नेको इन्सुरेन्स लि.

NECO INSURANCE LTD.

Company Profile: General Details

NECO INSURANCE LTD.
GENERAL INSURANCE COMPANY
REGISTERED OFFICE: GYANESHWOR, KATHMANDU
ESTABLISHED: 16TH DECEMBER 1994
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COMPANY PROFILE: BACKGROUND AND CORPORATE OVERVIEW .

1. *Company Information*

Neco Insurance Ltd. is a limited liability company registered under the Companies Act, 2021 BS. It was established in 1st Poush, 2051(16th December 1994). It has been operating general insurance business in Nepal since 17thJestha, 2053 (30th May 1996) as per the license granted by the Insurance Board of Nepal. The registered office of the company is at Gyaneshwor, Kathmandu and it is operating its business through various 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 make us the preferred partner for our valued customers. Neco Insurance is known in the market as being innovative and having a well-established relationship with the various reinsurance markets of the world. We are proud to be the local insurance partner of AIG (American International Group).

2. *Strategic Objectives*

The main objectives of the company are:

- To "**MAKE A VISIBLE DIFFERENCE**" in insurance market by providing best general insurance services nation-wide
- 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.

3. *Capital Structure*

The paid-up capital of the company is Rs. 2,012,360,619. The shareholding patterns of the company are 51% of promoters and the remaining 49% of the public. The major promoters of the company are:

- ***Mahato Group :***
  Mahato group is one of the renowned and biggest groups in Nepal. They have a large investment in various sectors. Its major investments are in financial institutions, manufacturing, hospital, medicine, media, education sector etc.

- ***Rastriya Banijya Bank Ltd.(RBB)- Holds 15% of the total share.***
  Rastriya Banijya Bank is 100% government owned and one of the pioneers' commercial banks in Nepal having paid up capital of NPR 14,940,000,000 as on 16/07/2022. The bank has the highest public confidence with the highest deposit base in the country. The bank has the largest network with 264 branches across the country.

- ***Citizen Investment Trust: Holds 8.12% of the total share.***
  Citizen Investment Trust (Nagarik Lagani Kosh), a statutory institute under Citizen Investment Trust Act, 2047, has ownership of the Nepal Government as a public financial organization. It operates and manages various types of retirement schemes/programs as well as various unit schemes and mutual fund programs for both domestic and foreign investors to encourage people for saving to expand funds and increase investment opportunities along with the dynamic development of the capital market to contribute economic development of the nation.

- ***Agriculture Development Bank Limited: Holds 3.34% of the total share.***
  Agricultural Development Bank Limited (ADBL) is an autonomous organization largely owned by the Government of Nepal. The bank has been working as a premier rural credit institution for the last three decades, contributing more than 67 percent of the institutional credit supply in the country.

- ***Vinayak Group: Holds 3.32% of the total share.***
  Vinayak group is jointly formed by well-known investors of the capital market of the country. The investment of the group is mainly in shares of financial institutions, hydropower, and other sectors.

- ***Fund Management Company Ltd: Holds 2.45% of the total share.***
  This is a subsidiary company of Agriculture Development Bank Ltd., fully owned by Nepal's government. The fund of the bank's own staff is managed by this company.

4. Board of Directors

With the distinctive combination of the promoters, an energetic young team of reputable individuals having vast experience and excellent leadership has been representing the Board. The current Board of Directors of the company consists as follows:

Name of Directors	**Representation**
Mr. Ramesh Kumar Niraula, Chairman	Promoter
Mr. Vinaya Raman Poudel, Director	Rastriya Banijya Bank
Mr Pratap Subedi, Director	Agriculture Dev. Bank Ltd.
Mr. Bharat Kumar Adhikari, Director	Padmodaya Pvt Ltd (Public)
Mr. Bhanu Bhakta Pokhrel, Director	Public
Dr. Neelima Shrestha, Director	Terai Village Investment Pvt. Ltd. (Public)

5. Management Team

The management team of Neco Insurance Company Ltd. is comprised of vast experienced managers of insurance and banking sectors. The fusion of experienced brain and young talent has drastically upgraded the graph of the company. Presently, the leaders in management team of the company are as follows:

Mr. Ashok Kumar Khadka – Chief Executive Officer
Email: ashok@neco.com.np

Mr. Ashok K. Khadka, CEO of Neco Insurance Ltd. has more than three decades' experience in the field of banking and insurance sector. He has joined this company as an advisor to support the managerial activities initially. Later, he worked in the capacity of DCEO for more than five years. He has been currently contributing to the company as CEO . Under his active and efficient leadership, the company and its stakeholders are witnessing rapid growth of the company and expecting long term sustainable growth of the company.

The other senior level staffs of the departments of the company are:

Name of Staffs	Department	Designation	Email address
Mr. Pawan Thapa	Corporate	Deputy Chief Executive Officer	pawan.thapa@neco.com.np
Mr. Ganesh Lamsal	Corporate	Deputy Chief Executive Officer	ganesh.lamsal@neco.com.np
Mr. Ramesh Bd. Thapa	Marketing	Assistant General Manager	ramesh.thapa@neco.com.np
Mr. Bishal Kumar Thapa	Corporate	Assistant General Manager	bishal.thapa@neco.com.np
Mr. Bishnu Prasad Dhital	Board Secretariat	Chief Manager	bishnu.dhital@neco.com.np
Mrs. Sapana Rawal	Reinsurance	Chief Manager	sapana.rawal@neco.com.np
Mr. Hansa Man Dangol	Underwriting	Manager	hansa.dangol@neco.com.np
Mr. Bhuwan Mahat	Finance	Manager	bhuwan.mahat@neco.com.np
Mr. Him Bahadur KC	Internal Control, Compliance and Risk Management	Dy. Manager	him.kc@neco.com.np
Mr. Minraj Shrestha	Claim	Dy. Manager	minraj.shrestha@neco.com.np
Mr. Raghav Acharya	Human Resource	Asst. Manager	raghav.acharya@neco.com.np
Mr. Bishal Lepcha	Information Technology	Asst. Manager	bishal.lepcha@neco.com.np

6. *Branch Network*

With the strategic vision of aggressive growth in business and providing better and quality service to a client, Neco has established an efficient and effective expansion of footprint all over Nepal. Company has altogether 100+ networks all over Nepal.

7. *Recent Market and Regulatory Development Impact on Company*

There are altogether 14 non-life insurance companies, 14 life insurance companies, 2 re-insurance companies, and 7 micro insurances in the country. The overall, life as well as general insurance business in Nepal is at growing phase. The Insurance Sector has contributed to national GDP of 3.40 %. A rate of around 14.57% average annual growth rate has been accounted for over the past 5 years in the non-life insurance sector.

OPERATING AND UNDERWRITING REVIEW

Line of Business

The company underwrites all types of general insurance risk through different kinds of policies prevailing in the market under seven major categories i.e. *Property, Motor, Aviation, Marine, Engineering, Agriculture and Miscellaneous.*

1. *Underwriting Approach*

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

2. *Historical Growth and Distribution*

The company prepares a 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.

i. *Business: Portfolio-wise*

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

Portfolio	F.Y. 2020/21			F.Y. 2021/22			F.Y. 2022/23		
	Audited			Audited			Unaudited		
	Nos.	Amount (RS)	Mix	Nos.	Amount (RS)	Mix	Nos.	Amount (RS)	Mix
Fire	71,841	672,625.70	28%	68,711	748,499.46	27%	67,989.00	823,060.16	28%
Motor	193,359	1,029,279.17	43%	188,494	1,083,966.58	38%	182,469.00	1,042,558.31	36%
Aviation	1	118.34	0%	-	-	0%	-	-	0%
Marine	10,426	73,089.15	3%	9,421	84,935.97	3%	7,612.00	65,949.29	2%
Engineering	4,187	313,222.32	13%	4,358	491,900.64	17%	4,811.00	517,310.47	18%
Miscellaneous	19,714	224,578.68	9%	20,467	233,953.89	8%	22,803.00	248,926.41	8%
Agriculture	3,201	102,550.83	4%	7,369	200,569.21	7%	11,470.00	224,569.99	8%
Total	**302,729**	**2,415,464.19**	**100%**	**298,820**	**2,853,825.74**	**100%**	**297,154.00**	**2,922,401.63**	**100%**

Amount in NPR "000

ii. Business: Growth Rate

The comparative growth rate is presented below:

Portfolio	F.Y. 2019/20		F.Y. 2020/21		F.Y. 2021/22		F.Y. 2022/23	
	Audited		Audited		Audited		Unaudited	
	Policy	**Premium**	**Policy**	**Premium**	**Policy**	**Premium**	**Policy**	**Premium**
Fire	4%	16%	32%	19%	-4%	13%	-1%	10%
Motor	-14%	2%	15%	11%	-3%	5%	-3%	-4%
Aviation	100%	100%	0%	254%	-100%	-100%		
Marine	-27%	-1%	82%	49%	-10%	16%	-19%	-22%
Engineering	10%	52%	2%	0%	4%	57%	10%	5%
Miscellaneous	9%	-23%	34%	36%	4%	4%	11%	6%
Agriculture	-63%	0%	117%	100%	130%	96%	56%	12%
Total	**-10%**	**8%**	**22%**	**16%**	**-1%**	**18%**	-1%	2%

Financial , Investment and Liquidity Review and Positioning

A. FINANCIAL REVIEW

The key indicators of the company for last 4 years are presented below:

Particulars	Indicator	FY 2019.20	FY 2020.21	FY 2021.22	FY 2022.23
		Audited	Audited	Audited	Unaudited
Net worth	*Rs*	2,665,249.73	3,157,824.66	3,688,757.80	4,241,899.26
Book Value per share	*Rs*	202.31	207.53	210.80	210.79
Net Profit	*Rs*	468,089.41	504,587.80	544,817.47	553,141.63
Net Profit ratio	*%*	22.57	20.89	19.09	18.93
Earnings per share	*Rs*	35.53	33.17	31.13	27.49
Dividend per share	*Rs*	16.32	15.79	15.79	-
Management expense ratio	*%*	15.92	15.52	17.18	17.98
					Amount in NPR "000

B. INVESTMENT AND LIQUIDITY REVIEW

There is a separate directive from the regulator, which defines the overall framework of investment by the insurance companies. In compliance with the directive, the company has formulated its own investment policy and procedure. The investment policy is being strictly followed to safeguard the amount of investment, at the same time seeking a sound return from the investment. The investment and return on investment for the last 3 years is presented below.

Amount in NPR "000

Particulars	F.Y. 20-21	F.Y. 21-22	F.Y. 22-23
	Audited	Audited	Unaudited
Investment	3,720,565.99	4,483,229.77	4,850,078.16
Interest and Other Income	359,230.54	353,678.47	453,343.11
Return on Investment (%)	9.65%	7.89%	9.35%

A. HUMAN RESOURCE MANAGEMENT

On the human resource management front, Neco considers human resources and accordingly, it cares highly for its staff. Regular training and grooming for our staff to improve their professional skills have been given due importance in the current period, which will be continued in the days ahead as well. We are in a very competitive industry and economic conditions are also challenging. Hence, we have given high priority to human resource management. We have ensured the positioning of the right people in the right places so that their distinct competencies, knowledge, and personality attributes are utilized to their maximum potential resulting in desirable results.

B. SPOT PAYMENT SERVICE

We feel proud to share you that for the first time in Nepal, Neco Insurance Ltd. have launched "Spot payment" facility on the claim against the insurance policy of our company. To make the claim procedure fast and hassle free we have introduced a spot payment service that pays your claim on the spot.

Our claim department also settles the claim of health insurance of your staff within a week. Our staff will offer the claim settlement amount on the spot, but it is you to accept or reject the amount. No documentation no hassle.

Company Profile: Reinsurance And Large Loss Review

The company undertakes reinsurance arrangements to mitigate the financial losses in case of a large incidence of losses. It has got reinsurance treaties with reputed reinsures throughout the globe. The details of our reinsurer at present are as below:

S.N	Name of Reinsurance Company	Origin/ Country
1	Ocean International Reinsurance Company Ltd	Barbados
2	Kenya Reinsurance Corporation Ltd	Nairobi Kenya
3	Asian Reinsurance Corporation	Bangkok, Thailand
4	General Insurance Corporation of India (GIC Re)	Church Gate , Mumbai
5	The New India Assurance Company Ltd.	Mumbai India
6	East Africa Reinsurance Company Ltd	Nairobi Kenya
7	GIC-Bhutan Reinsurance Company Limited	Thimpu Bhutan
8	CICA Re Togo	West Africa
9	Sirius International	UK, London
10	TUNE Protect Re	Malaysia
11	Nepal Re	Nepal
12	Himalayan Re	Nepal