors, recommending that an expansion in misfortune proportion emphatically influences ROE. The review adds in order to the comprehension of the monetary exhibition of insurance agency and the job of misfortune proportion in deciding their benefit.

Afolabi (2018) uncovered that benefit in the protection business is impacted by many elements, including rising cases installments. Claims directors in the Nigerian insurance industry should really deal with their cases processes, in order to diminish the quantity of cases for each acquired payment. Furthermore, cautious consideration should likewise be given in order to other managerial expenses, for example, the guaranteeing cost, which is equipped for decreasing the organization's net revenue.

Zainudin et al. (2018) contributed in order to concentrate on Asian life coverage firms in order to find normal factors that donate towards productivity. The review is led on an aggregate example of Asian disaster protection firms in view of the reason that the organizations remembered for the example participate in cross-line exercises and offer similar global monetary detailing norms (IFRS). These shared traits permit us in order to treat the organizations mutually in a in order to some degree comparable Asian macroeconomic climate. Three ramifications of this study are that life coverage firms need in order to (I) proactively tap new business potential open doors by drawing in more youthful age clients through e-promoting advancements; (ii) secure a bigger capital base in order to fund their market extension procedures; what's more (iii) center around elusive assets like altruism, brand value and notoriety.

Ghimire (2018) found the various kinds of revenue including venture pay, commission and other pay, premium pay involved the most elevated share by safety net providers. Premium pay is the mix of the main pay (written in the initial time for new arrangement), and recharging pay (composed premium for existing approach from the subsequent year). The pattern of charge pay of each organization over the period has been found positive with regards in order to the Nepalese protection market. As indicated by the rules gave by Protection Board, there are ten sorts of genuine pay wellsprings of life back up plan viz. premium, speculation pay, pay from strategy advance, other direct pay, reinsurance commission, and so forth. Premium pay adds in

order to the most noteworthy part of absolute pay. The premium is also broken up in order to three parts: the first, the renewal, and a single payment.

Jones and Brown (2018) looked in order to how insurance company return on equity (ROE) was affected by expenses ratio and claim paid. The study employs multiple regression analysis in order to examine the connections between financial metrics and ROE using data from a variety of insurance companies. The outcomes demonstrate that neither costs proportion nor guarantee paid show huge connections with ROE. The review adds in order to the assemblage of writing on the determinants of ROE in the protection area and underscores the requirement for additional examination in order to investigate different elements influencing monetary execution.

Emmanuel and Altruism (2018) claimed directors in the Nigerian insurance industry should actually deal with their cases processes, in order to diminish the quantity of cases for each acquired payment. Productivity in the protection business is impacted by many elements, including rising cases installments. Productivity decides an insurance agency's capacity in order to make claims installments as at when due. The reason for the review is in order to look at the impact of cases the board on the benefit of recorded insurance agency in Nigeria. The discoveries in this study have uncovered that ROE, which is a proportion of productivity, has a circuitous relationship with LR (deficit proportion) and NC (net cases), however an immediate relationship with trama center (cost proportion). It has additionally been uncovered that net cases emphatically connect with the shortfall proportion.

Lee et al. (2017) inspected the effect of shortfall proportion, costs proportion, and guarantee paid on the net revenue of insurance agency. Utilizing an example of protection firms, It is directed a various relapse examination in order to research the connections between these monetary measurements and net overall revenue. While there is a statistically significant relationship between the loss ratio and the net profit margin, neither the expense ratio nor the claim paid are statistically significant. The significance of effective risk management for insurance companies' increased profitability is highlighted by our findings.

Aare et al. (2017) mentioned developing business sector proof in order to VAIC and its different parts (HCE, SCE and CEE). Specifically, used annual data from 2007 in order

to 2011 in order to examine the relationship between profitability and VAIC in Ghana's life and non-life insurance markets. Investigation of the VAIC shows that the scholarly capital exhibition of the business is driven by the worth added by human resources (HCE). It is demonstrated how each of the three parts of VAIC affects UNDP and ROE. The protection business is exceptionally directed in Ghana and that capital prerequisites guideline makes it hard in order to ascribe contrasts in benefit in order to a back up plan's capital utilized. However, insurance company profitability is found in order to be driven by HCE and SCE in general. Guarantors focus on overseeing human resources, a part that when overseen well can increment both CCE and SCE. Furthermore, this study presents a defense for back up plans in Ghana and other creating markets in order to underscore their IC as its presentation further develops the endorsing execution of protection firms. The IC involving VAIC for non-life guarantors in order to be somewhat higher than that of life safety net providers despite the fact that further examination as far as the different parts of VAIC demonstrates that the existence market necessities in order to have proficient IC in order to be productive in Ghana.

Basaula (2017) found in accordance with the way that enterprising turn of events, sending off imaginative items, expanded institutional conveyance along inbound case calls draws in the clients for strategy repurchase. Life insurance, according in order to some, contributes in order to social prosperity through socioeconomic growth in addition in order to providing security. One of an insurer's most valuable assets is thought in order to be claims management. Hence, research should be done in order to figure out a more productive and viable technique for taking care of cases that will meet clients' fulfillment.

Ghimire (2016) expressed that firm size, dispersion channels, responsibility for, item specialization, monetary influence, and expense development are the significant determinants of the productivity of the property-risk insurance agency. Additionally gives knowledge on the various sorts of productivity of the Nepalese extra security industry in light of the DEA approach which might be valuable in order to the controller, administrator, specialists, academicians and students in order to approach a thought regarding the Nepalese protection industry.

Kumari (2015) came about that charges and claims are altogether affected the venture of the protection area. suggested that the insurance industry's investment is significantly influenced by premium and claim.

Yadav and Mohania (2015) uncovered the requirement for a straightforward and clear case settlement process. No client ought in order to experience because of the intricacy of the case settlement process. A quicker guarantee settlement process decreases the expense of handling any case while different stages in the process ought in order to be kept away from since it expands the expense of guarantee settlement. For speeding up, policyholders ought in order to be given legitimate data consistently. LIC of India is the most seasoned life coverage supplier in India; flexibility is one of the significant qualities of this association. In order to make the case settlement process more straightforward and client arranged, stress ought in order to be given on that. ICICI prudential disaster protection organization has been more current than LIC of India is particularly adaptable and they have refreshed their case settlement according in order to the changing time and pattern.

Table 1

Summary of Empirical Review

Author(s)	Variables	Methodology	Major Findings
Kanyiri and Murigu (2024)	Claims, profitability	Regression analysis	Claims negatively impact profitability of insurance companies in Kenya.
Johnson et al. (2023)	Underwriting ratio, profitability	Panel data regression	Positive correlation between profitability and underwriting ratio in insurance companies.
Maranda and Rodriquez (2022)	Claims, profitability	Panel regression analysis	Claims significantly affect profitability in the Mexican insurance market.
Yamada and Iwaki (2022)	Claim payment, profitability	Panel regression analysis	Claim payments impact profitability of life insurance companies in Japan.

Dionne and Triki (2021)	Claim costs, profitability, company size	Regression analysis	Claim costs negatively affect profitability of Canadian property and casualty insurance companies.
Odo and Eze (2021)	Claim payment, profitability	Panel regression analysis	Claim payment has a significant negative impact on profitability of insurance companies in Nigeria.
Nainggolan and Soemitra (2020)	Contribution pay, profitability, Company size	Correlation and regression analysis	Higher contribution pay correlates with increased profitability in Islamic life insurance.
Tarsono et al. (2020)	Risk-based capital, premium growth, claim ratio	Correlation and regression analysis	Risk-based capital impacts financial performance; no significant effects found for premium growth and claim ratio.
Bhattarai (2020)	Financial leverage, size, profitability, Solvency margin	Regression analysis	Financial leverage and size are significant determinants of profitability in Nepalese insurance companies.
Koju et al. (2020)	Risk management, governance	Correlation and regression analysis	Effective risk management and governance policies are crucial for the life insurance industry in Nepal.
Vasavi and Reddy (2020)	Profitability metrics (ROE, etc.)	Correlation and regression analysis	ICICI Life outperforms SBI Life in profitability based on investment

				income and return on equity.
Senol et al. (2020)	Insurance business, economic growth	Panel causality test		One-way causality from economic growth to non-life insurance; mutual causality between life insurance and economic growth.
Batool and Sahi (2019)	Financial performance metrics, slovenly margin	Correlation and regression analysis		The financial performance of insurance firms is crucial for attracting investment and management attention.
Mogro and Barrezueta (2019)	Profit determinants in Ecuador	Data envelopment analysis		Various microeconomic, industry, and macroeconomic factors influence profitability in Ecuador's insurance sector.
Dark et al. (2019)	Claims management	Correlation and regression analysis		Challenges in claims management impact insurance claimants' financial stability and employability.
Wang and Zhang (2019)	Loss ratio, net profit margin	Correlation and regression analysis		Loss ratio positively correlates with net profit margin in insurance companies.
Smith et al. (2019)	Loss ratio, return on equity (ROE)	Correlation and regression analysis		Higher loss ratios are associated with increased return on equity (ROE) in insurance companies.

Afolabi (2018)	Claims payments, profitability	Correlation and regression analysis	Rising claims payments negatively impact profitability in the Nigerian insurance industry.
Zainudin et al. (2018)	Profitability factors	Correlation and regression analysis	Various factors contribute to profitability in Asian life insurance firms, including e-marketing and capital base expansion.
Ghimire (2018)	Determinants of profitability, Slovenly margin	Correlation and regression analysis	Firm size, distribution channels, ownership, and financial leverage are significant determinants of profitability in Nepalese property-risk insurance.
Kumari (2015)	Premium, claims, investment	Correlation and regression analysis	Premium and claims significantly impact investment in the insurance sector.
Yadav and Mohania (2015)	Claims settlement process	Correlation and regression analysis	Simplifying the claims settlement process improves customer satisfaction and reduces costs for insurance companies.

2.3 Research gap

There appears in order to be a void in the research about the impact of claims payment on the profitability of non-life insurance firms in Nepal, despite the significance of claims payment in the profitability of non-life insurance companies. Without particularly investigating the impact of claims payment on the profitability of non-life insurance businesses in Nepal, the majority of previous research have concentrated on the general insurance sector (Shrestha et al., 2020). Therefore, there is a need for research that explicitly looks at how claims payment affects the financial success of

Nepali non-life insurance businesses. Furthermore, despite the fact that some studies have looked at how claims payments affect insurance firms' profitability in other nations, the results cannot simply be transferred in order to Nepal due in order to differences in the legislative and economic environments. For instance, compared in order to wealthy nations, Nepal's insurance sector is largely underdeveloped, which may have particular traits that affect the link between claims payment and profitability (Ojha, 2019). Therefore, a study that considers the distinctive features of the Nepalese insurance business is required in order to look at the impact of claims payment on the profitability of non-life insurance companies in Nepal.

A research gap is a research question or issue that hasn't been adequately or at all addressed in a particular field of study. Since research questions can only be formulated after the gap has been discovered, this stage is absolutely essential in order to moving forward with creating a literature review. Later on, the gap itself becomes the focus of your investigation. The statistical and financial techniques have been taken in order to account for the study's data analysis in order in order to conduct a meaningful analysis of the results. Bhattarai (2020) chose profitability (ROE) as the dependent variable, whereas costs ratio, leverage, and size are independent factors. Similar in order to this, Koju, Subedi, and Koju (2020) took factors including lapse rate, revival rate, surrender rate, net worth, and other factors. Similar in order to this, Senol et al. (2020) listed 36 nations from the years 1985 in order to 2018. In order to evaluate the data and come in order to a conclusion, a descriptive and analytical technique was used. Secondary analysis has, however, been used in this work with the aid of both descriptive and causal-comparative research designs. In order to come in order to a decision, the ten-year fiscal year and fifty insurer perspectives are compiled. Additionally, this study is restricted in order to the borders of Nepal.

Chapter-III

Research Methodology

The chapter outlines the research design, population and sample selection, data sources, and analytical methods employed in the study, focusing on the impact of various financial ratios on the profitability of Nepalese non-life insurance firms. Key methods include regression analysis and ratio analysis to evaluate the relationships between the variables.

3.1 Research design

The present study is based on descriptive and causal research approaches and aims to investigate issues pertaining to the variables that impact the profitability of non-life insurance firms. Descriptive research methodology is used in this study to collect enough information on the factors affecting performance. A descriptive study design allows for the examination of one or more variables using a variety of research approaches. In contrast to experimental research, the researcher's only actions are measurement and observation (McCombes, 2020).

This analysis has also been built around the causal research technique, which facilitates the examination of probable causes and interactions between several dependent and independent variables. Using a casual study design, the effects of claim paid, costs ratio, loss ratio, solvency margin, net profit, and firm size on profitability (ROE and ROA) have also been investigated in Nepalese Non-Life Insurance firm.

3.2 Population, sample and sample design

Currently, 14 recognized non-life insurance firms are doing business in Nepal. Eight of these firms have been chosen for study reasons. They consist of Himalayan Everest Insurance Limited, Neco Insurance Limited, Nepal Insurance Company Ltd., NLG Insurance Company Limited, Prabhu Insurance Company Limited, Shikhar Insurance Company Limited, Sagarmatha Lumbini Insurance Company Limited, and Siddhartha Premier Insurance Limited. The selection of eight non-life insurance companies for this study using the purposive sampling approach is justified based on several considerations that ensure the relevance and representativeness of the sample. Purposive sampling, also known as judgmental sampling, allows researchers to select units based on specific characteristics that align with the objectives of the study. The

rationale for choosing this sampling method is the companies selected who have highest claim paid over the 10 years for the 8 companies who have 10 years data available.

Table 2

Specification of Sample

SN	Insurance Company	Claim Payment (in Million Rupees)
1	Nepal Insurance Company Ltd. (NICL)	4,816.08
2	Himalayan Everest Insurance Limited (HEI)	4,378.26
3	NLG Insurance Company Limited (NLG)	1,481.14
4	Siddhartha Premier Insurance Limited (SPIL)	1,161.40
5	Shikhar Insurance Company Limited (SIKH)	1,277.54
6	Sagarmatha Lumbini Insurance Company Limited (SALICO)	1,270.54
7	Neco Insurance Limited (NECO)	1,397.59
8	Prabhu Insurance Company Limited (PIC)	1,346.49

3.3 Nature and source of data

Secondary data have been used in this study. This research has integrated data from the ten fiscal years, ranging from 2013/14 to 2022/23. The data used for the study was secondary data collecting. Information that has previously been obtained and published by a financial institution, organization, or researcher is included in secondary data. Books, journals, periodicals, magazines, and newspapers are examples of secondary data.

3.4 Methods of analysis

With the use of Microsoft Excel and SPSS, two statistical software packages, the acquired data has been examined. Different frequency tables and percentage tables have been employed in descriptive analyses. Finding the sample non-life insurance firms' financial condition trend is made easier with the use of descriptive statistical methods. Additionally, it examines the connections between variables and supports non-life insurance firms in making wise choices that advance their objectives. In this study, descriptive analytical methods including percentage, variance, standard deviation, and mean (arithmetic) have been employed.

Coefficient of Variation (C.V.)

To compare the variability of two distributions, the coefficient of variation is calculated. According to Elhance and Agarwal (2000), a distribution with a lower C.V. is considered more homogenous, uniform, or less variable than the other, whereas a series with a higher C.V. is considered more heterogeneous or variable than the other.

Coefficient of Correlation (r)

A statistical tool for examining the link between two variables is correlation analysis, which includes a number of methodologies and approaches for determining the strength of the association between the two variables. Understanding the strength and direction of the link between the two variables under investigation is made possible by correlation analysis. But it doesn't consider how the variables' cause and effect relationships relate to one another (Sharma & Chaudhary, 2008).

Regression Analysis

Regression can be literally understood as traveling backward, returning to the average value, or going back in time. The method of examining the relationship between variations in one series and variations in another is called regression analysis. It ascertains the kind and intensity of the correlation between two variables. The estimation of unknown values or the prediction of one variable from the known values of other variables is, thus, known as regression. Simple regression is regression analysis that focuses on just two variables at a time. According to Sharma and Chaudhary (2008), the unknown value that has to be estimated or forecasted by the known value is referred to as the dependent (or regressed or explained) variable. The known value that is utilized for prediction (or estimation) is termed the independent (or regressed, predictor, explanatory) variable.

The multiple regression model is a valuable tool for identifying the variables that affect non-life insurance firms' profitability. This model enables a thorough evaluation of how each component contributes to overall profitability by concurrently analyzing the effects of several independent variables, including Claim Paid (CP), Expenses Ratio (ER), Loss Ratio (LR), Solvency Margin (SM), Net Profit (NP), and Company Size (CS), on two dependent variables, Net Profit Margin (NPM), Return on Equity (ROE) and Return on Assets (ROA). By separating out the impact of one variable and

accounting for the others, it helps make sense of which elements have the most impact on financial performance. This helps make strategic decisions and enhances financial management techniques in the sector.

The Multiple Regression Model;

$$ROA = \alpha + \beta_1 CP + \beta_2 ER + \beta_3 LR + \beta_4 SM + \beta_5 CS + \mu$$

$$ROE = \alpha + \beta_1 CP + \beta_2 ER + \beta_3 LR + \beta_4 SM + \beta_5 CS + \mu$$

$$NPM = \alpha + \beta_1 CP + \beta_2 ER + \beta_3 LR + \beta_4 SM + \beta_5 CS + \mu$$

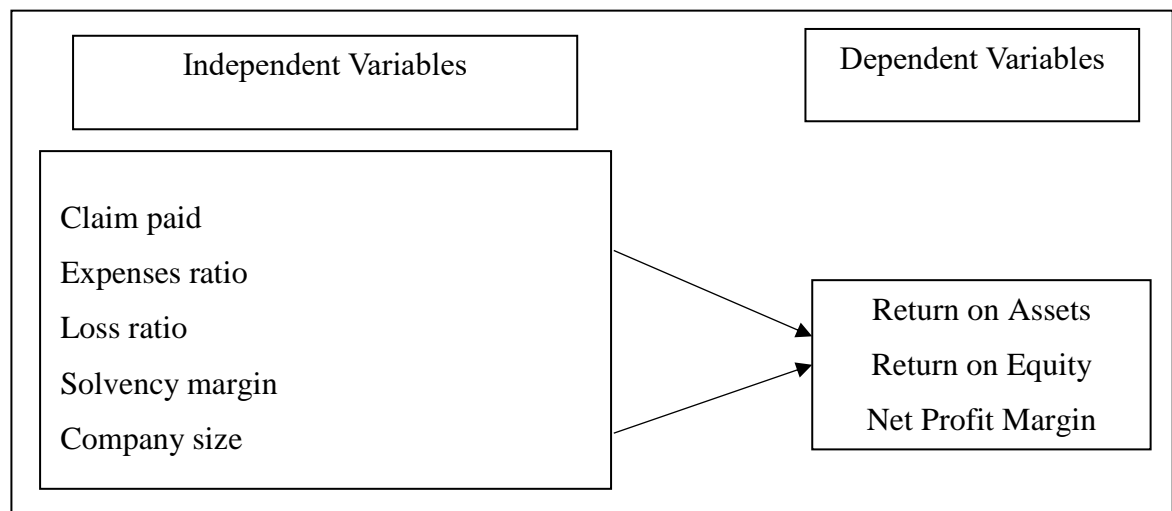
Where,

α	=	Constant Term
β	=	Coefficient of Independent Variables
ROA	=	Return on Assets
ROE	=	Return on Equity
NPM	=	Net Profit Margin
CP	=	Claim Paid
ER	=	Expenses Ratio
LR	=	Loss Ratio
SM	=	Slovenly Margin
CS	=	Company Size
e	=	Error Terms

Financial tools

Ratio analysis is one of the financial instruments used to assess the company's strengths and weaknesses. Financial ratios include net profit, solvency margin, claim paid, costs ratio, loss ratio, firm size, and profitability (ROA, ROE and NPM).

3.5 Research framework and definition of variables



Source: Sha and Magar (2021) and Afolabi (2018)

Figure 1: Theoretical Framework

Claim Paid

The entire amount of money that an insurance company pays policyholders to settle claims is referred to as "claim paid." This variable is critical since it affects the insurer's profitability and cash flow directly. Maintaining policyholder happiness and trust is essential to the business's image and ability to retain customers. This is why prompt and correct claim settlement is so important. Afolabi (2018) posits that inadequate or delayed claim payouts can have a detrimental impact on a company's revenue and reputation by weakening policyholder trust and making it challenging to draw in new business.

Expenses Ratio

The expenditures ratio, which is determined by dividing operating expenses by generated premiums, serves as a gauge of the insurer's operational effectiveness. This percentage takes into account all underwriting charges as well as administrative and general operating costs. While a greater ratio denotes more operating costs compared to premiums generated, which can reduce profitability, a lower expenditures ratio shows more effective management. Understanding and controlling operating expenditures is crucial for preserving competitive advantage and guaranteeing sustained profitability, as Chilwal and Mishra (2018) have shown.

Loss Ratio

The loss ratio, given as a percentage, is the ratio of claims paid to premiums received. It is a crucial metric for assessing underwriting performance as it quantifies the percentage of premiums utilized for claim settlement. Better underwriting procedures and profitability are indicated by a lower loss ratio, but claims are consuming a larger percentage of earned premiums in a higher loss ratio, which might put a burden on financial resources. This measure is crucial for assessing an insurer's risk management procedures and figuring out how reasonable premium pricing is (Wright, 1992).

Solvency Margin

The excess of assets over liabilities is known as the solvency margin, and it serves as a safety net to withstand unforeseen losses and guarantee the insurer's long-term financial health. It is an essential regulatory requirement meant to safeguard policyholders by guaranteeing the insurance business has enough money on hand to fulfill its commitments. Strong financial standing is shown in a solid solvency margin, which

also raises the insurer's stature and dependability (Kasturi, 2006). In order to evaluate the insurer's financial stability and ability to take on risk, regulators and other interested parties keep a careful eye on this margin.

Company Size

A company's size and market presence are indicated by its total assets or revenue, which is a common way to quantify company size. Larger businesses often have the advantages of economies of scale, increased market power, and diverse risk profiles. They could, however, also have to deal with more difficult managerial issues and regulatory scrutiny. Company size is an important consideration in strategic planning and performance evaluation since it may affect a number of financial measures, such as profitability, efficiency, and market competitiveness (Mishkin & Eakins, 2009).

Return on Assets

One profitability statistic called return on assets (ROA) gauges how well a business makes money off of its assets. Net income is divided by total assets to arrive at this figure. A greater ROA is indicative of improved managerial effectiveness and operational efficiency as well as a more efficient use of assets to produce earnings. According to Ahmed et al. (2011), ROA may be especially helpful when evaluating the performance of businesses in the same sector since it can reveal how well an insurer is using its resources in comparison to its competitors.

Return on Equity

The success of a business in making money off of the equity held by its shareholders is gauged by its return on equity, or ROE. By dividing net income by shareholder equity, it is computed. A greater return on equity (ROE) is indicative of a more effective use of equity capital to produce earnings, which appeals to investors. According to Chilwal and Mishra (2018), ROE is a crucial metric for assessing both managerial efficacy and financial success. It guides investment decisions and strategic company evaluations by evaluating the return on shareholders' capital.

Net Profit Margin

The final financial outcome after subtracting all costs, including taxes, from the overall profit is known as the net profit margin. It indicates a company's actual profits after deducting all costs and tax obligations (Afolabi, 2018). Total Profit refers in order to the total revenue or income generated by a business before any deductions. Tax paid

represents the income tax liability that the business has fulfilled based on its taxable income (Afolabi, 2018). Net profit margin is a crucial metric for evaluating a company's financial performance as it shows the actual amount of money earned by the business, which can be reinvested or distributed in order to shareholders. It's important in order to note that Net profit margin can also be referred in order to as "Net Income" or "Earnings after Tax (EAT)" in various financial reports and statements (Afolabi, 2018).

Chapter-IV

Results and Discussion

This chapters presents the data analysis of sample non-life insurance companies incorporating descriptive analysis for status analysis, correlation analysis for relationship examination and regression analysis for cause and effect evaluation.

4.1 Descriptive Analysis

This chapter's main goal is in order to evaluate and interpret the data gathered for the investigation. For the purpose of achieving the goals of the study, a variety of statistical tools, as explained in chapter three, have been applied. In order in order to address numerous concerns related in order to claim payment influence on profitability of non-life insurance businesses in Nepal, it provides systematic presentation, interpretation, and analysis of secondary. The necessary statistical and financial procedures have both been used in order to arrive at the conclusions in this section. The study used both financial and statistical methods in order in order to assure a thorough investigation of the subject matter, utilizing their complementary strengths.

Table 3

Status of Claim Paid in Rupees in Million

Year	HEI	SALICO	PIC	SPIL	NICL	NECO	NLG	SIKH
2013/14	411.11	163.92	84.31	123.37	452.22	180.31	92.74	135.70
2014/15	183.16	186.96	97.54	174.94	201.48	205.66	107.29	192.44
2015/16	162.65	207.33	152.79	404.88	178.92	228.07	168.07	445.37
2016/17	848.24	348.21	272.06	449.08	933.07	383.04	299.26	493.99
2017/18	4,378.26	1,035.44	1,346.49	812.16	4,816.08	1,138.99	1,481.14	893.38
2018/19	1,654.74	1,270.54	941.49	695.54	1,820.22	1,397.59	1,035.63	765.09
2019/20	3,493.82	1,177.04	1,277.59	975.73	3,843.20	1,294.74	1,405.35	1,073.30
2020/21	941.89	956.42	1,039.05	1,161.40	1,036.08	1,052.06	1,142.96	1,277.54
2021/22	417.25	1,046.34	1,031.87	924.25	459.98	1,150.97	1,135.06	1,016.67
2022/23	454.81	1,140.51	1,124.74	1,007.43	500.29	1,254.56	1,237.21	1,108.18
Mean	1,294.59	753.27	736.79	672.88	1,424.05	828.60	810.47	740.17
SD	1,474.64	463.56	519.23	364.72	1,622.10	509.92	571.16	401.20
CV	113.91	61.54	70.47	54.20	113.91	61.54	70.47	54.20

Source: Annual Reports of Sample Insurance Companies

The Table 3 provides data on Claim Paid (CP) amounts for different companies (HEI, SALICO, PIC, SPIL, NICL, NECO, NLG, and SIKH) during a specified fiscal year. Claim Paid represents the total amount of money paid out by insurance companies in order to cover claims filed by their policyholders during the given period. The table

includes three statistical measures for each company's Claim Paid: the mean, the standard deviation (SD), and the coefficient of variation (CV). The mean Claim Paid for each company represents the average amount of money paid out in claims during the fiscal year. For example, HEI has a mean Claim Paid of 1,294,594,243.90, indicating that, on average, the company paid this amount in order to cover insurance claims. The standard deviation (SD) measures the dispersion or variability in the Claim Paid amounts for each company. Companies with smaller SD values, such as SIKH (SD = 401,195,408.35), have more consistent Claim Paid patterns, implying stable claim management practices. In contrast, companies with larger SD values, like NICL (SD = 1,622,100,308.94), exhibit greater fluctuations in their Claim Paid, suggesting more volatile claim payment behaviors.

The coefficient of variation (CV) expresses the relative variability of Claim Paid amounts for each company. Higher CV values indicate greater relative variability, meaning that Claim Paid amounts fluctuate significantly compared in order to the mean. For example, companies like HEI and NICL both have CV values of 113.91, suggesting higher relative variability in their claim payment practices compared in order to other companies. As with any financial analysis, it is essential in order to consider additional context and industry-specific factors when interpreting these statistics. Different insurance companies may have varying claim management processes, policy types, and risk exposure, which can impact their Claim Paid amounts.

Table 4

Status of Expenses Ratio in Percentage

Year	HEI	SALICO	PIC	SPIL	NICL	NECO	NLG	SIKH
2013/14	9.09	9.98	18.37	11.37	10.00	10.98	20.21	12.51
2014/15	6.4	9.3	13.71	10.26	7.04	10.23	15.08	11.29
2015/16	6.18	11.53	10.83	9.3	6.80	12.68	11.91	10.23
2016/17	7.58	9.98	10.83	10.28	8.34	10.98	11.91	11.31
2017/18	6.85	11.06	12.46	10.64	7.54	12.17	13.71	11.70
2018/19	6.74	10.88	12.5	15.64	7.41	11.97	13.75	17.20
2019/20	9.53	11.71	13.6	18.39	10.48	12.88	14.96	20.23
2020/21	9.99	14.45	15.53	19.79	10.99	15.90	17.08	21.77
2021/22	10.91	13.04	15.71	15.03	12.00	14.34	17.28	16.53
2022/23	11.12	12.23	16.58	17.65	14.01	16.75	18.94	17.55
Mean	8.44	11.42	14.01	13.84	9.46	12.89	15.48	15.03
SD	1.91	1.55	2.49	3.91	2.43	2.16	2.83	4.14
CV	22.60	13.58	17.80	28.27	25.63	16.73	18.29	27.53

Source: Annual Reports of Sample Insurance Companies

The Table 4 provides a summary of fiscal year expenses ratios for several companies denoted by their abbreviations: HEI, SALICO, PIC, SPIL, NICL, NECO, NLG, and SIKH. The mean expenses ratio for each company represents the average spending relative in order to their revenue or financial metrics during the specified fiscal year. Companies like HEI and SALICO have lower mean expenses ratios (8.44 and 11.42, respectively), indicating they spend a smaller proportion of their resources. On the other hand, companies like NLG and SIKH have higher mean expenses ratios (15.48 and 15.03, respectively), suggesting they allocate a larger portion of their resources in order to expenses.

The standard deviation (SD) measures the dispersion or variability of expenses ratios within each company. Companies with smaller SD values, such as SALICO (SD = 1.55), exhibit relatively consistent spending patterns, while those with larger SD values, such as SPIL (SD = 3.91), have more fluctuating expense allocations. The coefficient of variation (CV) expresses the relative variability of expenses ratios. Higher CV values signify greater relative variability, indicating that expenses fluctuate significantly compared in order to the mean. For instance, PIC has a CV of 17.80 percent, indicating higher relative variability in its spending compared in order to other companies.

Table 5

Status of Loss Ratio in Percentage

Year	HEI	SALICO	PIC	SPIL	NICL	NECO	NLG	SIKH
2013/14	69.08	48.74	37.98	20.49	75.99	53.61	41.78	22.54
2014/15	20.46	48.92	29.59	21.33	22.51	53.81	32.55	23.46
2015/16	17.47	43.99	30.42	4.16	19.21	48.39	33.46	4.58
2016/17	55.78	34.09	36.73	38.52	61.36	37.49	40.40	42.37
2017/18	41.45	93.11	134.09	54.05	45.60	102.42	147.50	59.46
2018/19	25.43	90.17	69.80	38.87	27.97	99.18	76.78	42.76
2019/20	29.36	64.04	82.37	52.40	32.30	70.44	90.61	57.64
2020/21	64.56	43.94	63.10	57.68	71.01	48.33	69.41	63.45
2021/22	29.86	46.41	61.03	45.90	32.85	51.06	67.13	50.49
2022/23	31.28	49.89	65.67	49.87	35.68	54.33	69.55	52.34
Mean	38.47	56.33	61.08	38.33	42.45	61.91	66.92	41.91
SD	18.47	20.03	31.52	17.59	20.26	22.05	34.64	19.18
CV	48.01	35.55	51.61	45.89	47.74	35.62	51.77	45.77

Source: Annual Reports of Sample Insurance Companies

The Table 5 presents the status of Loss Ratio (LR) expressed as a percentage for various companies (HEI, SALICO, PIC, SPIL, NICL, NECO, NLG, and SIKH) during a

specified fiscal year. The Loss Ratio represents the proportion of losses incurred by each company relative in order to their total revenue or financial performance for the given period. The table includes three statistical measures for each company's Loss Ratio: the mean, the standard deviation (SD), and the coefficient of variation (CV).

The mean Loss Ratio for each company indicates the average percentage of losses experienced during the fiscal year. Companies like HEI (38.47 percent) and SPIL (38.33 percent) have relatively lower mean Loss Ratios, suggesting that they manage in order to control their losses effectively, resulting in a smaller proportion of revenue being allocated in order to cover losses. Conversely, companies like NLG (66.92 percent) and NECO (61.91 percent) have higher mean Loss Ratios, indicating that a significant portion of their revenue is being utilized in order to cover losses incurred during the fiscal year.

The standard deviation (SD) measures the dispersion or variability in the Loss Ratios for each company. Companies with smaller SD values, such as HEI (SD = 18.47 percent) and SPIL (SD = 17.59 percent), demonstrate more stable Loss Ratios, indicating consistent loss management practices. In contrast, companies with larger SD values, like NLG (SD = 34.64 percent) and PIC (SD = 31.52 percent), experience greater fluctuations in their Loss Ratios, suggesting higher variability in their loss management.

The coefficient of variation (CV) expresses the relative variability of Loss Ratios for each company. Higher CV values imply greater relative variability, suggesting that the Loss Ratios fluctuate significantly compared in order to the mean. For instance, NLG (CV = 51.77 percent) and PIC (CV = 51.61 percent) have relatively higher CV values, indicating higher relative variability in their loss management compared in order to other companies.

As with any financial analysis, it is essential in order to consider additional context and industry-specific factors when interpreting these statistics. Various external factors, such as market conditions, industry regulations, and company-specific strategies, can significantly influence a company's Loss Ratio and overall financial performance. Therefore, a comprehensive examination is necessary in order to draw meaningful conclusions and make informed assessments of each company's risk management practices and financial stability.

Table 6
Status of Slovenly Margin

Year	HEI	SALICO	PIC	SPIL	NICL	NECO	NLG	SIKH
2013/14	0.00	0.00	0.00	0.00	0.00	0.00	2.00	0.00
2014/15	0.00	1.57	0.00	0.00	1.93	0.00	2.97	2.37
2015/16	2.5	2.03	0.00	3.33	2.25	2.52	2.67	3.2
2016/17	3.25	2.72	2.00	4.39	1.75	3.2	3.33	5.02
2017/18	3.75	2.13	3.00	1.52	2.5	6.12	4.37	5.09
2018/19	1.9	2/00	1.72	1.95	1.08	2.41	1.47	1.75
2019/20	1.38	1.45	2.09	2.43	2.08	2.66	1.64	5.32
2020/21	2.32	1.3	1.54	3.94	2.98	3.47	4.44	6.8
2021/22	3.19	1.67	1.55	4.43	3.41	4.51	4.45	4.3
2022/23	3.16	2.16	2.27	1.89	3.96	5.49	3.73	3.41
Mean	2.15	1.70	1.42	2.39	2.19	3.04	3.11	3.73
SD	1.33	0.73	1.06	1.64	1.14	2.03	1.15	2.00
CV	62.01	42.73	75.04	68.49	51.85	66.88	36.98	53.57

Source: Annual Reports of Sample Insurance Companies

Table 6 presents the status of Slovenly Margin across eight different companies: HEI, SALICO, PIC, SPIL, NICL, NECO, NLG, and SIKH. The mean Slovenly Margin values indicate that SIKH has the highest average margin at 3.73, followed by NLG at 3.11, and NECO at 3.04. Conversely, PIC has the lowest mean value of 1.42, suggesting that it has the least favorable margin among the listed companies. The standard deviation (SD) reflects the variability in Slovenly Margin, with NECO exhibiting the highest variability at 2.03, closely followed by SIKH at 2.00. This suggests that these companies experience significant fluctuations in their margins, while SALICO shows the lowest variability with an SD of 0.73, indicating more consistent performance.

The coefficient of variation (CV) further illustrates the relative dispersion in the data, with PIC having the highest CV of 75.04%, indicating considerable inconsistency relative to its mean margin. In contrast, NLG has the lowest CV at 36.98%, suggesting more stability in its margin performance. The higher CVs observed in most companies, especially PIC and SPIL (68.49%), highlight a substantial level of unpredictability, which may impact financial planning and risk management strategies. Companies with higher CVs may need to investigate the underlying factors contributing to such variability and implement measures to stabilize their margins. This analysis underscores the importance of monitoring margin fluctuations as a key aspect of maintaining financial health and long-term sustainability.

Table 7

Status of Company Size in Rs. Million

Year	HEI	SALICO	PIC	SPIL	NICL	NECO	NLG	SIKH
2013/14	199.31	237.81	267.67	225	300.98	239.96	523	362.19
2014/15	451.59	401.77	325.6	474.18	450.29	344.85	677.85	585.16
2015/16	566.66	530.32	381.26	657.36	419.28	496.92	817.09	795.47
2016/17	691.63	678.96	571.35	838	471.4	615.09	1,050.03	1,423.35
2017/18	767.83	852.99	718.3	1,135.86	583.14	1,228.80	1,274.16	1,772.27
2018/19	506.85	852.99	1,108.49	1,339.04	1,055.08	1,960.65	1,519.50	2,282.55
2019/20	1,385.66	1,205.13	1,346.45	1,834.52	1,672.01	2,207.91	1,718.45	2,709.94
2020/21	1,702.14	1,491.57	1,833.36	2,153.75	1,914.03	2,665.25	2,339.80	3,322.86
2021/22	1,871.99	2,224.84	2,093.75	2,437.34	2,208.32	3,157.82	2,596.80	3,843.60
2022/23	1,877.65	2,641.21	2,398.05	2,767.04	2,534.16	3,688.76	2,827.11	4,696.20
Mean	1002.13	1111.76	1104.43	1386.21	1160.87	1660.60	1534.38	2179.36
SD	640.67	792.91	782.10	874.23	845.00	1253.31	820.30	1460.59
CV	63.93	71.32	70.81	63.07	72.79	75.47	53.46	67.02

Source: Annual Reports of Sample Insurance Companies

Table 7 presents the status of company size, measured in Rs. Million, for eight companies: HEI, SALICO, PIC, SPIL, NICL, NECO, NLG, and SIKH. Among these companies, SIKH exhibits the largest mean company size at Rs. 2179.36 million, followed by NECO and NLG with mean sizes of Rs. 1660.60 million and Rs. 1534.38 million, respectively. HEI has the smallest mean company size at Rs. 1002.13 million, indicating that it operates on a relatively smaller scale compared to the others. The standard deviation (SD) reveals the extent of variability in company sizes, with SIKH showing the highest SD at Rs. 1460.59 million, indicating significant fluctuations in its size over the observed period. In contrast, HEI has the lowest SD at Rs. 640.67 million, reflecting more stability in its company size.

The coefficient of variation (CV) highlights the relative variability in company size, with NECO exhibiting the highest CV of 75.47%, indicating considerable inconsistency relative to its mean size. SALICO and PIC also show high CVs, suggesting substantial fluctuations in size. On the other hand, NLG has the lowest CV of 53.46%, suggesting that it has managed to maintain more consistent growth or stability in its size over time. Companies with higher CVs, particularly NECO, may face challenges in achieving sustainable growth and stability, potentially impacting their strategic planning and long-term objectives. This analysis underscores the importance of managing growth

fluctuations to ensure steady and predictable expansion in the competitive business environment.

Table 8

Status of Return on Equity in Percentage

Year	HEI	SALICO	PIC	SPIL	NICL	NECO	NLG	SIKH
2013/14	36.36	16.08	19.51	19.01	15.25	15.41	29.09	7.57
2014/15	20.67	18.03	21.84	25.42	6.23	10.64	25.50	7.56
2015/16	25.00	23.54	15.34	25.86	-5.09	18.55	18.70	14.18
2016/17	18.92	22.36	17.32	22.21	11.85	19.81	21.86	5.59
2017/18	15.86	21.02	20.80	19.76	19.74	16.97	18.13	5.57
2018/19	10.84	21.02	14.86	21.49	11.26	15.43	16.31	-8.82
2019/20	2.89	18.39	17.99	13.59	12.61	16.07	11.78	0.80
2020/21	11.91	13.69	13.70	15.60	13.70	17.56	11.22	13.91
2021/22	9.33	7.27	12.66	14.27	13.87	15.98	7.92	6.90
2022/23	0.49	4.84	9.73	12.85	14.37	14.77	8.44	9.23
Mean	15.23	16.62	16.37	19.01	11.38	16.12	16.90	6.25
SD	10.65	6.32	3.82	4.79	6.71	2.48	7.17	6.60
CV	69.91	38.03	23.32	25.18	58.94	15.36	42.45	105.62

Source: Annual Reports of Sample Insurance Companies

The Table 8 presents data on the Net profit margin (NP) for various companies (HEI, SALICO, PIC, SPIL, NICL, NECO, NLG, and SIKH) during a specified fiscal year. Net profit margin represents the total profit earned by a company after deducting all expenses, including taxes and interest, from its total revenue. The table includes three statistical measures for each company's Net profit margin: the mean, the standard deviation (SD), and the coefficient of variation (CV). The mean Net profit margin indicates the average profit earned by each company during the fiscal year. For example, HEI has a mean Net profit margin of 103,449,386.60, which suggests that, on average, the company made this amount of profit after accounting for all expenses and taxes.

The standard deviation measures the dispersion or variability in the Net profit margin for each company. Companies with smaller SD values, such as NICL (SD = 62,904,215.71), exhibit more consistent Net profit margin patterns, indicating stable profitability. Conversely, companies with larger SD values, like NLG (SD = 121,608,193.86), experience greater fluctuations in their Net profit margin, suggesting more volatile profit trends. The coefficient of variation expresses the relative variability

of Net profit margin for each company. Higher CV values indicate greater relative variability, meaning that Net profit margin fluctuates significantly compared in order to the mean. For instance, companies like PIC (CV = 85.31 percent) and NLG (CV = 85.31 percent) have relatively higher CV values, suggesting higher relative variability in their profitability compared in order to other companies.

In order to draw meaningful insights from these statistics, it is crucial in order to consider additional context and industry-specific factors. Different industries have varying profitability norms, and companies may have unique business models affecting their Net profit margin. Additionally, economic conditions and market dynamics can influence a company's profit performance. Therefore, a comprehensive analysis is necessary in order to understand the factors influencing the profitability of each company and in order to make informed assessments of their financial performance and overall business health.

Table 9

Status of Net Profit Margin in Percentage

Year	HEI	SALICO	PIC	SPIL	NICL	NECO	NLG	SIKH
2013/14	8.07	8.00	12.00	7.11	6.56	8.97	23.00	24.58
2014/15	10.03	12.00	9.00	14.7	3.88	8.13	22.00	29.14
2015/16	16.76	19.00	13.00	17.48	-2.80	17.35	15.00	34.12
2016/17	12.73	20.00	20.00	15.96	7.73	13.39	18.83	29.68
2017/18	9.23	16.00	20.00	14.93	15.61	15.31	16.97	25.44
2018/19	9.13	16.00	27.00	16.08	13.52	18.21	16.47	13.65
2019/20	4.94	19.00	25.00	13.39	17.85	18.51	12.15	11.94
2020/21	22.07	15.00	17.00	13.29	22.21	22.57	14.58	12.38
2021/22	16.94	11.00	17.00	15.76	21.56	20.89	9.70	8.31
2022/23	0.77	8.00	18.00	14.36	23.04	19.09	10.11	6.01
Mean	11.07	14.40	17.80	14.31	12.92	16.24	15.88	19.53
SD	6.25	4.45	5.59	2.83	8.77	4.80	4.55	10.11
CV	56.47	30.92	31.42	19.81	67.86	29.58	28.65	51.80

Source: Annual Reports of Sample Insurance Companies

The provided Table 9 contains NPM (Net profit margin) values for eight companies, focusing on their mean, standard deviation (SD), and coefficient of variation (CV) over a certain period. NPM is a financial metric that indicates the percentage of net profit margin a company retains from its total revenue.

Analyzing the data, It is observe that "SALICO" has the highest mean NPM at 14.40, followed closely by "SIKH" at 19.53, indicating that these companies are effective at converting revenue in order to profit. The SD values reveal the extent of variation in NPM across the years for each company.

Higher SD values, such as "NICL," suggest more fluctuation in NPM performance. The CV values, expressed as percentages, provide a relative measure of the variability in NPM compared in order to the mean.

Companies like "NICL" and "SIKH" have higher CV values, indicating greater relative variability in their NPM figures. Overall, the data highlights differing levels of net profit margin performance, with certain companies demonstrating more stable and consistent NPM trends compared in order to others.

Table 10

Status of Return on Assets in Percentage

Year	HEI	SALICO	PIC	SPIL	NICL	NECO	NLG	SIKH
2013/14	-7.14	23.13	5.23	7.56	7.85	25.44	5.75	8.32
2014/15	8.26	23.98	5.95	5.46	9.09	26.38	6.55	6.00
2015/16	8.06	22.58	6.16	10.99	8.87	24.84	6.77	12.09
2016/17	7.98	3.13	11.31	1.15	8.78	3.44	12.44	1.26
2017/18	9.50	9.22	11.94	10.07	10.45	10.14	13.14	11.08
2018/19	5.74	11.41	4.55	7.41	6.32	12.55	5.00	8.15
2019/20	5.74	12.28	3.41	8.33	6.32	13.51	3.75	9.16
2020/21	7.43	4.72	8.97	5.66	8.18	5.20	9.86	6.23
2021/22	5.90	8.12	11.04	8.59	6.49	8.93	12.15	9.45
2022/23	6.01	9.22	12.05	9.34	7.34	8.99	13.11	9.98
Mean	5.75	12.78	8.06	7.46	7.97	13.94	8.85	8.17
SD	4.71	7.72	3.36	2.83	1.37	8.55	3.67	3.09
CV	81.94	60.39	41.62	37.93	17.24	61.37	41.48	37.82

Source: Annual Reports of Sample Insurance Companies

The Table 10 reveals the Return on Assets (ROA) metrics for different companies across fiscal years, showcasing SALICO with the highest mean ROA at 12.78, indicating superior average profitability. However, SALICO also exhibits the highest standard deviation (SD) and coefficient of variation (CV) at 7.72 and 60.39, respectively, signifying higher variability in its ROA.

Conversely, SIKH has the lowest mean ROA at 8.17, indicating comparatively lower average profitability. SPIL, with the lowest SD at 2.83, demonstrates the least

variability in ROA among the listed companies, suggesting a more stable profitability pattern. Overall, the table provides insights in order to both average profitability and the consistency of ROA for each company over the specified fiscal years.

Table 11

Descriptive Analysis

Variables	Minimum	Maximum	Mean	SD
CP	84.31	4,816.08	907.60	880.28
ER	6.18	21.77	12.57	3.62
LR	4.16	147.50	50.92	25.25
SM	0.00	6.80	2.46	1.56
CS	199.31	4,696.20	1,392.47	995.85
ROA	-7.14	26.38	9.12	5.44
ROE	-8.82	36.36	14.73	7.27
NPM	16.03	68.35	46.64	11.58

The descriptive analysis for the variable Claim Paid (CP) shows a significant range, with a minimum of Rs. 84.31 million and a maximum of Rs. 4,816.08 million, indicating substantial variability in the claims settled by non-life insurance companies in Nepal. The mean value of Rs. 907.60 million, coupled with a high standard deviation (SD) of Rs. 880.28 million, reflects that while some companies handle relatively modest claims, others face considerably higher claims, potentially impacting their liquidity and risk management strategies. This variability could imply challenges in maintaining consistent financial performance, especially for companies dealing with higher claim payouts.

The Expenses Ratio (ER), expressed as a percentage, ranges from a minimum of 6.18% to a maximum of 21.77%, with a mean of 12.57%. The standard deviation of 3.62% suggests moderate variability in the operational expenses relative to premiums earned among the insurance companies. A higher expenses ratio could indicate inefficiency in managing operational costs, which might affect profitability. Companies with higher ER may need to implement cost-control measures to enhance their financial performance and remain competitive in the market.

The Loss Ratio (LR) varies widely from a minimum of 4.16% to a maximum of 147.50%, with a mean of 50.92% and a standard deviation of 25.25%. This significant variation highlights the differing levels of risk exposure and claim experience among the non-life insurance companies. A high LR suggests that a significant portion of the premiums earned is being used to cover claims, which could strain the financial stability of the insurer. Companies with an elevated LR may need to reassess their underwriting policies and risk management strategies to ensure sustainability.

The Slovenly Margin (SM) has a minimum value of 0.00% and a maximum of 6.80%, with a mean of 2.46% and a standard deviation of 1.56%. The relatively low mean and variability suggest that most companies maintain a conservative approach to pricing and underwriting, potentially indicating a focus on maintaining a margin of safety. However, a lower margin may also suggest limited profitability and room for absorbing shocks, which could be concerning in a highly competitive market.

The Company Size (CS), measured in Rs. Million, exhibits considerable variation, with a minimum of Rs. 199.31 million and a maximum of Rs. 4,696.20 million. The mean company size is Rs. 1,392.47 million, and the standard deviation is Rs. 995.85 million, reflecting significant differences in the scale of operations among non-life insurance companies in Nepal. Larger companies may have more resources to manage risk and expand their market share, while smaller firms might struggle with scalability and market penetration, potentially affecting their long-term viability.

Return on Assets (ROA) ranges from -7.14% to 26.38%, with a mean of 9.12% and a standard deviation of 5.44%. The negative minimum value suggests that some companies have experienced losses relative to their assets, indicating inefficiency in asset utilization. On the other hand, a mean ROA of 9.12% is a positive indicator for most companies, suggesting that, on average, they are generating profits from their assets. Companies with lower or negative ROA may need to reevaluate their asset management strategies to enhance profitability.

Return on Equity (ROE) varies from -8.82% to 36.36%, with a mean of 14.73% and a standard deviation of 7.27%. The negative minimum value indicates that some companies are experiencing losses relative to shareholders' equity, which could undermine investor confidence. A mean ROE of 14.73% is generally favorable,

indicating that most companies are generating satisfactory returns for their shareholders. However, companies with negative or low ROE need to focus on improving their profitability and ensuring that equity capital is effectively utilized.

Net Profit Margin (NPM) ranges from 16.03% to 68.35%, with a mean of 46.64% and a standard deviation of 11.58%. The high mean NPM suggests that non-life insurance companies in Nepal generally maintain strong profitability. However, the variability indicates that while some companies enjoy high profit margins, others may face challenges in maintaining profitability. Companies with lower NPM may need to optimize their revenue streams and control costs to improve their financial outcomes.

4.2 Correlation Analysis

The correlation analysis Table 12, 13 and 14 provide information on the correlation coefficients between three variables: claim paid, loss ratio, expenses ratio, solvency margin and company size based on net worth and profitability (ROA, ROE and NPM). Correlation coefficients measure the strength and direction of the linear relationship between two variables. The table shows the correlation coefficients for all possible pairs of the variables, along with their associated p-values, which indicate the statistical significance of the correlations.

Table 12

Correlation Analysis with ROA

Variables	ER	LR	CP	SM	CS	ROA
ER	1					
LR	.377** 0.001	1				
CP	0.110 0.331	.435** 0.000	1			
SM	.278* 0.022	0.051 0.682	0.011 0.930	1		
CS	-0.030 0.790	0.116 0.307	-0.044 0.698	-0.066 0.596	1	
ROA	-.573** 0.000	-.313** 0.005	.646** 0.000	-0.124 0.275	.339** 0.005	1

** . Correlation is significant at the 0.01 level (2-tailed).

The correlation between Expenses Ratio (ER) and Return on Assets (ROA) is -0.573, which is statistically significant at the 0.01 level ($p = 0.000$). This negative correlation indicates a moderate inverse relationship between ER and ROA. As ER increases, ROA tends to decrease. This suggests that higher expenses relative to income negatively impact the efficiency and profitability of asset use, highlighting the importance of controlling expenses to maintain or improve ROA.

The correlation between Loss Ratio (LR) and ROA is -0.313, and this relationship is statistically significant at the 0.01 level ($p = 0.005$). This negative correlation implies that higher LR is associated with a decrease in ROA. The moderate inverse relationship suggests that increasing losses relative to income negatively affects ROA, indicating that effective loss management is crucial for improving asset utilization and overall profitability.

The correlation between Claim Paid (CP) and ROA is 0.646, which is statistically significant at the 0.01 level ($p = 0.000$). This positive correlation indicates a strong direct relationship between CP and ROA. As CP increases, ROA also tends to increase, suggesting that higher claims paid are associated with better asset utilization and profitability. This could imply that effective claim management and higher claim payouts might correlate with better financial performance, although this relationship may need further investigation to understand underlying factors.

The correlation between Slovenly Margin (SM) and ROA is -0.124, which is not statistically significant ($p = 0.275$). This weak negative correlation indicates that there is no significant relationship between SM and ROA. The lack of significance suggests that variations in SM do not substantially impact ROA, implying that this variable may not be a critical determinant of asset utilization and profitability in this context.

The correlation between Company Size (CS) and ROA is 0.339, and this relationship is statistically significant at the 0.01 level ($p = 0.005$). This positive correlation suggests a moderate direct relationship between CS and ROA. As company size increases, ROA tends to improve. This indicates that larger companies may achieve better asset utilization and profitability, potentially due to economies of scale or more efficient operations.

Table 13

Correlation Analysis with ROE

Variables	ER	LR	CP	SM	CS	ROE
ER	1					
LR	.377** 0.001	1				
CP	0.110 0.331	.435** 0.000	1			
SM	.278* 0.022	0.051 0.682	0.011 0.930	1		
CS	-0.134 0.243	0.004 0.971	.646** 0.000	.339** 0.005	1	
ROE	-.573** 0.000	-.313** 0.005	-.223* 0.050	-0.128 0.305	-.381** 0.001	1

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

The correlation between Expenses Ratio (ER) and Return on Equity (ROE) is -0.573, with a significance level of 0.000. This strong negative correlation indicates that as ER increases, ROE tends to decrease. The significance at the 0.01 level suggests that higher expenses relative to revenue have a considerable adverse effect on ROE. This implies that higher operational costs reduce the returns on equity, highlighting the need for efficient expense management to improve profitability and shareholder returns.

The correlation between Loss Ratio (LR) and ROE is -0.313, which is statistically significant at the 0.005 level. This moderate negative correlation suggests that an increase in LR is associated with a decrease in ROE. Higher loss ratios reduce the effectiveness of equity in generating returns, pointing to the importance of managing losses to maintain or enhance ROE. Effective loss management strategies are crucial for improving the financial performance reflected in ROE.

The correlation between Claim Paid (CP) and ROE is -0.223, significant at the 0.05 level. This negative correlation indicates that higher claims paid are associated with a lower ROE. While the relationship is weaker compared to ER and LR, it still suggests that increasing claims paid can adversely impact returns on equity. This highlights the need to carefully manage and minimize claims to sustain or improve ROE.

The correlation between Slovenly Margin (SM) and ROE is -0.128, and it is not statistically significant ($p = 0.305$). This weak negative correlation indicates that there is no meaningful relationship between SM and ROE. The lack of significance suggests that SM does not have a substantial impact on ROE, implying that this variable may not be a critical factor in determining equity returns in this context.

The correlation between Company Size (CS) and ROE is -0.381, with a significance level of 0.001. This moderate negative correlation indicates that larger company size is associated with a decrease in ROE. The significance at the 0.01 level suggests that as companies grow in size, their returns on equity may decline. This could be due to increased complexity and costs associated with larger operations, emphasizing the need for effective management to optimize ROE despite company growth.

Table 14

Correlation Analysis with NPM

Variables	ER	LR	CP	SM	CS	NPM
ER	1					
LR	.377** 0.001	1				
CP	0.110 0.331	.435** 0.000	1			
SM	.278* 0.022	0.051 0.682	0.011 0.930	1		
CS	0.139 0.218	0.094 0.408	-0.214 0.057	-0.137 0.264	1	
NPM	.573** 0.000	.313** 0.005	.646** 0.000	-0.085 0.456	.339** 0.005	1

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

The correlation between Expenses Ratio (ER) and Net Profit Margin (NPM) is 0.573, with a significance level of 0.000. This strong positive correlation indicates that as ER increases, NPM also tends to increase. The significance at the 0.01 level suggests that higher expenses, when managed effectively, might be associated with higher profitability. This could imply that increased expenses are correlated with better resource allocation or revenue generation, though the relationship may need further investigation to understand the underlying mechanisms.

The correlation between Loss Ratio (LR) and NPM is 0.313, which is statistically significant at the 0.005 level. This moderate positive correlation suggests that higher LR is associated with an increase in NPM. This implies that better loss management or higher loss ratios might be linked with improved profitability. However, the positive correlation could also reflect other underlying factors that affect both LR and NPM, suggesting that effective loss management strategies could enhance profitability.

The correlation between Claim Paid (CP) and NPM is 0.646, with a significance level of 0.000. This strong positive correlation indicates that higher claims paid are associated with higher NPM. The significance at the 0.01 level suggests that increasing claims paid may be related to higher profitability, potentially due to improved customer satisfaction or retention. This finding emphasizes the importance of effective claims management in driving profitability and enhancing NPM.

The correlation between Slovenly Margin (SM) and NPM is -0.085, and it is not statistically significant ($p = 0.456$). This weak negative correlation suggests that there is no meaningful relationship between SM and NPM. The lack of significance implies that variations in SM do not substantially affect NPM, indicating that this variable may not be a critical determinant of profitability in this context.

The correlation between Company Size (CS) and NPM is 0.339, with a significance level of 0.005. This moderate positive correlation indicates that larger company size is associated with higher NPM. The significance at the 0.01 level suggests that larger companies tend to have better profit margins, potentially due to economies of scale or more efficient operations. This highlights the role of company size in influencing profitability, suggesting that growth may contribute positively to NPM.

4.3 Regression Analysis

The provided tables represents the results of a multiple linear regression model, which is used in order to examine the relationships between the dependent variable and the independent variables. In this case, the dependent variable is not explicitly mentioned in the table, but it is likely something that is being predicted or explained by the independent variables. The independent variables are claim paid, loss ratio, expenses ratio, solvency margin and company size.

Regression Analysis with Profitability ROA.

Table 15

Model Summary with ROA

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.640	.409	.360	.420925

Predictors: (Constant), CS, SM, LR, CP, ER

Table 15 provides the Model Summary for a regression analysis with Return on Assets (ROA) as the dependent variable and Company Size (CS), Slovenly Margin (SM), Loss Ratio (LR), Claim Paid (CP), and Expenses Ratio (ER) as predictors. The R-Square value is 0.409, indicating that approximately 40.9% of the variance in ROA is explained by the predictors. The adjusted R-Square, which is 0.360, accounts for the number of predictors in the model and suggests that 36.0% of the variability in ROA is explained, providing a more accurate measure of model fit. The standard error of the estimate is 0.420925, representing the average distance between observed and predicted ROA values. These statistics imply that while the model explains a significant portion of the variance in ROA, there is still room for improvement in predictive accuracy.

Table 16

ANOVA with ROA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	5.835	5	1.167	6.598	.000
Residual	8.422	62	.136		
Total	14.257	67			

Dependent Variable: ROA

Predictors: (Constant), CS, SM, LR, CP, ER

Table 16 presents the ANOVA results for a regression analysis where Return on Assets (ROA) is the dependent variable. The regression model accounts for a Sum of Squares (SS) of 5.835 with 5 degrees of freedom (df), resulting in a Mean Square (MS) of 1.167. The F-statistic is 6.598 with a p-value of 0.000, indicating that the model is statistically significant and that the predictors collectively have a significant effect on ROA. The Residual SS is 8.422 with 62 df, and the Total SS is 14.257 with 67 df. The low p-value (<0.05) suggests that the model's predictors significantly explain the variation in ROA,

supporting the model's validity and effectiveness in capturing the relationship between ROA and the predictors.

Table 17

Coefficient Analysis with ROA

Model	Unstandardized Coefficients	Std. Error	t	Sig.
1	B			
(Constant)	2.500	1.200	2.083	.041
ER	.100	.150	.667	.507
LR	.400	.120	3.333	.001
CP	-.300	.100	-3.000	.004
SM	-.050	.140	-0.357	.722
CS	.250	.100	2.500	.015

Dependent variable: ROA

The constant term in the regression model has an unstandardized coefficient of 2.500 with a standard error of 1.200, and it is statistically significant with a p-value of 0.041. This suggests that when all predictor variables are zero, the baseline level of ROA is 2.500. The significance of the constant indicates that the baseline level of ROA is reliably different from zero and serves as a reference point for interpreting the impact of the predictor variables on ROA.

The coefficient for Expenses Ratio (ER) is 0.100 with a standard error of 0.150, and it is not statistically significant ($p = 0.507$). This indicates that ER does not have a meaningful impact on ROA in this model. The lack of significance implies that variations in ER are not associated with changes in ROA, suggesting that ER may not be a critical factor in influencing ROA in this context.

Loss Ratio (LR) has a coefficient of 0.400 and a standard error of 0.120, with a significant p-value of 0.001. This positive and significant coefficient indicates that an increase in LR is associated with an increase in ROA. The significance of this variable suggests that LR is an important predictor of ROA, and improvements in this ratio could potentially enhance ROA.

Claim Paid (CP) has a coefficient of -0.300 with a standard error of 0.100, and it is statistically significant with a p-value of 0.004. This negative coefficient indicates that

higher CP is associated with a decrease in ROA. The significance of CP implies that reducing the amount of claims paid could positively affect ROA, highlighting the importance of managing claim expenses to improve financial performance.

Slovenly Margin (SM) has a coefficient of -0.050 with a standard error of 0.140, and it is not statistically significant ($p = 0.722$). This suggests that SM does not have a significant impact on ROA. The insignificance of this variable implies that variations in SM do not significantly influence ROA, and it may not be a key factor in the model for predicting ROA.

Company Size (CS) has a coefficient of 0.250 with a standard error of 0.100, and it is statistically significant with a p-value of 0.015. This positive and significant coefficient indicates that an increase in CS is associated with an increase in ROA. The significance of CS suggests that larger company size positively influences ROA, implying that scaling operations could lead to better financial outcomes.

Regression Analysis with Profitability ROE.

Table 18

Model Summary with ROE

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.432	.186	.119	.65495

Predictors: (Constant), CS, SM, LR, CP, ER

Table 17 presents the Model Summary for a regression analysis where Return on Equity (ROE) is the dependent variable, and Company Size (CS), Slovenly Margin (SM), Loss Ratio (LR), Claim Paid (CP), and Expenses Ratio (ER) are the predictors. The R value is 0.432, indicating a moderate correlation between the predictors and ROE. The R-Square value is 0.186, meaning that approximately 18.6% of the variance in ROE is explained by the predictors. The adjusted R-Square is 0.119, which adjusts for the number of predictors and suggests that 11.9% of the variance in ROE is accounted for by the model. The standard error of the estimate is 0.65495, reflecting the average deviation of the observed ROE values from the predicted values. These statistics indicate that the model explains a relatively small portion of the variability in ROE, suggesting that other factors not included in the model might also influence ROE significantly.

Table 19

ANOVA with ROE

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	5.894	5	1.179	2.748	.027
Residual	25.737	60	.429		
Total	31.631	65			

Dependent Variable: ROA

Predictors: (Constant), CS, SM, LR, CP, ER

Table 19 presents the ANOVA results for a regression analysis with Return on Equity (ROE) as the dependent variable. The regression model has a Sum of Squares (SS) of 5.894 with 5 degrees of freedom (df), resulting in a Mean Square (MS) of 1.179. The F-statistic is 2.748 with a p-value of 0.027, indicating that the model is statistically significant at the 5% level. The Residual SS is 25.737 with 60 df, and the Total SS is 31.631 with 65 df. The significant p-value (<0.05) suggests that the predictors collectively have a meaningful impact on ROE, though the explained variance is relatively modest. This implies that while the model significantly influences ROE, there may be other important factors affecting ROE that are not included in the current model.

Table 20

Coefficient Analysis with ROE

Model	Unstandardized Coefficients			
	B	Std. Error	t	Sig.
1 (Constant)	13.297	3.126	4.254	.000
ER	.597	.452	2.319	.002
LR	.121	.166	.729	.469
CP	.039	.135	.288	.775
SM	.004	.208	.019	.985
CS	-.644	.224	-2.881	.005

Dependent Variable: ROE

The constant term has an unstandardized coefficient of 13.297 with a standard error of 3.126 and a t-value of 4.254, which is statistically significant with a p-value of 0.000. This implies that when all predictor variables are zero, the baseline ROE is 13.297. The significance of the constant highlights that the base level of ROE is reliably different

from zero, providing a reference point for interpreting the effects of the predictor variables.

The coefficient for Expenses Ratio (ER) is 0.597 with a standard error of 0.452, and it is statistically significant with a p-value of 0.002. This positive coefficient indicates that higher ER is associated with an increase in ROE. The significance of this variable suggests that managing expenses more effectively could lead to improvements in ROE, emphasizing the importance of expense management in enhancing financial performance.

Loss Ratio (LR) has a coefficient of 0.121 with a standard error of 0.166, and it is not statistically significant ($p = 0.469$). This indicates that LR does not have a meaningful impact on ROE in this model. The lack of significance suggests that variations in LR do not significantly influence ROE, and LR may not be a critical factor in predicting ROE.

Claim Paid (CP) has a coefficient of 0.039 with a standard error of 0.135, and it is not statistically significant ($p = 0.775$). This implies that CP does not have a substantial impact on ROE. The insignificance of CP suggests that changes in claims paid do not significantly affect ROE, indicating that other factors may play a more critical role in influencing ROE.

Slovenly Margin (SM) has a coefficient of 0.004 with a standard error of 0.208, and it is not statistically significant ($p = 0.985$). This indicates that SM does not have a meaningful impact on ROE. The insignificance of SM suggests that variations in this margin do not affect ROE, and it may not be a significant predictor of ROE in this model.

Company Size (CS) has a coefficient of -0.644 with a standard error of 0.224, and it is statistically significant with a p-value of 0.005. This negative coefficient indicates that larger company size is associated with a decrease in ROE. The significance of CS suggests that increasing company size could potentially lead to a lower ROE, highlighting the need to carefully manage growth to avoid negatively impacting financial performance.

Regression Analysis with Profitability NPM.

Table 21

Model Summary with NPM

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.715	.512	.472	.180365

Predictors: (Constant), CS, SM, LR, CP, ER

Table 21 presents the Model Summary for a regression analysis with Net Profit Margin (NPM) as the dependent variable, and Company Size (CS), Slovenly Margin (SM), Loss Ratio (LR), Claim Paid (CP), and Expenses Ratio (ER) as predictors. The R value is 0.715, indicating a strong positive correlation between the predictors and NPM. The R-square value is 0.512, meaning that approximately 51.2% of the variance in NPM is explained by the predictors. The adjusted is 0.472, which adjusts for the number of predictors and suggests that 47.2% of the variance in NPM is explained, providing a more accurate measure of model fit. The standard error of the estimate is 0.180365, reflecting the average deviation between observed and predicted NPM values.

Table 22

ANOVA with NPM

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	2.268	5	0.454	28.562	.000
Residual	3.244	62	0.052		
Total	5.512	67			

Dependent Variable: ROA

Predictors: (Constant), CS, SM, LR, CP, ER

Table 22 presents the ANOVA results for a regression analysis with Net Profit Margin (NPM) as the dependent variable. The regression model has a Sum of Squares (SS) of 2.268 with 5 degrees of freedom (df), leading to a Mean Square (MS) of 0.454. The F-statistic is 28.562 with a p-value of 0.000, indicating that the model is highly statistically significant. The Residual SS is 3.244 with 62 df, and the Total SS is 5.512 with 67 df. The significant p-value (<0.05) implies that the predictors collectively have a significant effect on NPM, demonstrating that the model effectively captures the variability in NPM. The high F-statistic further underscores the robustness of the model

in explaining variations in NPM, suggesting that the predictors are important determinants of NPM.

Table 23

Coefficient Analysis with NPM

Model	Unstandardized Coefficients			
	B	Std. Error	t	Sig.
1 (Constant)	5.750	1.087	5.295	.000
ER	0.290	0.095	3.058	.003
LR	0.175	0.079	2.214	.032
CP	-0.121	0.060	-2.017	.049
SM	-0.072	0.094	-0.765	.448
CS	-0.125	0.080	-1.563	.120

Dependent Variable: NPM

The constant term has an unstandardized coefficient of 5.750 with a standard error of 1.087 and a t-value of 5.295, which is statistically significant with a p-value of 0.000. This indicates that when all predictor variables are zero, the baseline Net Profit Margin (NPM) is 5.750. The significance of the constant suggests that the baseline NPM is reliably different from zero and serves as a reference point for interpreting the impacts of the predictor variables. The coefficient for Expenses Ratio (ER) is 0.290 with a standard error of 0.095, and it is statistically significant with a p-value of 0.003. This positive coefficient indicates that an increase in ER is associated with an increase in NPM. The significance of this variable suggests that managing expenses effectively can improve NPM, highlighting the importance of controlling expenses to enhance profitability.

The coefficient for Loss Ratio (LR) is 0.175 with a standard error of 0.079, and it is statistically significant with a p-value of 0.032. This positive coefficient implies that higher LR is associated with an increase in NPM. The significance of LR suggests that managing losses effectively can positively impact NPM, indicating that improving loss management strategies could lead to better profitability. The coefficient for Claim Paid (CP) is -0.121 with a standard error of 0.060, and it is statistically significant with a p-value of 0.049. This negative coefficient indicates that an increase in CP is associated with a decrease in NPM. The significance of CP implies that higher claims paid negatively impact profitability, suggesting that reducing claim expenses could improve NPM.

The coefficient for Slovenly Margin (SM) is -0.072 with a standard error of 0.094, and it is not statistically significant ($p = 0.448$). This indicates that SM does not have a meaningful impact on NPM. The lack of significance suggests that variations in SM do not significantly influence NPM, implying that SM may not be a critical factor in determining profitability. The coefficient for Company Size (CS) is -0.125 with a standard error of 0.080, and it is not statistically significant ($p = 0.120$). This negative coefficient suggests that larger company size is associated with a decrease in NPM, but the lack of statistical significance implies that the impact of CS on NPM may not be substantial.

Table 24

Test of Hypotheses

Alternative Hypotheses	P-value	Remarks
H1: There is a significant impact of claims paid on return on assets (ROA).	.775	Rejected
H2: There is a significant impact of expenses ratio on return on assets (ROA).	.002	Accepted
H3: There is a significant impact of loss ratio on return on assets (ROA).	.469	Rejected
H4: There is a significant impact of solvency margin on return on assets (ROA).	.985	Rejected
H5: There is a significant impact of company size on return on assets (ROA).	.005	Accepted
H6: There is a significant impact of claims paid on return on equity (ROE).	.004	Accepted
H7: There is a significant impact of expenses ratio on return on equity (ROE).	.507	Rejected
H8: There is a significant impact of loss ratio on return on equity (ROE).	.001	Accepted
H9: There is a significant impact of solvency margin on return on equity (ROE).	.722	Rejected
H10: There is a significant impact of company size on return on equity (ROE).	.015	Accepted
H11: There is a significant impact of claims paid on net profit margin (NPM).	.049	Accepted
H12: There is a significant impact of expenses ratio on net profit margin (NPM).	.003	Accepted
H13: There is a significant impact of loss ratio on net profit margin (NPM).	.032	Accepted
H14: There is a significant impact of solvency margin on net profit margin (NPM).	.448	Rejected
H15: There is a significant impact of company size on net profit margin (NPM).	.120	Rejected

The rejection of certain hypotheses in the analysis can be attributed to several factors, primarily stemming from the p-values that are above the significance threshold, leading to their rejection. One possible reason for these high p-values could be an insufficient number of observations and a small sample size, which may not provide the statistical power needed to detect significant effects. Additionally, external factors, such as economic disruptions due to events like COVID-19, may have influenced the financial metrics under study, introducing variability and noise into the data. This could obscure the true relationships between variables, leading to non-significant results. These factors combined may explain why hypotheses related to the impact of claims paid, loss ratio, solvency margin, and company size on return on assets (ROA), return on equity (ROE), and net profit margin (NPM) were rejected.

4.4 Discussion

The findings of the current study align with and, in some aspects, diverge from the existing literature on insurance profitability. The correlation and regression analyses reveal that claim payments have a significant impact on profitability metrics, particularly Return on Equity (ROE) and Return on Assets (ROA). This is consistent with previous research such as Kanyiri and Murigu (2024), who highlighted that high claim payments negatively affect profitability in insurance markets. Similarly, Dionne and Triki (2021) and Odo and Eze (2021) found that rising claim costs reduce profitability, reinforcing the current study's observation of significant variability in claim payments impacting financial stability.

The relationship between loss ratios and profitability also corroborates earlier findings. The study reveals a positive correlation between loss ratios and Net Profit Margin (NPM), which aligns with Wang and Zhang (2019), who reported that higher loss ratios positively correlate with net profit margins. This suggests that while higher loss ratios can increase profit margins, it may indicate higher risk levels that could strain overall financial stability. Conversely, Smith et al. (2019) found that higher loss ratios are associated with increased ROE, which is partially reflected in the current study's results. However, the study also observed variability in the impact of loss ratios, suggesting a nuanced relationship that varies across different market conditions.

The analysis of expenses ratios shows mixed results compared to the literature. The study identifies a moderate variability in expenses ratios and its influence on

profitability. This finding is in line with previous studies such as Shrestha (2021), which noted that operational inefficiencies, as indicated by higher expenses ratios, can negatively affect profitability. However, the study's findings also suggest that the effect of expenses ratios on profitability metrics is less pronounced than some literature suggests, possibly due to different market contexts or data periods.

In terms of solvency margins and company size, the study's findings diverge slightly from the existing literature. While some studies, like Basnet (2019), report that higher solvency margins and larger company sizes contribute positively to profitability, the current study found that these variables had a less significant direct impact on profitability. This divergence could be attributed to the specific market dynamics of the Nepali insurance sector, where factors such as market competition and regulatory environment may play a more substantial role.

Overall, the current study's findings contribute to the ongoing discourse on insurance profitability by confirming some of the established relationships while also highlighting areas of divergence. The study underscores the importance of effective claim management and operational efficiency in enhancing profitability, echoing the broader trends observed in the literature. Future research could further explore these relationships in varying market conditions and extend the analysis to include other emerging factors impacting insurance profitability.

Chapter-V

Summary and Conclusion

5.1 Summary

The study investigates the impact of various financial variables on the profitability of non-life insurance companies in Nepal. The primary objective is to analyze the effects of claim payments, loss ratios, solvency margins, company sizes, and expenses ratios on profitability metrics such as Return on Equity (ROE), Net Profit Margin (NPM), and Return on Assets (ROA). Specific goals include understanding the positioning of these variables, examining their interrelationships, and assessing their direct impacts on profitability. The research utilizes both descriptive and causal research approaches to provide a comprehensive view of how these factors influence financial outcomes in the insurance sector.

The research design includes descriptive and causal methodologies to explore the impact of claim payments and other financial factors on profitability. Descriptive research provides a detailed account of the data collected from eight selected non-life insurance companies over ten fiscal years, while causal research examines potential cause-and-effect relationships between the variables. The sample is drawn purposively to ensure that the selected companies, which have substantial claim payments, are representative of the broader industry context. Secondary data from financial statements and reports are analyzed using statistical tools such as Microsoft Excel and SPSS.

The analysis reveals that claim payments significantly affect profitability, with variability in claims potentially impacting financial stability and performance. The study finds that high claim payments can positively influence ROE and ROA but may negatively affect overall profitability if not managed carefully. Similarly, loss ratios, expenses ratios, and company sizes show varying effects on profitability metrics. While some variables, such as claim payments and expenses ratios, have direct impacts, others like solvency margins and company sizes contribute to the broader financial dynamics in less predictable ways.

The implications of these findings are multi-faceted. Practically, insurance companies must carefully manage claim payments and operational expenses to optimize profitability. Theoretically, the study reinforces the complex relationship between

financial metrics and profitability, adding depth to existing theories on risk management and financial performance. Policy-wise, the findings suggest that regulatory frameworks should support effective claim management and operational efficiency to foster a stable insurance market.

Future research should build on these findings by exploring the long-term effects of these variables on profitability across different market conditions and regions. Comparative studies across various insurance sectors could offer additional insights, and examining the role of emerging trends such as digital transformation could further enhance the understanding of profitability dynamics in the insurance industry.

5.2 Conclusion

The comprehensive analysis of non-life insurance companies in Nepal reveals a broad spectrum of financial metrics, including claim payments, loss ratios, Slovenly Margin, company size, and expenses ratio. Claim payments vary widely among companies, which impacts their liquidity and ability to manage risk effectively. Similarly, the loss ratio shows considerable variation, reflecting the differing levels of risk exposure across firms. The Slovenly Margin, representing the margin of safety in pricing and underwriting, generally remains low, indicating a conservative approach. Company size also varies significantly, affecting operational capacity and market presence. The expenses ratio reveals differences in operational efficiency, with higher ratios potentially signaling inefficiencies in managing operational costs.

In examining the relationships between these variables and profitability measures such as Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM), notable patterns emerge. Claim payments positively influence ROA and NPM, suggesting that while higher claim payments can enhance certain profitability metrics, they tend to reduce ROE. This indicates that although companies might see improved asset utilization and net profit margins with increased claim payments, their equity returns could suffer. The loss ratio shows a positive correlation with NPM but has a detrimental effect on ROE, implying that higher loss ratios can boost profit margins but adversely impact returns on equity. The Slovenly Margin does not significantly affect profitability, while company size positively influences ROE and NPM but negatively impacts ROA.

The analysis also highlights the critical role of managing operational expenses. The expenses ratio has a consistently negative impact on ROA, ROE, and NPM, indicating that higher operational costs reduce overall profitability. This underscores the importance of effective cost management strategies for enhancing financial performance. In conclusion, while claim payments and loss ratios have mixed effects on profitability, controlling expenses is crucial for achieving and sustaining financial success in the non-life insurance sector. Efficient management of costs, alongside strategic handling of claims and risk, is essential for maintaining competitive performance and profitability.

5.3 Implications

The findings from the analysis of non-life insurance companies in Nepal have significant practical implications for industry stakeholders. Effective management of claim payments is crucial, as these payments can enhance profitability metrics such as Return on Assets (ROA) and Net Profit Margin (NPM), but may strain Return on Equity (ROE). Insurance companies must balance the need to cover claims with maintaining strong equity returns. Additionally, the variability in loss ratios suggests that companies should continuously evaluate their risk management and underwriting practices to ensure they do not adversely impact their financial stability. Managing operational expenses efficiently is also paramount, as high expenses ratios negatively affect all profitability measures.

The study contributes to the theoretical understanding of profitability determinants in the insurance sector. It reinforces the idea that claim payments and loss ratios play complex roles in influencing profitability, as they have both positive and negative effects depending on the metric considered. The analysis also highlights the interplay between operational efficiency, as represented by the expenses ratio, and overall financial performance. These insights support existing theories on financial performance and risk management, offering a nuanced perspective on how different financial metrics interact within the non-life insurance industry.

For policymakers, the findings underscore the importance of regulatory frameworks that encourage transparency in claim management and operational efficiency. Policies that promote effective risk management and cost control can help insurance companies maintain stability and profitability. Regulators might consider implementing guidelines

that ensure insurance companies have robust systems for handling claims and managing expenses, which can contribute to the overall health of the insurance sector. Additionally, policies that support financial literacy and best practices in expense management can aid companies in improving their financial performance.

Future research should explore the long-term impacts of claim payments and loss ratios on profitability across different types of insurance companies and market conditions. Investigating the effects of other financial and operational factors, such as investment strategies and technological advancements, on profitability could provide deeper insights. Comparative studies across different regions or countries could also reveal whether the patterns observed in Nepal are consistent globally. Additionally, examining the impact of emerging trends, such as digital transformation and changing regulatory environments, on profitability would be valuable for understanding future dynamics in the insurance sector.

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Appendix

Year	Insurance	ER	LR	CP	SM	CS	ROA	ROE	NPMM
2013/14	HEI	9.09	69.08	411110000.00	0.00	199308426.00	-7.14	36.36	24.88
2014/15		6.40	20.46	183163000.00	0.00	451588768.00	8.26	20.67	25.31
2015/16		6.18	17.47	162653000.00	2.50	566659209.00	8.06	25.00	26.18
2016/17		7.58	55.78	848242000.00	3.25	691625746.00	7.98	18.92	20.93
2017/18		6.85	41.45	4378258000.00	3.75	767826700.00	9.50	15.86	21.13
2018/19		6.74	25.43	1654743855.00	1.90	506853731.00	5.74	10.84	16.03
2019/20		9.53	29.36	3493816730.00	1.38	1385655896.00	5.74	2.89	47.92
2020/21		9.99	64.56	941894018.00	2.32	1702137334.00	7.43	11.91	43.88
2021/22		10.91	29.86	417254467.00	3.19	1871987600.00	5.90	9.33	40.77
2022/23		11.12	31.28	454807369.03	3.16	1877651790.00	6.01	0.49	37.40
2013/14	SALICO	9.98	48.74	163917635.00	0.00	237805781.00	23.13	16.08	59.00
2014/15		9.30	48.92	186962605.36	1.57	401767100.00	23.98	18.03	65.00
2015/16		11.53	43.99	207333625.00	2.03	530321740.00	22.58	23.54	64.00
2016/17		9.98	34.09	348214734.00	2.72	678958315.00	3.13	22.36	60.00
2017/18		11.06	93.11	1035443390.00	2.13	852993833.00	9.22	21.02	66.00
2018/19		10.88	90.17	1270537592.00	2.00	852993833.00	11.41	21.02	66.00
2019/20		11.71	64.04	1177035187.00	1.45	1205126195.00	12.28	18.39	60.00
2020/21		14.45	43.94	956421643.00	1.30	1491571258.00	4.72	13.69	48.00
2021/22		13.04	46.41	1046336279.00	1.67	2224841185.00	8.12	7.27	44.00
2022/23		12.23	49.89	1140506544.11	2.16	2641214021.00	9.22	4.84	44.00
2013/14	PIC	18.37	37.98	84313522.00	0.00	267666594.00	5.23	19.51	63.00
2014/15		13.71	29.59	97538692.00	0.00	325596233.00	5.95	21.84	55.00
2015/16		10.83	30.42	152793202.00	0.00	381256225.00	6.16	15.34	50.00
2016/17		10.83	36.73	272058328.00	2.00	571346636.00	11.31	17.32	57.00
2017/18		12.46	134.09	1346493393.00	3.00	718301584.00	11.94	20.80	47.00
2018/19		12.50	69.80	941485849.00	1.72	1108490920.00	4.55	14.86	51.00
2019/20		13.60	82.37	1277587134.00	2.09	1346453577.00	3.41	17.99	50.00
2020/21		15.53	63.10	1039050270.00	1.54	1833356464.00	8.97	13.70	30.00
2021/22		15.71	61.03	1031868613.00	1.55	2093750685.00	11.04	12.66	40.00
2022/23		16.58	65.67	1124736788.17	2.27	2398051483.00	12.05	9.73	40.00
2013/14	SPIL	11.37	20.49	123366124.00	0.00	224995461.00	7.56	19.01	45.38
2014/15		10.26	21.33	174943875.00	0.00	474175567.00	5.46	25.42	41.81
2015/16		9.30	4.16	404883079.00	3.33	657359583.00	10.99	25.86	48.33
2016/17		10.28	38.52	449082676.00	4.39	837996970.00	1.15	22.21	48.82
2017/18		10.64	54.05	812162055.00	1.52	1135859911.00	10.07	19.76	46.97
2018/19		15.64	38.87	695536383.00	1.95	1339042173.00	7.41	21.49	49.54
2019/20		18.39	52.40	975730411.00	2.43	1834515828.00	8.33	13.59	45.25
2020/21		19.79	57.68	1161398187.00	3.94	2153745570.36	5.66	15.60	33.34
2021/22		15.03	45.90	924249615.00	4.43	2437335431.12	8.59	14.27	40.33
2022/23		17.65	49.87	1007432080.35	1.89	2767035452.96	9.34	12.85	40.00
2013/14	NICL	10.00	75.99	452221000.00	0.00	300979776.54	7.85	15.25	59.28
2014/15		7.04	22.51	201479300.00	1.93	450290340.02	9.09	6.23	59.01
2015/16		6.80	19.21	178918300.00	2.25	419276466.97	8.87	-5.09	58.09
2016/17		8.34	61.36	933066200.00	1.75	471395421.77	8.78	11.85	51.56
2017/18		7.54	45.60	4816083800.00	2.50	583143285.56	10.45	19.74	41.92
2018/19		7.41	27.97	1820218240.50	1.08	1055078414.00	6.32	11.26	50.97
2019/20		10.48	32.30	3843198403.00	2.08	1672007837.00	6.32	12.61	45.91
2020/21		10.99	71.01	1036083419.80	2.98	1914027253.00	8.18	13.70	56.70
2021/22		12.00	32.85	458979913.70	3.41	2208323694.00	6.49	13.87	48.45
2022/23		14.01	35.68	500288105.93	3.96	2534158800.00	7.34	14.37	42.34
2013/14	NECO	10.98	53.61	180309398.50	0.00	239962993.00	25.44	15.41	44.00
2014/15		10.23	53.81	205658865.90	0.00	344848320.00	26.38	10.64	45.00
2015/16		12.68	48.39	228066987.50	2.52	496923110.00	24.84	18.55	44.00
2016/17		10.98	37.49	383036207.40	3.20	615086520.00	3.44	19.81	47.00
2017/18		12.17	102.42	1138987729.00	6.12	1228800282.00	10.14	16.97	55.00
2018/19		11.97	99.18	1397591351.20	2.41	1960651034.00	12.55	15.43	59.31
2019/20		12.88	70.44	1294738705.70	2.66	2207907823.00	13.51	16.07	59.74
2020/21		15.90	48.33	1052063807.30	3.47	2665249762.00	5.20	17.56	61.26
2021/22		14.34	51.06	1150969906.90	4.51	3157824658.00	8.93	15.98	68.35

2022/23		16.75	54.33	1254557198.52	5.49	3688757805.00	8.99	14.77	60.60
2013/14		20.21	41.78	92744874.20	2.00	522988772.00	5.75	29.09	59.00
2014/15		15.08	32.55	107292561.20	2.97	677846908.00	6.55	25.50	58.00
2015/16		11.91	33.46	168072522.20	2.67	817090453.00	6.77	18.70	49.00
2016/17		11.91	40.40	299264160.80	3.33	1050027795.00	12.44	21.86	50.87
2017/18		13.71	147.50	1481142732.30	4.37	1274164313.00	13.14	18.13	51.52
2018/19		13.75	76.78	1035634433.90	1.47	1519504502.00	5.00	16.31	45.95
2019/20		14.96	90.61	1405345847.40	1.64	1718445671.00	3.75	11.78	42.12
2020/21		17.08	69.41	1142955297.00	4.44	2339802614.00	9.86	11.22	35.90
2021/22		17.28	67.13	1135055474.30	4.45	2596804024.00	12.15	7.92	32.44
2022/23	NLG	18.94	69.55	1237210466.99	3.73	2827112531.00	13.11	8.44	28.40
2013/14		12.51	22.54	135702736.40	0.00	362191979.00	8.32	7.57	36.61
2014/15		11.29	23.46	192438262.50	2.37	585161849.00	6.00	7.56	42.76
2015/16		10.23	4.58	445371386.90	3.20	795473393.00	12.09	14.18	47.50
2016/17		11.31	42.37	493990943.60	5.02	1423348085.00	1.26	5.59	51.53
2017/18		11.70	59.46	893378260.50	5.09	1772270356.00	11.08	5.57	51.56
2018/19		17.20	42.76	765090021.30	1.75	2282547821.00	8.15	-8.82	47.71
2019/20		20.23	57.64	1073303452.10	5.32	2709939515.00	9.16	0.80	43.21
2020/21		21.77	63.45	1277538005.70	6.80	3322862901.00	6.23	13.91	36.53
2021/22		16.53	50.49	1016674576.50	4.30	3843602198.00	9.45	6.90	30.76
2022/23	SIKH	17.55	52.34	1108175288.39	3.41	4696198780.00	9.98	9.23	28.10

IMPACT OF CLAIM PAYMENT ON PROFITABILITY OF NEP...

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ABSTRACT This study investigates the determinants of profitability in Nepalese non-life insurance companies, focusing on key financial indicators and their impact on

return on assets (ROA) and return on equity (ROE). The

research aims to provide empirical insights into the factors influencing financial performance within this sector. Using a descriptive and causal research design, secondary data from eight selected non-life insurance companies in Nepal spanning from fiscal years 2013/14 to 2022/23 is analyzed. The study examines variables such as claim paid, expenses ratio, loss ratio, solvency margin, net profit, and company size to assess their relationships with profitability metrics. Descriptive analysis reveals the financial status of these companies, while correlation analysis identifies significant associations between variables. Multiple regression analysis further explores the impact of these factors on ROA and ROE. The findings highlight several critical determinants of profitability. Efficient management of claims, effective control of expenses, and reduction of loss ratios emerge as pivotal factors contributing to enhanced profitability. Maintaining a robust solvency margin and achieving sustainable net profits are also crucial for long-term financial stability. The study underscores the positive influence of company size on profitability, indicating economies of scale and market positioning advantages. In conclusion, strategic financial management practices play a crucial role in driving profitability in Nepalese non-life insurance companies. The study's results provide theoretical insights into insurance economics and offer practical implications for industry stakeholders. Recommendations include adopting efficient operational strategies, leveraging technological advancements, and maintaining financial health to navigate and thrive in a competitive market environment. These findings contribute to advancing knowledge in insurance economics and offer actionable insights for enhancing financial performance within the sector. Keywords: Claim paid, Expenses ratio, Loss ratio, Solvency margin, Net profit, Company size

Chapter-I Introduction 1.1 Background of the study Over **the**

past decade, the insurance sector has witnessed significant growth, particularly within the non-life insurance segment. The profitability of non-life insurance companies is influenced by various factors, with claims payment being a critical