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FINANCIAL EVALUATION OF OICL: AN ANALYSIS

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ABSTRACT

The insurance industry in India has witnessed paradigm shift after the liberalization which resulted in the surge in premiums, players and outreach in Indian insurance industry. With these factors along with strong economic growth during last decade, has positioned India as a regional insurance hub. Although the Indian insurance sector is still dominated by the life insurance business but the contribution of the non-life sector in the last few years were also very encouraging. Within the general insurance industry, the contribution of four public sector insurers is significant; where OICL is one of the insurers. The present study is totally focussed on the financial evaluation of one insurer, i.e. OICL. The study has been done by covering various financial aspects viz. premium collection, claim settlement and profitability. Apart from this a cross sectional analysis has also been done among the various internal and external factors. This study has covered a time period of 15 years. We have observed a consistent growth in the premium collection of OICL after the formation of IRDA, without being disturbed by the macro-economic factors. The claims of the insurer also have an increasing trend over these years. Besides this, the regression coefficients have shown significant positive relationship between premium collection and profitability whereas a significant negative relationship exists between claim settlement and profitability.

KEYWORDS: General Insurance, OICL, Gross premium, Incurred claims, Profitability.

INTRODUCTION

The recent development experience shows that service sector income is continuously rising and ‘Insurance’ is one of the segments in that category. It plays a vital role in the process of economic development of a country by channelizing the long-term savings for the productive purpose and providing a shield before the risk associated with any activity related to productivity, assets or life. Today, insurers operate in more than one country. So they earn valuable exchange through their operations, which ultimately increase the foreign currency stock of the nation. The liberalisation of the Indian insurance sector was a sequel to the introduction of New Economic Policy in June 1991. The reforms in the insurance sector commenced with setting up of the Committee on reforms on Insurance sector under the chairmanship of Dr. R.N. Malhotra, the ex-governor of RBI, by the GOI in April 1993 for examining the structure of insurance industry. On the basis of the recommendations given by Malhotra Committee, insurance sector in India was finally liberalized

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(IRDA Act, 1999) lifting all entry restrictions for private players and allowing foreign players to enter the market with some limits on direct foreign ownership. The entry of foreign players was allowed subject to their share in paid up capital not exceeding 26 percent. An independent regulatory authority called the Insurance Regulatory and Development Authority (IRDA) came in to existence as a statutory body to license the entry of private players and lay down regulations for the market conduct of the players and to create conditions for expansion of the market for the benefit of the customers. However, after an amendment in Dec. 2014, the sole regulator is now known as "Insurance Regulatory and Development Authority of India" i.e. IRDA of India (IRDA Notification, 2014). Indian insurance market can be broadly classified in to two parts; Life segment and Non-life segment. Life insurance business includes that insurance which pays the benefit on a person's death or survival to a certain age or for a set number of years. Annuities and Pensions are also the part of life insurance business in India. But in some markets these coverage are classified separately from life insurance policies. The Non-life business includes loss of property. Apart from this, Health insurance is also considered as a part of non-life insurance in India. The opening up of the insurance sector has led to rapid growth of the sector. Although the Indian insurance sector is still dominated by the life insurance business but the contribution of the non-life sector in the last few years were also very encouraging. At present there are 53 insurance companies (till s nep. 2014) operating in India, of which 24 are in life insurance business and 28 in non life business. Apart from these, GIC is the sole national re-insurer.

Table 1: Registered insurers in India (As on 31st March, 2015)

Type of Business	Public sector	Private sector	Total
Life insurance	1	23	24
Non-life insurance	6*	22**	28
Re-insurance	1	00	01
Total	8	45	53

Source: IRDA, Annual Report, 2014-15.

*Includes specialised insurance companies; ECGC and AIC.

**Includes five standalone health insurance companies, viz. Star Health and Allied Insurance Company, Apollo Munich Health Insurance Company, Max Bupa Health Insurance Company, Religare Health Insurance Company and Cigna TTK Health Insurance Company.

ORIENTAL INSURANCE COMPANY LIMITED (OICL): A PROFILE

The Oriental Insurance Company Limited (OICL) is one of the four public sector general insurance company in India. The company was previously known as "The Oriental Fire and General Insurance Co. Ltd" incorporated under the Indian Company's Act 1913 on 12th September, 1947 (Bombay) as a wholly owned subsidiary of "Oriental Government Security Life Assurance Company Limited". Oriental Insurance was set up by Sir Purshotamdas Thakurdas. When LIC was formed in 1956, the company became a subsidiary of it which continued till the nationalisation of general insurance business in India. On 13th May, 1971 the government of India took over the management of all the 107 general insurance companies operating in India. This was followed by nationalisation of general insurance business with effect from 1st January, 1973. Under the terms of General Insurance Business (Nationalisation) Act 1972, General Insurance Corporation of India (GIC) was formed as a holding company having four subsidiaries, in which the OICL was one of them. Later on the name clause has been changed and the company has registered itself at Delhi with its new name "The Oriental Insurance Company Limited '' on 1st May 1984 (Memorandum of Association) In 2003 when all the major public sector general insurance companies were separated from GIC then all the shares of the company held by GIC has been transferred to central government. Since then, the company is working as an independent organisation in the field of general insurance and today with its sound financial position and good reputation; it became one of the leading general insurance companies in the country. Apart from having its head office at Delhi, it has 30 Regional offices, 350 Divisional offices, more than 500 Branch offices, nearly 950 Extension counters or Micro offices and approximately 15000 employees.

REVIEW OF LITERATURE

The existing literature on the various aspects around the present topic has been reviewed as follows:

Ward and Zurbruegg (2000) examined the short- and long-run dynamic relationships exhibited between economic growth and growth in the insurance industry for nine OECD countries. The results suggest that in some countries, the insurance industry causes economic growth, whereas in some other countries, the reverse is true. Moreover, the results indicate that these relationships are country specific and any discussion of whether the insurance industry does promote economic growth will be dependent on a number of national circumstances.

Arena (2008) found robust evidence of a causal relationship of insurance market activity on economic growth. Both life and nonlife insurance premiums have a positive and significant effect on economic growth. However, the results suggested that nonlife insurance has a larger effect on developed countries than in developing ones. The study found evidence that life and nonlife insurance have different impacts on economic growth for different levels of economic development measured by GDP per capita.

Natarajan and Poornima (2008) concluded in their study that Detariffing is going to benefit the industry as whole but the success of Detariffing would mostly depend on how well insurers and insured understand each other's businesses and seize the opportunities present.

Modi (2011) in her study found that the profitability of the general insurance industry has improved in the years of 2005-06 and 2006-07 of the study period; this was because of the good return on its investments. However, the pricing decontrol, after the detariffing implementation in 2007 has led to steep fall in premium rates particularly in Fire and Engineering segments. Beside this, a consistent increase in the management expense has also been observed in most of the years during the study period.

IMF (2013) mentioned in a report that Indian nonlife insurance market was predominantly under tariff price prior to 2007 and the underwriting performance was satisfactory in most of the years except when catastrophic events had taken place. It has been the experience of markets elsewhere in the world that a shift from a tariff price regime to a free-price regime results in the price levels dipping significantly, resulting in a strain on the underwriting performance. The experience in India has also been on similar lines.

Srivastava and Ray (2013) observed in their study that the factors which influence Indian non-life insurers most significantly are; lines of business, the firm's market share, the premium growth rate, the underwriting performance and the claims incurred. Further, the factors which have the strongest effect are market share, change in inflation rate, firm size, lines of business and claims incurred.

Newswire (2014) presented a report on Indian non-life insurance segment where it was found that despite the global financial crisis of 2008-09, the Indian non-life insurance segment registered significant growth during the review period, i.e. from 2009 to 2013. The increase in the growth was primarily due to growing awareness of compulsory motor third-party liability insurance, and rising property prices in major Indian cities. This was encouraged by rising income levels that increased demand for motor and property insurance. These factors are further expected to enable the insurance sector to achieve a CAGR of 11.3% in the forecast period of 2009 to 2018. Further, public sector insurers are expected to dominate the segment over the forecast period, although private non-life insurers are expected to gradually increase their market shares.

Sharma & Sikidar (2014) found that public sector insurance companies enjoyed the monopoly status as a result they lacked flexibility and were not much concerned with profitability. This resulted in erosion of underwriting skills and their income. The introduction of the free price regime has provided an impetus to the non-life sector and withdrawal of the administered price mechanism from January 1, 2007 has led insurers to design new and innovative suitable products to sustain in the competitive market. The findings of the study proved that the four public sector non-life insurers in India has performed quite satisfactorily in the post de-tariff regime. Although the short term scenario of the industry appears to be challenging but has ample opportunities for growth.

India Insurance Report (2015) mentioned that non-life segment will outperform the life segment over the coming years and increase its share in the overall insurance market. This view is predicated on the rising number of middle-class consumers as well as the country's ongoing urbanisation which is resulting in widespread expansion of India's housing stock. However, it is also expected that competition in the non-life industry will remain tough because of the presence of large number of players in the market, both public and private.

RATIONALE, SCOPE AND OBJECTIVES OF THE STUDY

The insurance industry in India started flourishing after the market was opened for private players. Even though the public insurance companies still dominate the market, the signs of competition are already visible in terms of wide range of products, innovative bundling of insurance with other financial services, aggressive marketing, and better customer care. Although many studies have already been done in this area but majority of these are specifically focussed towards life sector alone. As, the non-life sector has great scope in India, so it is equally important to include this segment as well. In a developing country like India, general insurance industry has a great economic and social significance. This could be the reason, as under certain Acts of Parliament, some types of insurance like Motor Insurance and Public Liability Insurance have been made compulsory in India. The liberalization has also been extended with the introduction of detariffication of general insurance business which brought very positive results. Besides this, new business segments such as micro and health insurance have also grown very fast. The ‘company analysis’ is the last leg in the economy-industry-company analysis sequence. Although, for an insurance company the investment related activities are having an important place in the management but at the same time evaluation of the financial structure at regular interval is also much needed. If proper attention is not paid to these factors, the insurer may face huge losses at the end even after getting a sufficient yield on its investments. Therefore, it’s justifiable to analyse the various financial indicators of an insurer before analysing its investment part.

The present study is organisation (OICL) specific analysis so the main focus of the study is to examine the financial structure of company, but to make this study more intensive it is further restricted to only premium collection, claim settlement and profitability. Therefore, other financial aspects viz. net retention, solvency, investment and insurance products etc. have not been included; which is a limitation of this study. The present study covers a period of 15 years, i.e. From 2000-01 to 2014-15. The study identifies the following objectives:

- To evaluate the growth trend in premium collection and claim settlement of OICL.
- To analyse the impact of macro-economic factors on premium growth of OICL.
- To analyse the relationship between profitability and other financial aspects of OICL.

DATA BASE, RESEARCH METHODOLOGY AND HYPOTHESIS OF THE STUDY

The present study is entirely based on secondary data (Time Series Data) to achieve its objectives and this can also be considered as the limitation of this study. The secondary data has been collected mainly from the Annual Reports of OICL. Beside this, data has also been taken from various other reports, viz. India Insurance Report, reports of CSO, Magazines, Daily’s and online databases. The data collected from the various sources has been classified, arranged and compiled in tables and charts; as per the requirement of analysis. To achieve the objectives of study, various tools have been used, viz. Percentage, Mean, Standard Deviation, Co-efficient of Variation, Compound Annual Growth Rate and Regression Analysis.

The present study attempts to provide answers to the following proposed null hypothesis:

H1: There is no impact of macroeconomic factors on the premium collection of OICL.

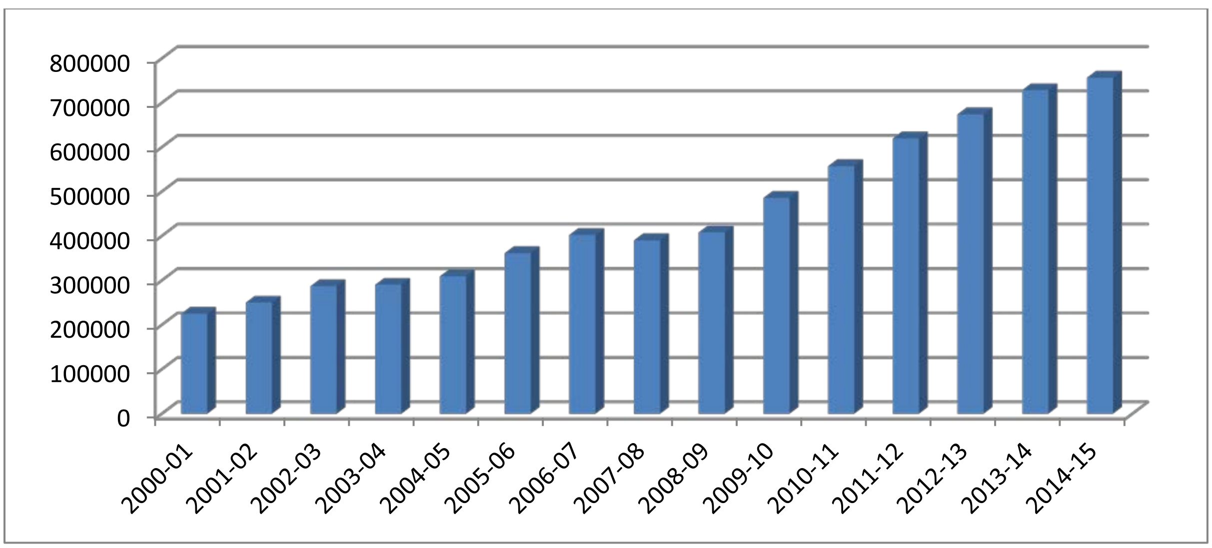
H2: There is no impact of premium and claim on the profitability of OICL

ANALYSIS AND INTERPRETATION

Analysis of the Premium Collection of OICL

It is the amount of premium on which the whole insurance transaction is based. Therefore, before going for further analysis, it is worth to evaluate the premium collected by the OICL first. The premium amount is generally collected by the insurers through different channels; viz. direct business, development officers, direct agents, brokers, bank and motor tie-ups. The importance of the premium amount can be understood from the fact that approximately 3/4th of the total income of an insurer belongs to the premium other than income from investments. In the following chart on total gross premium collected by the company has been given during the last 15 years.

Chart 1: Total Gross Premium collected (Amount in Rs. Lakh)



Source: Based on data from Annual Reports of OICL

The Chart 1 shows that gross premium collected by the company has an increasing trend over the years. There is a continuous rise in the amount of premium over these 15 years, except in the year 2007-08. The year 2007-08 was the first year of free price regime with detariffing of the general insurance market translated in to reality from 1st January 2007. In the very first year the insurers become very cautious to determine their own tariffs, which resulted in the fall in premium rates. Because of the detariffing and more prudent & ethical underwriting, the company registered a reduction of 3 percent in the gross premium. As per the annual report of the company, this falling trend in the prices last even up to 18 months after the detariffing. Another reason for this short fall in the gross premium could be because of the global recession which obviously affected the company too.

Table 2: Descriptive Statistics of Premium (Amount in Rs. Lakh)

N=15	Minimum	Maximum	Mean	SD	CV (%)	CAGR (%)
Fire	46362	103978	65218	18288	28.04	5.67
Marine	19513	50263	35313	11025	31.22	6.69
Motor	93380	291445	172349	53845	31.24	7.84
Engineering	14051	38141	24705	9080	36.75	7.26
Aviation	1828	23625	11011	4705	42.73	13.80
WC	2057	8207	5046	2280	45.18	10.35
PA	5529	19517	12291	4928	40.09	6.63
Health	13235	205385	85284	62602	73.40	20.96
Liabilities	1098	5089	2951	1257	42.60	10.63
Others	25725	43867	35261	6337	17.97	3.52
Total	224710	756193	449428	161806	36.00	8.76

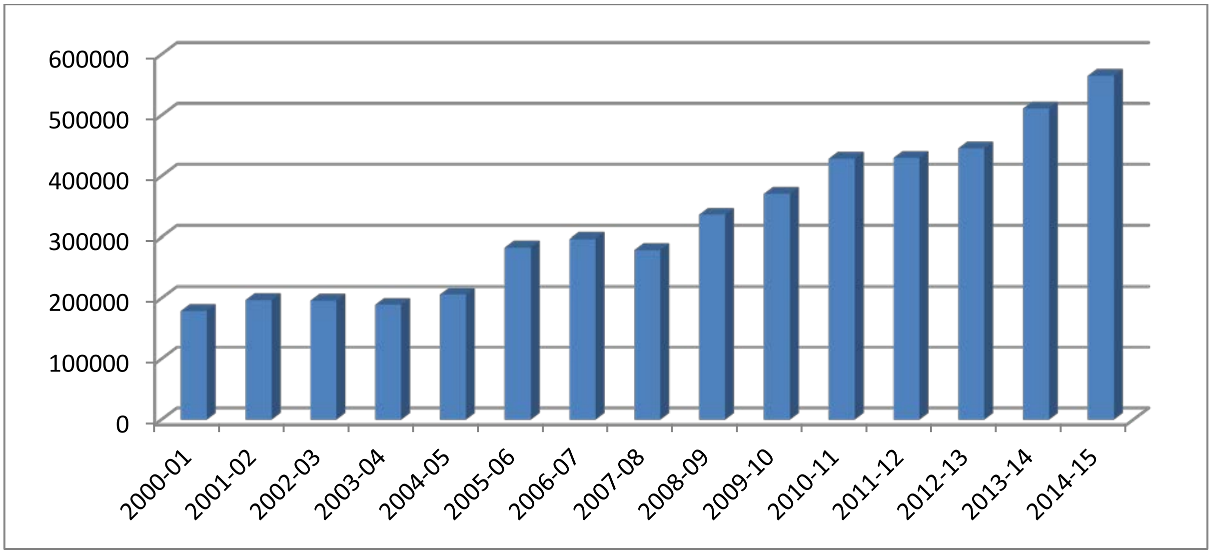
Source: Compiled from the Annual Reports of OICL

The result of the Table 2 shows the descriptive statistics regarding the premium amount of OICL for past fifteen years, i.e. from 2000-01 to 2014-15, which reveals that the motor segment has the highest mean value followed by the health and fire segments. The liability segment has the least mean value at Rs 2951 lakh. The values of the CAGR show that, health segment has registered a high growth rate of 20.96 percent annually, which indicates the scope of its further growth in the industry. There has also been a sound growth in the premium for aviation, workmen compensation (WC) and liability segments, which were more than the overall growth in the premium of 8.76 percent. The variability in the premium of health segment is the most and the reason for this wide variability could be the exponential growth in the premium of health segment.

Analysis of the Claims paid by OICL

In the insurance business, settlement of the claims is a vital function. Normally it is said that the business of insurance is all about settling the claims. Therefore, the claim settlement record of an insurer is the touchstone of its performance. The significance of the claim in the financial structure can be understood by the fact that in the total outgo of an insurer, more than half of it belongs to the claim apart from management expenses and commission and brokerage. In order to ensure that the insurer is in the position to promptly settle all its claims, it needs to do a careful evaluation of the risks that would arise out of the underwritten contracts and price their premiums accordingly.

Chart 2: Total Direct Claims Paid (Amount in Rs. Lakh)



Data Source: Annual Reports of OICL

The Chart 2 reveals the fact that as like premium, the claims also do have an increasing trend over these years. Although it shows some consistency in the initial years but it is continuously growing up later. The fall in the year 2007-08 again could be because of the detariffing effect.

Table 3: Descriptive Statistics of Direct Claims Paid (Amount in Rs. Lakh)

N=15	Minimum	Maximum	Mean	SD	CV (%)	CAGR (%)
Fire	15892	67087	35677	11933	33.45	5.02
Marine	10192	33297	21208	8199	38.66	5.06
Motor	97206	190200	142285	25340	17.81	4.36
Engineering	5651	19510	10368	3622	34.93	5.34
WC	930	6360	2181	1666	76.39	12.13
Aviation	276	5661	3225	1805	55.97	13.69
PA	5756	17600	9893	4232	42.78	4.24
Health	8969	233233	87977	63327	71.98	24.80
Liability	236	1432	577	371	64.30	3.21
Others	9372	21622	14213	2920	20.54	-0.26
Total	178999	564886	327605	111568	34.06	7.78

Source: Compiled from the Annual Reports of OICL

The analysis of Table 3 shows that motor segment has the highest mean value for the period 2000-01 to 2014-15, followed by the health and fire segment. The value of the CAGR indicates that the claim amount in the health segment is also rising very sharply as like the premium amount. But the major concern for the insurer is that the claim amount is increasing at a faster rate, i.e. 24.80

percent annually as compare to the 20.96 percent of premium. This has obviously resulted in to the heavy underwriting loss for the insurer. Therefore, the management needs to analyse the causes of this scenario to bring down the loss immediately because in the overall business of the insurer, health segment has a dominant place. A similar trend has also been found in WC segment, where the CAGR of claim is more than the premium. Besides this, the growth in the claims of aviation segment has been more than the overall growth of 7.78 percent. As like premium, health segment also have significant variation in its claims too. The reason for this high dispersion in the health segment claim is the consistent growth in it, which we have already mentioned as a matter of concern for the insurer. In terms of claim payment, motor segment has been very consistent where least variation has been found.

Analysis of the growth in Premium

Generally it is being said that performance in the insurance industry is nothing but a complex matrix of general economic growth, competitive forces in the industry and also the loss phenomenon of the previous year. As the premium is most important factor for any insurer; it is justifiable to study its relationship with other macroeconomic factors.

Table 4: Descriptive Statistics of growth rates

N=15	Premium	GDP	Industry	Services
Minimum	-3.00	3.88	0.35	5.07
Maximum	19.05	9.57	12.17	10.91
Mean	9.64	6.98	6.56	8.54
SD	5.99	1.97	3.35	1.99
CV (%)	62.14	28.22	51.07	23.30

Source: (Premium) Compiled from the annual reports of OICL; (GDP, Industry & Services): Compiled from the reports of CSO

Note: The GDP growth rate has been taken for analysis at factor cost (at constant 2004-05 prices)

The statistics of the growth rates for fifteen years (2000-01 to 2014-15) have been given in the Table 4. The table shows that the mean growth rate of the premium at 9.64 percent is higher than the mean growth rates of GDP, industry and services, which clearly means that premium has comparatively good growth over the years as compare to the macro economic factors. During this period there is more variation in the growth of premium as compare to GDP and service sector.

Regression Analysis (Growth Rates)

Regression analysis is a statistical process for estimating the relationships among variables. It includes many techniques for modelling and analysing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. As the every individual organisation is a contributor to the overall development at the macro level and on the other side the individual organisation also get affected by these macro factors. As premium is the premier source of income for all kind of insurers; it is justifiable to analyse the relationship of premium with these external factors. This has been done by generating a simple regression line for the period of fifteen years, i.e. from 2000-01 to 2014-15. The following regression equations will depict this relationship assuming gross premium as a dependent variable and macroeconomic factors as independent variables.

Regression Model:

GP = $\alpha + \beta 1GDP + \beta 2\ IND + \beta 3\ SRV + \mathcal{E}$

GP = Gross premium, α = Intercept, $\beta 1$ = Slope of the GDP, GDP = Gross Domestic Product

$\beta 2$ = Slope of the Industry, IND = Industry, $\beta 3$ = Slope of the Services, SRV = Services &

$\mathcal{E}$ = Random disturbance term (Error)

The result of the regression model is given below:

Table 5: Regression Coefficients

Dependent Variable: Gross Premium (GP)				
Model I	B	SE	t	Sig
C	5.349	7.407	.722	.484
GDP	-1.041	2.003	-.520	.613
Industry (IND)	.226	.752	.300	.769
Services (SRV)	1.179	1.580	.746	.470

Table 6: Model Summary

R	.223	
R^2	.050	
Adjusted R^2	-.188	
SE of the Estimate	6.524	
Durbin-Watson	1.715	
F-value	.209	.888
N	15	

The above Table 5 shows that 1 unit change in GDP results in -1.041 changes in gross premium, 1 unit change in industry brings .226 changes in gross premium and 1 unit change in service brings 1.179 changes in services. But these results are not significant in case of GDP and industry whereas some significance is there in case of services. At the same time if we look at the model summary Table 6, it is not significant at all. Even the F-value at .209 is not significant enough to conclude that overall model is not fit enough to represent the variability in dependent variable. On the basis of findings we can statistically conclude that there is no impact of macroeconomic factors on the premium collection of OICL. Hence we accept our research hypothesis (H1).

Profitability Analysis of OICL

The term “Profit” is an accounting concept which shows the excess of income over expenditure viewed during a specified period of time. On the other hand, the term 'profitability' is a relative measure where profit is expressed as a ratio, generally as a percentage. Profitability is the most important and reliable indicator as it gives a broad indicator of the ability of an insurance company to raise its income level. As the profitability depicts the relationship of the absolute amount of profit with various other factors; following are some of the statistics relating to the profit and the other important factors which are closely associated with each other. The statistics have been drawn from the data of 15 years; i.e. from 2000-01 to 2014-15.

Table 7: Descriptive Statistics (Amount in Rs. Lakh)

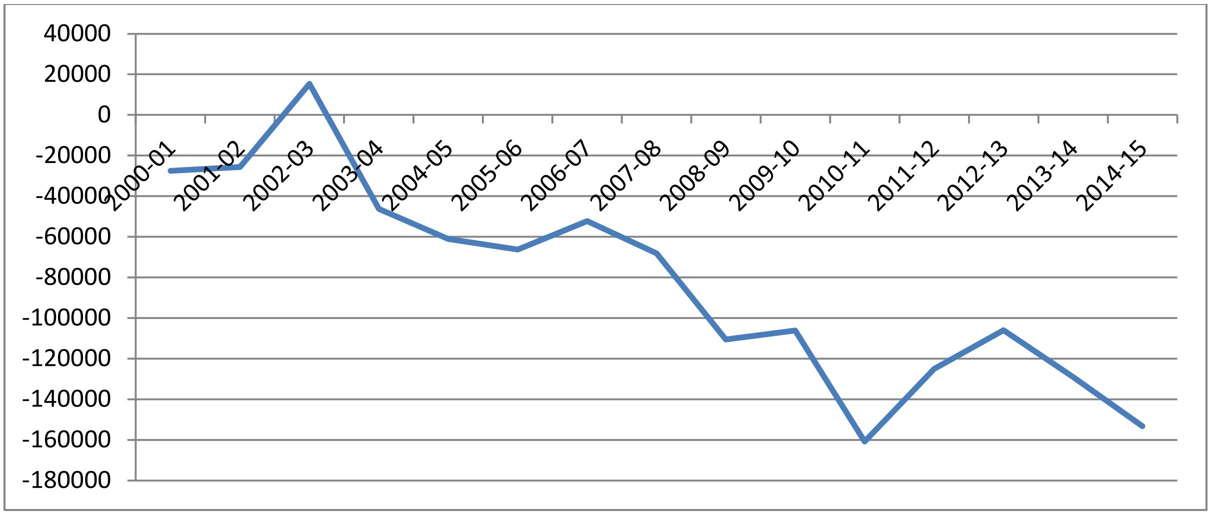
N=15	NP	NC	UP	ME	PAT
Minimum	172535	146655	-160891	50298	-23548
Maximum	647239	526150	15350	234798	53389
Mean	355981	299542	-81514	110463	19849
SD	156342	126949	48037	44003	22043
CV (%)	43.92	42.38	158.93	39.83	111.05
CAGR (%)	9.83	9.29	10.60	9.33	13.84

Source: Compiled from the Annual Reports of OICL
NP = Net Premium, NC = Net Claim, UP = Underwriting Profit
ME = Management Expenses, PAT = Profit after Tax

The analysis of CAGR indicates that profit of the insurer registered the higher annual growth at 13.84 percent as compare to the premium, claim, underwriting result and management expenses. Although, the negative average underwriting result would be a major area of concern for the insurer but the rise in the final profit is certainly a relief for the company. This increase in the final profit figure could be the result of healthy returns on the funds invested. The table is showing very high variability in the profit figures, however the variability in the figures of net premium, net claim and management expenses are low.

Apart from the statistics here it is also important to understand the trend of these two kinds of profits over these 15 years. The following is the line graph, depicting the same:

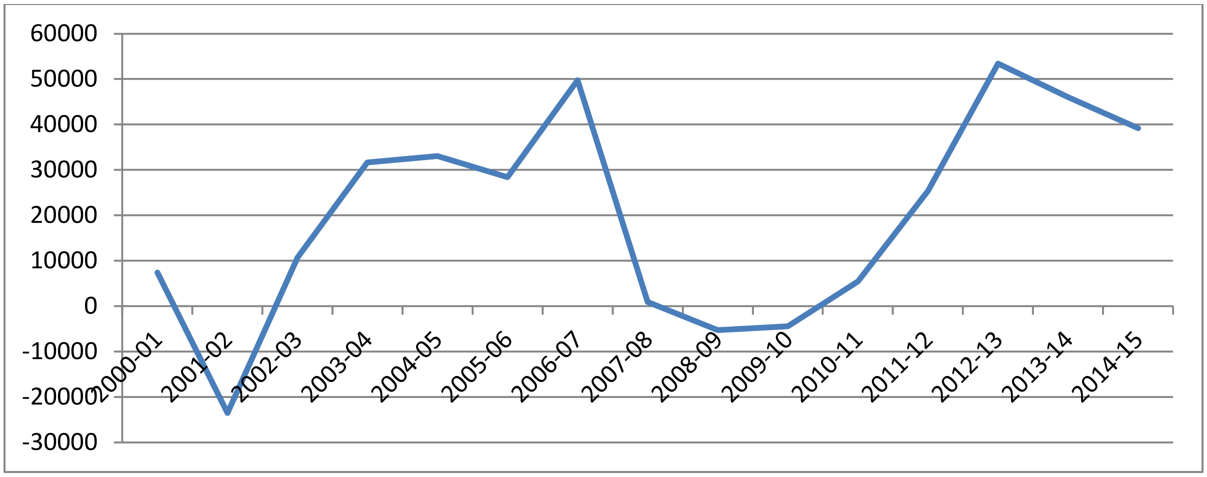
Chart 3: Underwriting Profit (Amount in Rs. Lakh)



Source: Annual Reports of OICL

The underwriting profit of a general insurance company is calculated by taking net written premium minus increase in the unexpired risk reserve minus expense of management minus claim incurred minus commission (i.e. Net Premium – Net Incurred Claims – Commission – Management Expenses – Increase in Reserve for Unexpired Risk) So the underwriting results indicate the performance of an insurance company from core insurance business. The Chart 3 given above shows that the company has been always facing underwriting loss from its core insurance activities; which often happens with the other insurers too. But in the year 2002-03, the company earned an underwriting profit of Rs 15350 Lakh. This significant improvement in the underwriting profit was mainly because of the low incurred claim ratios in the fire, cargo and miscellaneous segments. Overall the underwriting profit has a consistent decreasing trend over these years.

Chart 4: Profit after tax (Amount in Rs. Lakh)



Source: Annual Reports of OICL

The profit after tax is the final amount of profit which actually belongs to the shareholders. The amount of dividend is also based on this profit. Therefore, profit after tax (PAT) is an important factor to analyse the overall prosperity of the organisation or to analyse the contribution of company in the wealth creation. As shown by Chart 4, the profit after tax has been very fluctuating during the time period of study and it came down sharply in 2001-02, which was mainly due to providing a huge additional amount towards outstanding motor third party claims. Secondly, this net loss was also due to making an additional provision towards outstanding for gratuity and leave salary. During the 2007-08 also there is a sharp decrease in the profit, i.e. from Rs 49727 Lakh in the 2006-07 to Rs 930 Lakh in 2007-08. This reduction in the profit after tax was on account of taxation on sale of investments raised by the revenue authorities (Annual Report, OICL). The reduction in the profit might also be an impact of the global economic slowdown during the year. As the year 2007-08 was first year after detariffing, which duly influenced the premium inflow of the insurers. So this could be a reason for the reduction of profit during 2007-08. Overall, the figure of profit after tax has shown a very fluctuating trend over these fifteen years.

Regression Analysis (Profitability)

The relationship of profit with the other important factors of OICL (Net Premium, Net Claims & Management Expenses) has been analysed by generating regression line for the period of 15 years, i.e. from 2000-01 to 2014-15, assuming 'profit after tax' as dependent variable and other factors as independent. For this purpose following regression equation has been formed:

Regression equation:

$PAT = \alpha + \beta 1NP + \beta 2\ NC + \beta 3ME + \mathcal{E}$

PAT = Profits after taxes, α = Intercept, $\beta 1$ = Slope of the Net Premium, NP = Net premium

$\beta 2$ = Slope of the Net Claims, NC = Net Claims, $\beta 3$ = Slope of the Management Expenses

ME = Management Expenses, $\mathcal{E}$ = Random disturbance term (Error)

The results of the regression model 1 are given below:

Table 8: Regression Coefficient

Dependent Variable: Profit After Tax (PAT)				
Model I	B	SE	t	Sig
C	8693.581	10259.117	.847	.413
NP	.774***	.238	3.245	.007
NC	-.851***	.244	-3.488	.004
ME	-.094	.395	-.237	.816

Table 9: Model Summary

R	.777	
R^2	.604	
Adjusted R^2	.505	
SE of the Estimate	15513.137	
Durbin-Watson	1.572	
F-value	6.095***	.009
N	15	

**** Significant at 1 % level*
*** Significant at 5 % level*
** Significant at 10 % level*

The regression coefficients of the Table 8 show a significant positive relationship between net premium and profit after tax whereas there is a significant negative relationship between profit after tax and net claims. Although, the Table is also showing a negative relationship between management expenses and profit after tax but it is not significant at all. In other words we can say that all the independent variables, viz. net premium, net claim and management expenses are able to predict the 60.4 percent variation in profit after tax; which seems very significant. The F-value of 6.095 is also very significant at 1 percent level, which indicates the overall fit of the model. On the basis of the results obtained from the regression analysis, we can conclude that profitability of OICL has been significantly affected by the premium and claims. Hence, we reject our null hypothesis (H2).

CONCLUSION OF THE STUDY

On the basis of the analysis done, following conclusions have been drawn:

- The gross premium collected by the insurer has an increasing trend over the years. There has been a continuous rise in the amount of premium over these 14 years, except in the year 2007-08 which could be the influence of detariffication. Another reason for this short fall in the gross premium may be an impact of global recession.
- The motor segment has the highest annual mean value of premium followed by the health and fire segments. The health segment has registered an exponential growth, which indicates the immense scope of this segment in the industry. There has also been a sound growth in the premium for aviation, workmen compensation and liability segments, which were more than the overall growth in the premium.
- The claims of OICL also have an increasing trend over these years. The rapid growth of claims in the health segment has been a major area of concern for the insurers which has

been increasing at a faster rate than premium. Therefore, the management needs to analyse the causes of this scenario to bring down the loss immediately because in the overall business of the insurer, health segment has a dominant place. Interestingly, there has been a sharp decrease in the share of claim payment for motor segment which resulted in to the least variation in its claim amount. This significant improvement was mainly due to the controlled underwriting and deft handling of claims. Strict control on acceptance of business has been implemented and claims settlement mechanism has strengthened by the company. Apart from these measures, comprehensive risk inspections have also been stressed upon resulting in a gradual improvement in underwriting.

- The premium of OICL has comparatively good growth over the years (2000-01 to 2014-15) as compare to the macro economic factors. There has been a positive relationship between gross domestic product (GDP) and gross premium (GP) but it is not significant at all.

- Although, the average underwriting result has a negative result which is a major area of concern for OICL but the rise in the final profit is certainly a relief for the insurer. This increase in the final profit figure could be the result of healthy returns on the funds invested. The findings also have shown a very high variability in the profit figures. However the variability in the figures of net premium, net claim and management expenses were low.

- The insurer has been always facing underwriting loss from its core insurance activities during the period of study but in the year 2002-03, the company earned an underwriting profit of Rs 15350 Lakh. This significant improvement in the underwriting profit was mainly because of the low incurred claim ratios in the fire, cargo and miscellaneous segments. Overall, the underwriting profit has a consistent decreasing trend over these years. Whereas, the amount of profit after tax has been very fluctuating during the time period of study.

- The regression coefficients have shown significant positive relationship between net premium and profit after tax whereas there is a significant negative relationship between profit after tax and net claims. Although, the results also have shown a negative relationship between management expenses and profit after tax but it is not significant at all.

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