

Company Info

Neco Insurance Ltd. is a limited liability company registered under the Companies Act, 2021 BS. It was established on 1st Poush, 2051 (16th December, 1994). It has been operating general insurance business in Nepal since 17th Jestha, 2053 (30th May, 1996) as per the license granted by Insurance Board of Nepal. The registered office of the company is at Anamnagar, Kathmandu and it is operating its business through 27 service outlets nationwide. Neco Insurance enjoys a reputation of expertise, stability and strength. Our competitive edge, extensive range of products, wide network, claim servicing capabilities and the ability to provide all possible general insurance solutions under one roof, makes us the most preferred partner for our valued customers. Neco Insurance has been known in the market as being innovative and having a well-established relationship with the various reinsurance markets of the world.

Strategic Objectives

The main objectives of the company are:

- To “**Make A Visible DIFFERENCE**” in insurance market by providing best general insurance services nationwide.
- To be the first and final choice of customers of every business segment of the country.
- To ensure that all stakeholders achieve a long-term, competitive and stable return.

Capital Structure

The authorized capital of the company is NPR 1000 million and the issued capital is NPR 648 million. The current paid up capital of the company is NRs. 324 million. The 20th AGM of the company has announced right share @ 1:1 ratio, which increases paid up capital of up to NPR 648 million soon. In terms of capital, Neco Insurance Ltd will be leading insurance companies of general insurance sector. The shareholding patterns of the company is as under:

Promoters Holding	60%
-------------------	-----

Public Holding	40%
----------------	-----

The company is promoted by mainly renowned institutions of the country. Thus, the credibility of the company is not comparable with others in insurance market. The major promoters of the company are as under:

1. Rastriya Banijya Bank Ltd.(RBB) - Holds 20% of total share
2. Mahto Group: Holds 20.24% of total share
3. Vinayak Group: Holds 12.94% of total share
4. Fund Management Company Ltd: Holds 4.51% of total share

Recent Market and Regulatory Development Impact on Company

There are altogether 17 non-life and 8 life insurance companies running in the country. The overall, life as well as general, insurance business in Nepal is at growing phase. Around more than 25% average annual growth rate has been accounted over the past 5 years in insurance sector.

The regulatory body of insurance business in Nepal is Insurance Board (Beema Samitee). It has issued directive on the "Corporate Governance" for the insurance companies which focused to protect interest of stakeholders mainly insured, staffs and investors. As per the regulator directive, the minimum paid up capital of non-life insurance should be NRs. 250 million, which is supposed to be increased very soon. The Board has introduced Agriculture and Cattle Insurance policies to assist in commercial agriculture, a plan being implemented by Government of Nepal through budget of recent fiscal years.

OPERATING AND UNDERWRITING REVIEW

Line of Business

The company underwrites all types of general insurance risk through different kind of policies prevailing in the market under seven major categories:

i) Fire, ii) Motor, iii) Aviation, iv) Marine, v) Engineering, vi) Agriculture and vii) Miscellaneous

Underwriting Approach

There is a separate Underwriting Department in the company. The department accepts the proposals submitted by marketing agents and staffs after deliberate evaluation of underlying risk in the proposal. The decision in major cases is taken by the combined team of higher lever management. Sometimes, the opinions of experts are also sought on technical matters to know the depth of risk in the policies.

In case of proposals with higher amount of sum insured than the retention limit of company, the policy is issued after the proper reinsurance arrangement of the risk as ascertained by the reinsurance department. Similarly, some policies with high value sum insured are issued in combination of other insurance companies under the principle of coinsurance. In conclusion, the company has established adequate controls and guidelines over the risk evaluation on proposals before issuing the final policy.

Historical Growth and Distribution

The company prepares Budget every year to set the business target as well as to monitor the operating expenses throughout the fiscal year. The budget is prepared and duly approved by the board of directors of the company. It works as a plan of action for the running year. Every possible effort is made to achieve the target set in the budget and control the expenses within the allocated limit. The growth in business is set considering industry growth rate, business potential in the overall market, own expansion plan and so on. The growth in business is set in all portfolios but in varying degree of increase so as to maintain an optimum business ratios for all portfolios. Efforts are made to increase the most profitable line of business like Fire portfolio to generate sound underwriting profit.

Business: Portfolio-wise

The business mix for the different portfolios for the last three years is tabulated as under:

Portfolio	F.Y. 2013/14 Audited			F.Y. 2014/15 Audited			F.Y. 2015/16 Audited			F.Y. 2016/17 Audited		
	No.of Policies	Amount in NPR "000"	Mix	No.of Policies	Amount in NPR "000"	Mix	No.of Policies	Amount in NPR "000"	Mix	No.of Policies	Amount in NPR "000"	Mix
Fire	21,726	149,567	33%	25,036.00	188,123	35%	32,217	262,008	29%	35,116	321,513	24%
Motor	16,705	167,778	37%	19,026.00	162,568	31%	81,948	326,024	36%	152,266	618,790	45%
Aviation	8	4,233	1%	82.00	37,433	7%	33	28,882	3%	25	25,082	2%
Marine	997	10,369	2%	1,133.00	8,077	2%	2,775	13,626	2%	4,122	28,552	2%
Engineering	912	53,220	12%	960.00	47,666	9%	1,933	156,791	17%	3,366	224,882	17%
Miscellaneous	3,765	66,230	15%	4,449.00	82,872	16%	6,460	110,511	12%	8,157	126,470	9%
Agriculture	63	117	0%	496.00	4,462	1%	888	9,919	1%	1,504	17,013	1%
Total	44,176	451,514	100%	51,182.00	531,200	100%	126,254	907,761	100%	204,556	1,362,302	100%

Motor portfolio has been increased since we are approaching big corporate sector for large volume motor business. If the business is materialized it will certainly increase our motor portfolio. Further, engineering portfolio is also increased since due to earthquake last year, government is going to allocate huge sum for infrastructure development in the country. Due to large scale infrastructure development in the country, there is more scope for engineering business.

Business: Growth Rate

The comparative growth rate is presented below:

Portfolio	F.Y. 2013/14 Audited		F.Y. 2014/15 Audited		F.Y. 2015/16 Audited		F.Y. 2016/17 Audited	
	Policy	Prem	Policy	Prem	Policy	Prem	Policy	Prem
Fire	4%	11%	15%	26%	29%	39%	9%	23%
Motor	36%	9%	14%	-3%	331%	101%	86%	90%
Aviation	100%	100%	925%	784%	-60%	-23%	-800%	-13%
Marine	7%	33%	14%	-22%	145%	69%	49%	110%
Engineering	-5%	-1%	5%	-10%	101%	229%	74%	43%
Miscellaneous	-10%	6%	1086%	25%	45%	33%	26%	14%
Agriculture	100%	100%	687%	3721%	79%	122%	69%	72%
Total	12%	9%	16%	18%	147%	71%	62%	50%