# CHAPTER I

# INTRODUCTION

## 1.1 Background

We live in a world full of uncertainties and risks. Every individuals, businesses, and assets are exposed to various kinds of risks. These include risk of losses of life, properties and assets. It is not always possible to prevent unwanted events from occurring which is why financial world has developed products that protect individuals and businesses against such losses by compensating them with financial resources. Insurance is a financial product that reduces or eliminates the cost of loss or effect of loss caused by different types of risks. Insurance has evolved as a process of safeguarding the interest of people from loss and uncertainty. It may be described as a social device to reduce or eliminate risk of loss to life and property.

The concept of insurance is very simple to understand. One pay a monthly or yearly fee to the insurance company to insure their life, health, vehicle, property, etc for a certain period. In return, the insurer pays for the financial damages in case of any harm to the insured person or object. From arts to pets, there is insurance available for a number of things, and one should avail of insurance as per their needs and priorities. But there are 3 types of insurances that are most essential, they are: Life insurance, Health insurance and Liability insurance.

Insurance company is the organization that provide services to the customer and hence is the suitable place to learn how to handle as well as influence an individual. It helps one to understand the nature of different people and acts as per their nature to influence them to have an insurance.

An internship is a professional learning experience that offers meaningful, practical work related to a student's field of study or career interest. An internship gives a student the opportunity for career exploration and development, and to learn new skills.

This internship helps the students to gain the professional experience and learn about the real life work style. It exposes students to work culture and its environment and develop the corporate attitude and also study corporate social responsibility.

## 1.2 Objectives of the study

The general objective of the study is to understand the insurance organization, its structure, working procedures and risk associated with it. However, the specific objectives of the study are:

* To know about the different types of services provides by claim payment department;
* To know the various activities performed in the claim payment department;
* To learn the application of theoretical knowledge in practical life;
* To pay the claim on time and fairly to client and
* To maintain the effective customer relationship.

## 1.3 Methodology

The internship report is prepared on the basis of 84working days internship experience at Rastriya Jeevan Beema Company Limites. Methodology is a process of systematic dealing, planning, direct observation, interactions and discussions with the assigned supervisors, department heads, other employees and customers as well as self-participation in the operations of the department provided major source of primary data for the preparation of this report. Some of the secondary sources used for the preparation of the report are corporate websites, brochures and annual report of insurance, office records, and various articles published. Following are the methodology to obtain the objective as an intern in RBS:

### 1.3.1 Organization Selection

Organization selection is the crucial part in an internship program because it is the factor that helps an intern to analyze the practical implications of the theoretical knowledge gained in the classroom. In spite of being a student of BBA, I chose Rastriya Jeewan Beema Company Limited for my internship. With an intention of exploring the governmental work process and learning customer service behavior I chose RJBCL. My curriculum vitae and recommendation letter provided by the college were dropped at the head office of RJBCL located at Ramshahpath. After regular follow up I was appointed as an intern in RJBCL and company provided great opportunity to learn and gather real life experience about the environment of the insurance company.

### 1.3.2 Placement

During the internship, Intern was placed at head office of Rastriya Jeewan Beema Company Limited located at Ramshahpath and was placed in Claim and Payment Department. Intern worked at Cheque issuing department under the Claim and Payment Department. Intern was asked to calculate the tax amount from the insured amount and then either issue the cheque for the customer or transfer the amount in their bank account. Intern was also allowed to handle the customer and interact with them regarding any issue during the issuing of the amount and also discuss them all the procedures and documents necessary to have the insurance, if necessary. It was great experience working in this department as intern could understand the organization culture, the customers’ service and the work procedures.

Table 1Placement details

|  |  |
| --- | --- |
| **Name of the Organization** | RastriyaBeemaSansthan |
| **Branch** | Head office, Kathmandu |
| **Position** | Intern |
| **Department** | **Finance**  - Claim & payment department |
| **Working Duration** | 60 days |
| **Name and Designation of**  **Internship Supervisor** | Mrs. SulakshanaPandit |

### 1.3.3 Duration

As per the requirement of Tribhuvan University (T.U), BBA students are required to do intern for two months or eight weeks. And as per the determined time events, my internship period was exactly sixty days (Aug4, to Nov 8, 2022. The internship was great opportunity to learn and develop administrative, interpersonal, managerial and behavioral skills in the real working environment.

### 1.3.4Activities performed in intern organization

The activities Intern performed during the internship period are listed below:

* Calculating the tax amount from the insured amount.
* Preparing the journal voucher of the payee.
* Issuing the cheque for the customer.
* Transferring the amount to the customer in their bank account via IPS.
* Giving the necessary documents and direction to fill up the form to the new customers.
* Dealing with the customers and answering their queries regarding insurance policies.
* Providing loan amount to the clients.

### 1.3.5Limitations of the study

Despite of the efforts undertaken to make the project more realistic, practicable in terms of Nepalese context, there are certain limitations of the study:

* Due to the limited time interval, it was not possible to study every activities in depth.
* Due to the corporate policy of the company. It has to maintain its privacy standard so, interns are not provided valuables information for any kinds of publication.
* The degree of truthfulness is fully depended on the information provided by the concerned persons and organization.
* It was impossible to shift to other departments due to the large number of interns and also the job rotation of the staffs during the intern period.

# CHAPTER II

# INTRODUCTION TO THE INSURANCE INDUSTRY

## 2.1 The Context

Insurance is a contract, represented by a policy, in which an individual or entity receives financial protection or reimbursement against losses from an insurance company. It is the equitable transfer of the risk of a loss, from one entity to another in exchange for payment. It is a form of [risk management](https://en.wikipedia.org/wiki/Risk_management) primarily used to [hedge](https://en.wikipedia.org/wiki/Hedge_(finance)) against the risk of a contingent, uncertain loss. For example, in life insurance, the insurance company attempts to manage morality (death) rates among its clients. The insurance company collects premiums from policyholders, invests the money (usually in low risk investments), and then reimburses this money once the person passes away or the policy matures. (Joshi, 2001). An insurer, or insurance carrier, is a company selling the insurance; the insured, or the policyholder, is the person or entity buying the insurance policy. The insured receives a contract, called the insurance policy, which details the conditions and circumstances under which the insured will be financially compensated. The amount of money to be charged for a certain amount of insurance coverage is called the premium.

After contacting an insurance company about entering into a policy, you will receive a quote, which is the total amount of money you will need to pay over the term of the insurance policy in exchange for coverage. When you have agreed to pay this amount and the insurance company has agreed to insure you, you will receive a copy of the policy detailing the terms and conditions of your policy.

### 2.1.1 History of Insurance Industry

The history of Insurance- Risk comes through the ages. We look back in history at who first felt the need for a guarantee against loss, and who gave them that guarantee. Way back in Babylonian times, around 2100 B.C. The code of Hammurabi was first basic insurance policy. This policy was paid by the traders in the form of a loan to guarantee the safe arrival of their goods by caravan of course, caravan faced the same kind of perils our transportation industry faced today- like robbery, bad weather and breakdowns.

As history progresses, the needs for the insurance increased. The Phoenicians and the Greeks wanted the same type of insurance with their seaborne commerce. The Romans were the first to have burial insurance –people joined burial clubs, which paid funeral expenses to surviving family members. In medieval times, the guilds protected their members from loss by fire and shipwreck, paid ransoms to pirates, and provided respectable burials as well as support in times of sickness and poverty.

In the 17th and 18th centuries, British commerce was rapidly growing. As commerce grew, risk increased. In a way, progress was actually working against the insurance industry- there were more and more ways of goods being damaged or lost, as goods were shipped greater distances and by more advanced methods. Therefore, there were higher payouts for claims.

The members of stock companies saw an opportunity for a profitable business here. They were chartered in the insurance business in England in 1720, and in 1735. The first American insurance company was founded in the British colony of Charleston, SC. In 1787 and 1794 respectively, the first fire insurance companies were formed in New York City and Philadelphia. The first American insurance was sponsored by a church –The Presbyterian Synod of Philadelphia- for their ministers and their dependents. Although there was religious prejudice against the practice of insurance by a church, after 1840 it declined and life insurance boomed.

So everybody was getting into swings of insurance. People accepted the fact that they needed to pay premium to protect themselves and their loved ones in case of loss, including major losses like fires. The insurance companies had a rude awakening to this fact in 1835 when the New York fire struck. The losses were unexpectedly high and they had no reserves prepared for such a situation. As a result of this, Massachusetts leads the states in 1837 by passing a law that required insurance companies to maintain such reserves. The great Chicago fire in 1871 reiterated the need for these reserves, especially in large dense cities.

Insurance companies had to work together to find a solution to the challenge of large losses. So they got together and devised a system called reinsurance whereby losses were distributed among many companies. This system is now commonly used in all types of insurance.

### 2.2.2 Types of Insurance

In generic concept, insurance can be divided as private insurance and public insurance. But, we have divided the insurance in two parts as life insurance and general insurance.

* **Life Insurance**

Life insurance is a contract that offers financial compensation in case of death or disability. Some life insurance policies even offer financial compensation after retirement or a certain period of time. Life insurance, thus, helps you secure your family’s financial security even in your absence. . Life insurance contract may be defined as the contract, where by the insurer, in consideration of a premium undertakes, to pay a certain sum of money either on the death of the insured or on the expiry of a fixed period. It is particularly concerned with that aspect of human life. It never fulfill losses of human life, it measures in amount of various risk and provide sum of amount in accordance to policy. There are recently 19 life insurances in Nepalese market.

* **General Insurance**

It is also called non-life insurance. It is a contract that offers financial compensation on any loss other than death. It insures everything apart from life. A general insurance compensates you for financial loss due to liabilities related to your house, car, bike, health, travel, etc. The insurance company promises to pay you a sum assured to cover damages to your vehicle, medical treatments to cure health problems, losses due to theft or fire, or even financial problems during travel. Simply describing, a general insurance offers financial protection for all your assets against loss, damage, theft, and other liabilities. There are recently 20 non-lfe insurances in Nepalese insurances market.

## 2.3 Present Situation of Insurance in Nepal

The history of insurance in Nepal seems to be a very traditional in the form of Guthi System prevailing from immemorial time in Nepal. Nepal being a predominantly an agricultural culture the need of insurance was limited. There were a few industries and those were insured by Indian Insurance Companies.

‘Nepal MalchalaniTathaBeema Company’ was established in 2004 B.S.as the first insurance company which was later renamed as ‘Nepal insurance and Transport Company Limited’ in 2016 B.S. and further renamed as ‘Nepal Insurance Company Ltd’ in year 2048 B.S. This institution was established under the Nepal Companies Act with the ownership of Nepal Bank Limited. Recently it is operating as non-life insurance business under the act 2049.

In Poush 1, 2024 BS, ‘RastriyaBeemaSansthan’ was established by government of Nepal under the Company Act. Since Falgun 11, 2024 BS, the company operated non-life insurance business only. In Poush 1, 2025 BS, the company was transformed into an institution under the ‘RastriyaBeemaSansthan Act 2025’. It brought big change in the insurance industry in Nepal. It has now overall 22 branches all over the country providing the best services to its clients. Before 2025 BS, Ruby General Insurance Company limited (now National Insurance Company), The Oriental Insurance Company Limited, Sterling Insurance Company Limited (later merged with The Oriental Insurance Company Limited) operated insurance business in Nepal.

With political change of 2046 BS, the government adopted a liberal economic policies and the number of new insurance companies entered the market. National Life and General Insurance Company Limited was established in 2044 BS as a private company doing insurance businesses. It was initially allowed to do non-life insurance business. Only two years later it was allowed to do life insurance businesses. There are currently 19 life insurances and 20 non-life insurances in the Nepalese insurances market. Insurance is newly emerging business in Nepal. There is no denying the fact that insurance companies have been successful in increasing the awareness level among Nepalese about the merits of an insurance policy. However, the wide awareness still seems low and slow. Business patterns are changing rapidly and moving towards technological field. Being more innovative and creative has been the tough competition in today’s market.

Hence, the insurance companies should also be able to compete in such market situation. As it is slowly growing towards high technology and developing software and having websites, it has the high potential of gaining the larger market and having double number of clients than they are having today.

### 2.3.1 Functions of Insurance Companies

The main function of insurance companies are to collecting surplus as premium and distributing in productive ways as well as providing benefits to the insurance policy holders in the case of financial difficulties. The insurance companies also build up the economic confidence of publics through sharing risk and generating income schemes (Shrestha & Bhandari, 2007).The functions can be described as below in brief.

**Premium collection**

The insurance companies collect premiums in many ways like; installment basis or lump sum basis which insures to provide benefit in the case of future financial losses. Collecting premium is the task of capital formation to mobilize in needy sectors.

**Distributing risk**

The insurance companies distribute risk among several peoples and diversify their risks by investing in different portfolios as well as in reinsurance.

**Protection**

The insurance companies protect from falling financial status in the society in the case of unexpected losses. The protection refers safety as in existing situation and encouraging for more and more business activities.

**Settlement of claim**

Insurance companies provide the claim amount of policy holder in the case of actual financial losses through proper evaluation process.

**Making portfolios**

The insurance companies are professional legal entities for making investment portfolios thorough which they can able to provide the claim and other bonus packages to the policy holders. Furthermore, insurance companies diversify their risk of investment to enhance profitability.

**Matching risk and return**

The insurance companies are professional for matching risk and returns through diversifying risk and increasing the benefits. They match risk & return by making available fund in the case of risk appear and creating revenues by making appropriate portfolios.

**Investment in productive sector**

The insurance companies have important role in mobilizing funds in productive areas or big projects of the economy which ultimately contribute in economic development.

**Benefit to society**

The insurance companies provide benefit to society through accepting risk by taking small premiums. Besides that they provide benefit as an investment return, larger financial support to nominees, transferring risk of investment, employment opportunity creation.

**2.4 Challenges and Opportunities**

The insurance sector is facing many challenges while the rapidly changing business environment also gives rise to a number of opportunities. Some of the challenges and opportunities are listed below:

**Opportunities**

* Income level and economic growth of an individual.
* Demand in emerging countries.
* Innovative technology.
* User knowledge and views on insurance.
* Customers loyalty
* Development of services/policies of RBS

**Challenges**

* Instable regulatory bodies and laws.
* Intense competition.
* Frauds by individuals and brokers.
* Political and economic environment.
* Government intervention
* Competitive environment