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### **REENGINEERING OF BUSINESS PROCESSES IN THE FORMATION OF THE FINANCIAL SECURITY INSURANCE COMPANY**

The safety of any system, including the insurance company, is due to a set of certain actions and their results. They depend on the nature, method of execution, participants and resources used. G. V. Ivashchenko [1] considers the essence of "security" on the basis of system-dialogo approach. From its position, "security" is a system that has a basis, a source of origin, development and functioning and a form of manifestation.

A number of scientists, analyzing the problem of security companies, determine its essence through the concept of "security". In Particular, A. V. Kanaev [3] understands security as protection from external and internal threats, which allows to reliably maintain and effectively use financial, material and human potential. Yu Would. Krakos, N. I. Serik [4] note the definition of security as the security of financial and economic activities from adverse changes on the part of both external and internal factors.

But, it should be noted that in the scientific literature of definitions of the concept "financial security of the insurance company" is quite small. Also, such scientists as A. I. Baranovsky and Y. are engaged in this problem. W. Punk. Thus, according to doctor of economic Sciences A. I. Baranovsky, under the financial security of the insurance company as a whole and a particular insurer should be understood as a level of security of insurance companies with financial resources that would allow them, if necessary, to compensate for the losses of their customers stipulated in the insurance contracts and ensure the effective functioning of the company [5, p.559].

For Yu. V. Pankov, financial security is a state of the insurance company's finances, according to which the indicators characterizing it do not exceed the permissible limits, providing not only normative, but also effective and expedient functioning of the insurer [6]. However, these definitions require some additions. Namely, the financial security of the insurance company - is a financial condition, which is characterized by the ability to protect the financial interests of all subjects of the national economy in the insurance sector, subject to the stability of the financial performance and ensure timely payment of obligations.

The concept of "financial security of the insurance company" is closely intertwined with the concept of "financial stability", "liquidity", "solvency", "financial reliability". Financial security of the insurance company is a long-term characteristic of the financial condition of the insurance

company. Most scientists note that the financial security of the insurance company - is the ability to fulfill the obligations under the insurance contracts, provided the balance of the financial performance.

Financial security management is carried out on the basis of the financial security mechanism of the insurance company.

A mechanism is a system of elements (goals, functions, methods, organizational structure and entities) and objects of management. It is a purposeful transformation of the impact of controls in the desired state or the reaction of the control objects that the incoming parcels and the resulting reaction [7].

The mechanism of financial security of the insurance company – a set of methods, levers and tools that are used by the subjects of the financial security system of the insurance company to improve the characteristics of financial security, as well as its financial, organizational and information and analytical support [8].

The effectiveness of the financial security system of the insurance company depends on the information support, which is a process of continuous and purposeful selection of relevant information indicators necessary for the analysis, planning and preparation of effective management decisions related to its financial security [8].

The main indicators of the level of financial security of the insurance company include: capital adequacy, insurance risks, liquidity, solvency, financial stability and reliability, as well as profitability.

But it should be noted that the domestic insurance market over the past three years has been characterized by mixed trends. Thus, in the context of the financial crisis, the insurance market reacted by reducing the main indicators, in particular insurance premiums and payments, reducing the number of insurers. In the market conditions of management, the insurance market reacts, on the contrary, by the desire of potential insurers to increase the number of insurance contracts concluded. And, accordingly, the growth of the level of insurance premiums, that is, is an adequate desire of customers to protect themselves in the conditions of crisis. Unfortunately, the insurance market in Ukraine remains poorly developed, and its role in the formation of financial security is very weak [9, c.86].

That is why, given the instability of the insurance market in Ukraine, the priority for each individual insurer is to achieve stability and financial security in the long term. However, the implementation of this task is impossible without the active implementation and use of innovations. And due to the fact that management innovations are more accessible than technological ones [10, p. 148], the reengineering of business processes of the insurance company is worthy of attention among such innovations.

To determine the value of reengineering business processes of the insurance company in the formation of its financial security, it is necessary to consider the content and types of business processes.

In a broad sense, the business process is understood as a structured sequence of actions to perform the relevant activity at all stages of the life cycle of the subject of activity [11].

A business process is a set of different activities that "use one or more resources at the input, and as a result of this activity" creates a product at the output that has value for the consumer [12].

Some authors consider the business process as a set of internal steps (types) of activities to create products necessary for the client, the cost, durability, service and quality that satisfies the consumer.

Business processes in the organization are heterogeneous. In fact, organizational activity is a set of interrelated business processes that reflect the implementation of individual functions of the organization. Business processes have the following important features:

- have internal and external users;
- operate within and between units as well as between different organizations;
- based on the method of execution of works inherent in a particular organization.

There are several basic classifications of business processes. One of the most common in business practice distinguishes [13]:

- the main business processes that form the added value of the product (service); create a product( service) of value to the client; form a result, such consumer qualities for which the client is willing to pay money, focused on making a profit;

- supporting business processes that are aimed at providing the necessary internal products, internal services for business areas; ensure the functioning of the company's infrastructure;

- business development processes aimed at making profit in the long term; provide not the organization of current activities, but the development or improvement of the company's activities in the long term;

- the management processes aim to manage all three of the previous groups.

Business process reengineering (BPR) is the most radical of all approaches to improving business processes. The success of BPR is mainly based on innovation and creativity of the management team. This approach provides a new perspective on the objectives of the process and completely ignores the existing process and structure of the organization. Reengineering of business processes allows to reduce costs and cycle time of production and implementation by 60-90% and the level of errors on the 40-70%. The approach takes advantage of the opportunities offered by the available process tools, including innovative advances in mechanization, automation and information technology [13].

So, reengineering is a scientific and practical approach to the implementation of fundamental changes in the company's business processes in order to improve its competitiveness. The specificity of reengineering is that the existing narrow specialization and the resulting multiple transfer of responsibility reintegrate into end-to-end business processes, responsibility for which from the beginning to the end take on professionals capable of performing a wide range of works [14].

One of the key concepts that is the basis of reengineering is business processes. M. Hammer and D. Champi define a business process as "a collection of different activities in which one or more types of resources are used" at the entrance "and as a result of this activity a product of value to the consumer is created at the" exit"» [12].

The experience of practical activity shows that the most effective and rational method of management of an insurance company is reengineering of business processes. That is, the systematic improvement of the business processes of the insurance company is essential for the sake of improving indicators such as: income, the level of customer service and efficiency.

Approaches that are used in practice regarding the construction of a new business model of the insurance company are reduced to three main:

1. Development of a business model of the company "from scratch". In fact, this approach is the construction of an ideal image of the company. This is the expectation of the persons carrying out the reengineering project, as well as the insurance company management.

2. Building a business model of the company on the basis of modeling the system of management decisions, followed by its improvement and construction of new business processes based on an optimized decision-making system.

3. Detailed reflection of the existing situation and the subsequent construction of a business process model. In essence, this approach is a detailed description and comprehensive analysis of key aspects of the insurance company and building processes based on the analysis.

During the implementation of business process reengineering in the insurance company, it is important to determine the main criteria for the success of reengineering. Such criteria are customer-oriented, maximum satisfaction of the customer's needs in insurance protection, ensuring competitive advantages, technological effectiveness of business processes (fig.1). Customer focus means that any actions that occur in the insurance company should be aimed at achieving a single goal, in the center of which the client and the maximum satisfaction of his needs.

The second criterion of reengineering is the construction of an organizational structure of the insurer, which would allow to effectively implement all existing business processes in order to maximize customer satisfaction in the insurance protection.

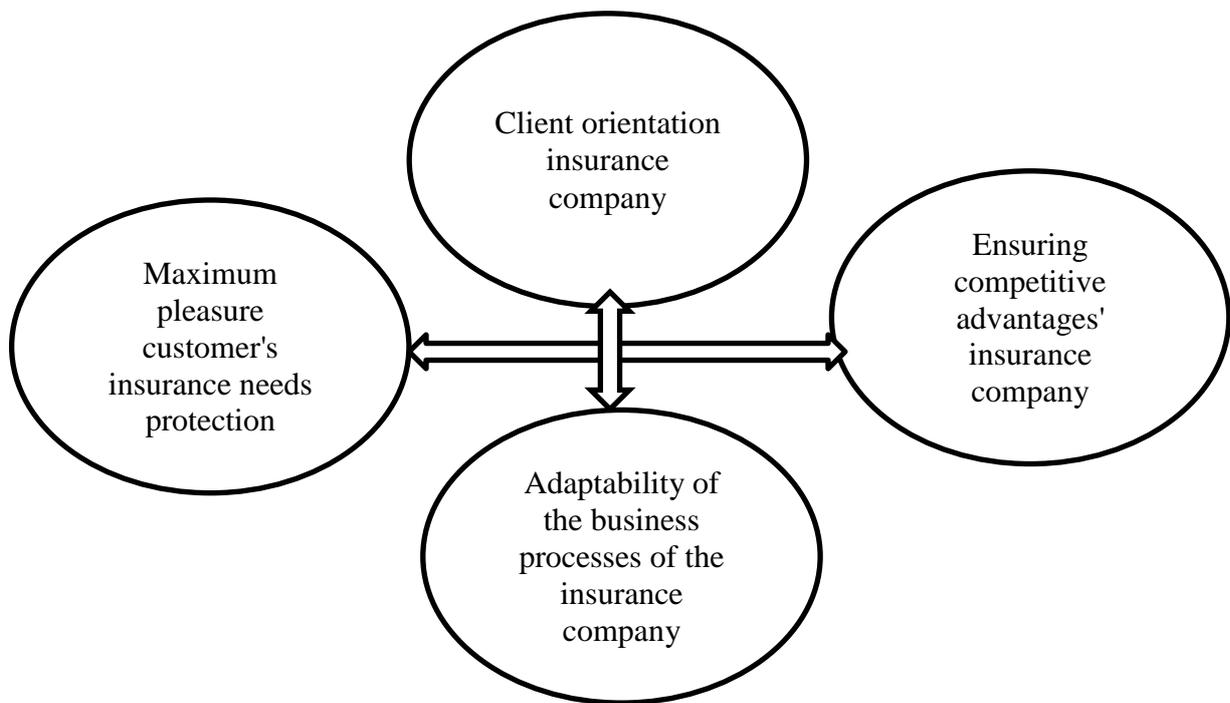


Figure 1 - The main criteria for the success of reengineering in the insurance company

In this context, it is important for farmers, thanks to the insurance mechanism, not just to compensate for the losses caused by the action of a certain risk, but to ensure the stabilization of income over time. That is, the positive effect of insurance mechanisms is to form the stability of the entire production.

The third criterion of reengineering is the creation of competitive advantages of the insurer in the process of insurance activities. The existing competition in the insurance market requires insurers to take effective measures to form mutually beneficial conditions of cooperation with farmers on a long-term basis. Under the competitive advantages of the insurance business should be understood the development and implementation of such insurance products that would be in terms of coverage and price consistent with economic interests, as well as were attractive to insurers in terms of ensuring their profitability and profitability of insurance operations.

The fourth criterion of reengineering is the technological effectiveness of business processes. The modern insurance market requires a new quality of relations between the subjects of insurance. It is stated that it is necessary to form an information field in which all participants of the insurance process would receive comprehensive information on the conclusion and maintenance of insurance contracts.

Therefore, the main purpose of the use of RBP in insurance companies is to abandon the management of functional structural units in favor of business process management by creating stable horizontal links between units, the introduction of modern information technology,

strengthening the role of the human factor and thereby improving the quality of the insurance product.

Until recently, the majority of Ukrainian insurance companies had a linear-functional management structure that did not allow flexible, efficient and fully meet the needs and demands of both sellers and customers, because in such a system operated mainly vertical connections. Linear-functional management restrained the development of economic and innovative potential of the insurer. At the present stage, a clear distribution of functions within insurance companies is gradually taking place and the relevant specialized units are formed: marketing, underwriting, loss settlement, back office, etc. On the basis of the distribution of functions, it is possible to form a fundamentally new organizational structure of the company (fig. 2).

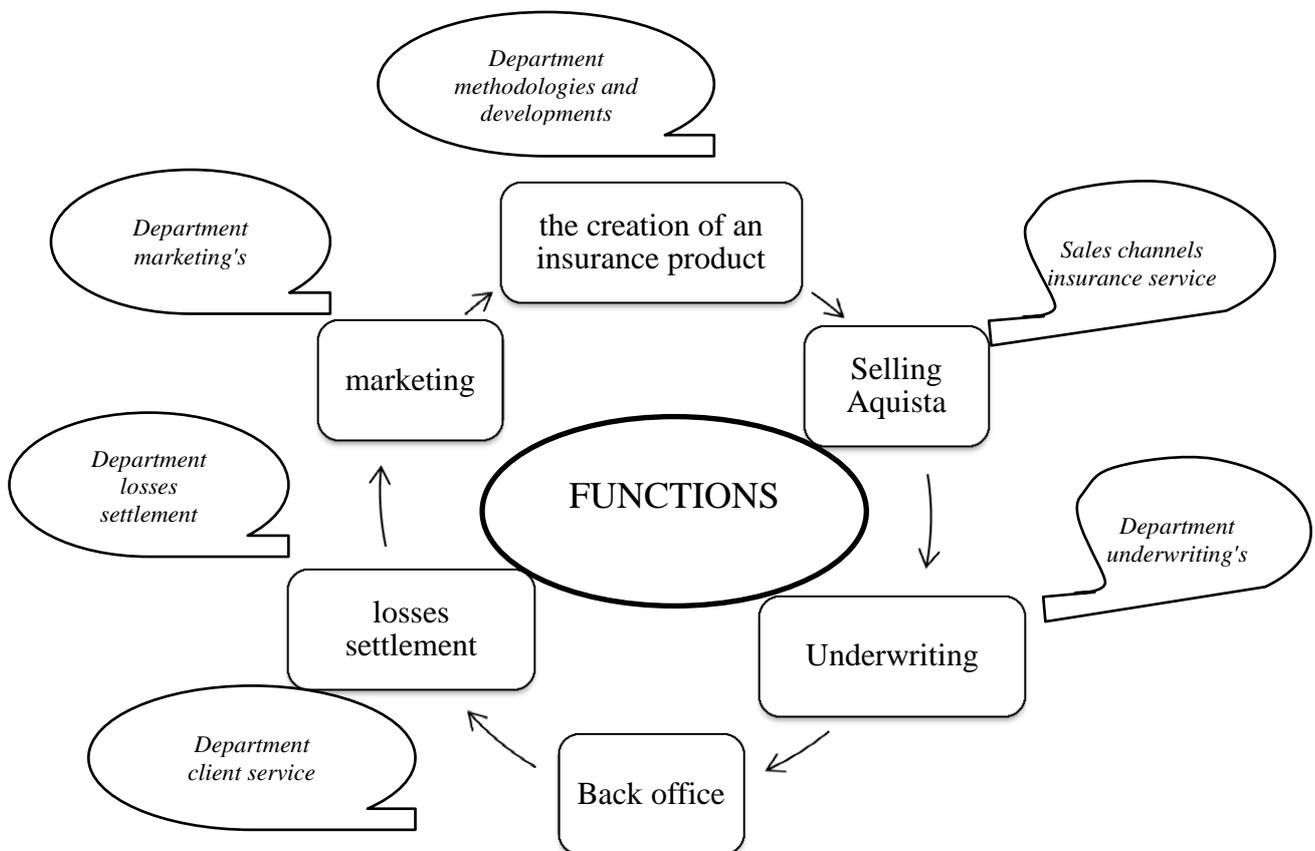


Figure 2 - The organizational model of the insurance company after the implementation of BPR

Reniera structure has the following advantages over traditional:

1. Specialized staff and a higher level of professionalism.
2. Use of employees in accordance with their psychological characteristics.
3. Dismissal of insurance salesmen from performing inappropriate functions.

4. The establishment of strong technological ties between business units, delegation of authority. The main task of the business process Manager is to coordinate the activities of individual technological units and the business process as a whole.

5. The latest information technology allows you to quickly and efficiently serve a large number of customers.

Thus, as a result of reengineering of business processes, a fundamentally new structure of the insurance company is formed. It has clear horizontal technological links on the main business processes, which are headed by process managers. General Manager (President of the company) coordinates the work of all business process managers.

As the center of the model is the process of selling insurance services, so all business processes are focused on meeting the needs of the insurance market.

But economic instability, increased competition and the need to create a sustainable demand for insurance services are the main obstacles. All this leads to the need to use modern methods and technologies of management in the activities of insurance companies. Implementation of business process reengineering using modern information technologies will allow to form an effective organizational model of the company. Це забезпечить оптимальну взаємодію між фінансово – економічними, організаційно – технічними та інтелектуальними ресурсами. All this, in turn, will create conditions for the insurer to enter a new level of customer-oriented activities and guarantee its financial security. Thus, reengineering, as an effective management tool, ensures the transition of the insurance company from one state to another, the emergence of new properties, functions, relationships. Thus, the implementation of reengineering should be considered as a continuous process of changes in order to bring the organization to a new, qualitatively higher level, improving the efficiency of its activities and the approval of competitive positions in the market.

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