

# MONEY, FINANCE AND CREDIT

UDK 336

JEL: G22

DOI 10.26906/eip.2019.2(73).1620

## INSURANCE ENTERPRISE FINANCIAL SECURITY: EVALUATION AND PROVIDING DIRECTIONS

**Taina Zavora\***, PhD (Economics), associate Professor.  
**Maryna Peretiata.**  
**Poltava National Technical Yuri Kondratyuk University**

ORCID\* 0000-0003-3289-7177

© Zavora T., 2019.

© Peretiata M., 2019.

*Стаття отримана редакцією 22.04.2019 р.*

*The article was received by editorial board on 22.04.2019*

**Introduction.** Insurance activation and insurance market development is one of the country's economic development priorities. This is due to the need for insurance activities effectiveness as an activation of investment resources movement, as well as the need for insurance as an element of protection and risks transfer by economic entities, which creates arm's length terms. Herewith, Ukraine insurance market expansion and demand increasing for insurance services should take place in harmony and in line with ability and desire of insurers to provide quality insurance services in a volume appropriate to the needs. Publications analysis, which describes the state and prospects of insurance market development, allows us to assert the difficulties of domestic insurers, especially in the current economic development conditions, to meet the requirements of necessary resource support, the capital a size and the management efficiency in accordance with requirements dictated by regulation entity. Violation of these requirements, ultimately, leads to the financial stability violation of the insurer itself and creates preconditions for the financial security aggravation throughout the insurance market. And, famously, Ukrainian insurance market financial security is an important and powerful element of the state financial security integrally. Hence, the further insurance market effective functioning keeps current the issue of insurance company financial security, especially in the context of state socio-economic development transformations.

**Review of recent sources of research and publications.** The issue of ensuring the insurer financial security is described in the works by V.D. Bazylevych, O.I. Baranovskyi, V. Virchenko, V.Y. Plysa, N.M. Vnukova, S.A. Ochkasova, S.S. Osadets, O. Slobodianiuk, H. Tolkacheva, etc., that defined the insurance company financial security, revealed its essence and emphasized the financial intermediaries interests balance in the financial services market [1 – 6]. S.A. Achkasova in her works substantiates the alternatives choice for insurance market effective state regulation ensuring in European integration conditions [6]. World practice analysis of general insurance in the process of structural reforms and economy stabilization, allowed scientists to give recommendations on policies to improve the current status of general insurance companies [7, 8].

The mechanism of interaction between the subjects and objects of certain insurance types on the insurance market, as well as their financial activity evaluation, is described in the works by Shapoval L.P., Zavora T.M., Peretiata M.L., which allowed to carry out a comprehensive assessment of domestic vehicle insurance market and offer the methodological basis for assessing the competitive position of Ukrainian vehicle insurance market [9 – 11].

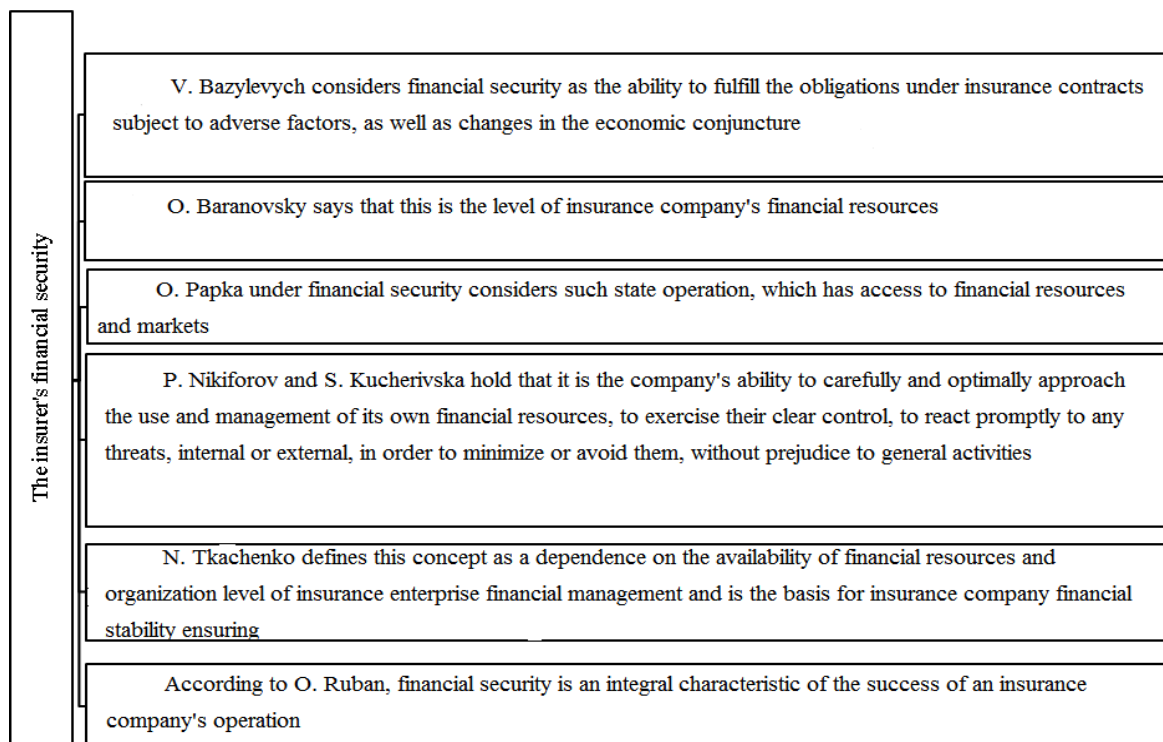
The features of state regulation influence on the economic security of the insurance market in the economic development conditions, the mechanisms of state regulation of its functioning and reinsurance as a

powerful tool for the insurance market economic security are disclosed in the works by V. Volkova, N. Nahaichuk, L. Shapoval, who determined the specifics of insurance companies activities, which made it possible to propose measures for their functioning efficiency improving [12 – 14].

**Problem definition.** The aim of article is to substantiate and develop the methodological bases for insurance company financial safety assessing and providing directions determination. To achieve the main aim, a set of general scientific and special research methods are used: a systematic, integrated approach – in insurance market law of development determining; statistical, coefficient analysis – for studying, comparing and interpreting the actual data on the assessment of insurance company financial safety.

**Basic material and results.** Transformations in the country socio-economic development are accompanied by the emergence and exacerbation of risks and threats in both economic and social spheres. Due to this, the protection of business entities and households requires the establishment of a financial security system that would allow them to respond promptly to the challenges and threats and to support the insurer's competitiveness in the insurance market. Therefore, the presence of clearly defined theoretical foundations for the insurance enterprise financial security allows us to find out its essence, to identify the factors of its provision, to identify the main elements of management and methodological approaches to the insurance enterprise financial safety analysis. According to the current legislation, insurance is a type of civil law relationship for the protection of property interests of citizens and legal entities in the event of certain events (insurance cases) established by the insurance contract or the current legislation, at the expense of money funds, which are formed by the payment of citizens and legal persons of insurance payments (insurance premiums, insurance premiums) and income from the placement of funds from these funds [15]. Or, in other words 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. The company pools clients' risks to make payments more affordable for the insured.

The analysis and generalization of scientists existing approaches suggests that insurance market financial security in general and of particular insurer, for instance, is such a level of insurance companies' financial resources that would enable them, if necessary, to compensate their clients for losses incurred in the insurance contracts and ensure effective functioning [14]. The study of approaches to the definition of «insurance market financial security» allowed to identify some components on which the authors emphasize, but also considering that it can be considered as a combination of certain circumstances, for which there may be negative financial consequences that will affect the insurers' financial status (Fig. 1).



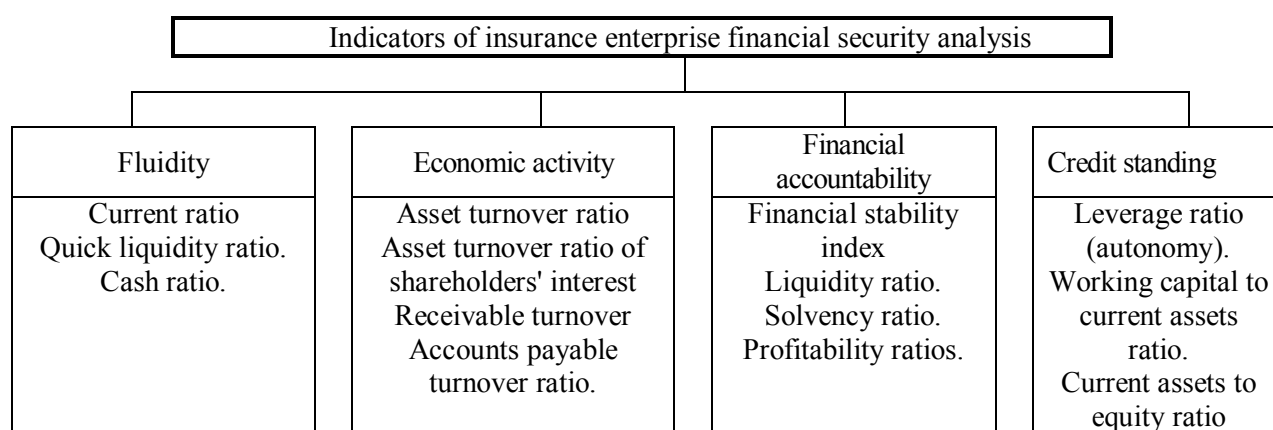
**Fig. 1. Concept explanation «insurer's financial security»**

Thus, on the above concepts basis, it is expedient to treat the financial security of an insurance company as the ability of the insurer to fulfill the assumed insurance and other obligations subject to a

balanced and optimal approach to the use and management of their financial resources, to exercise their strict control, to respond promptly to any, what threats, internal or external, in order to minimize or avoid them, provide a balance of insurer financial interests.

Financial security providing involves the timely detection and prevention of external and internal threats, insurer interests ensuring protection, maximizing its market value, provided that the increase in the capital of the insurance company owners must take place simultaneously with the satisfaction of the insurer's needs. That is precisely what determines the need for disclosure of the methodical apparatus for insurer's financial security assessing. The object of insurer financial security is its financial activity, the security of which must be ensured. The subject of financial security is the insurance organization management and its staff. The subject of insurer financial security is the activities of financial security actors as the principles implementation, functions, strategic program or specific measures to ensure financial security, which is aimed at financial security objects.

The insurance enterprise financial security is characterized by indicators that describe its ability to develop and succeed in a competitive environment market. An analysis of insurance enterprise financial status is carried out using standardized indicators groups, which include both general indicators of enterprises financial status, as well as specific, which characterize the individual aspects of insurance organizations activities. The main indicators that characterize the insurance enterprise financial security are the following (Fig. 2).



**Fig. 2. The main indicators of the insurer's financial security analysis**

On the basis of methodical apparatus, the insurance company «AXA Insurance» financial safety assessment was done by the indicators groups characterizing liquidity, solvency, business activity and financial reliability (Tab.1).

**Table 1**  
**Liquidity ratio dynamics of PJSC Insurance Company «AXA Insurance» for 2016 – 2018**

Indices	Calculation formula	Statutory ratio	2016	2017	2018	Variation 2018/2016
Current ratio	Negotiable asset / Current liability	1,5-2,5	22,39	3,06	18,44	-3,95
Quick liquidity ratio	(Negotiable asset – turnover stock) / Current liability	0,7-0,8	22,38	3,06	18,44	-3,94
Cash ratio	Cash and cash equivalents / Current liability	0,2-0,35	7,93	1,08	7,85	-0,08

Thus, the liquidity ratio analysis revealed:

- high value of the current ratio, which indicates that the company has sufficient working capital to repay its debts during the relevant period; - a significant excess of the normative value of quick liquidity ratio, indicating the low risk of an insurance organization and the potential for additional financial resources attracting;

- too high value of the cash ratio, which is a negative sign, as it indicates the inappropriate use of financial resources. Consequently, as a result of the AXA Insurance liquidity indicators analysis in the context of its financial security assessing, a significant reduction of all liquidity indicators in 2017 was established, due to the loss of the insurance company and its increase in 2018 to 2016.

An important indicator of assessing the insurer's financial security is the analysis of business activity indicators. Business activity of an insurance organization manifests itself in the dynamic development and economic potential effective use (Tab. 2).

Table 2

**Efficiency ratio dynamics of PJSC Insurance Company «AXA Insurance» for 2016 – 2018**

Indices	Calculation formula	Statutory ratio	2016	2017	2018	Variation 2018 - 2016
Asset turnover ratio	Net operating income / Negotiable asset average cost	increasing	0,97	0,89	1,12	0,15
Asset turnover ratio	Net operating income / Shareholders' interest	increasing	2,30	3,44	3,53	1,23
Receivable turnover	Net operating income / Receivables	increasing	4,89	4,10	5,36	0,47
Accounts payable turnover ratio	Net operating income / Current liability	increasing	18,20	16,80	18,02	-0,18

As a result of the analysis, the reduction of all indicators, except for the asset turnover ratio of shareholders' interest in 2017 and the tendency to increase in 2018. The increase the asset turnover ratio by 0.15 in 2018 compared with 2016 is a positive moment for the insurer, because this ratio shows the share of net income in insurance enterprise negotiable asset. Positive in the context of insurance enterprise financial security ensuring is a constant increase of shareholders' equity asset turnover ratio.

Analysis of financial reliability indicators group allows us to characterize the ability of the insurer to fulfill the insurance obligations under insurance and reinsurance contracts (Tab. 3).

Table 3

**Financial accountability indicators dynamics of PJSC Insurance Company «AXA Insurance» for 2016 – 2018**

Indices	Calculation formula	2016	2017	2018
Solvency ratio	Credit standing actual reserve / Normative solvency margin	2,39	0,21	0,75
Financial stability index	(Shareholders' equity + Long-term commitment / Balance sheet total	0,96	0,96	0,96
Liquidity ratio	Gross liabilities / Negotiable asset	1,66	0,87	0,90
Profitability ratios	Net income / Insurance premium	0,05	-0,08	0,04

Consequently, it is right to assert that the insurer's financial reliability is worsening: reduction of liquidity ratio and solvency ratio, profitability ratios. Analyzing solvency ratio, there was an ambiguous trend: some indicators increased, indicating that the solvency was improving, while others, on the contrary, showed the deterioration (Tab. 4).

Table 4

**Calculation of solvency ratio of PJSC «Insurance Company» AXA Insurance for 2016 – 2018**

Indices	2016	2017	2018	Statutory ratio
Insurer's solvency ratio	2,05	2,60	3,05	no more than 3,5
Leverage ratio	0,42	0,27	0,25	> 0,5
Current assets to equity ratio	0,90	0,40	0,30	> 0,5
Funding coefficient	1,35	3,50	3,75	less than 1, decreasing
Working capital to current assets ratio	0,96	0,67	0,73	more 0,5

Therefore, in the current context, the state economic security maintenance is impossible without stable and efficient its financial component functioning ensuring, including the effective insurance market functioning, which requires the insurer's financial security.

As a result of the study, the factors of influence on the insurance enterprise financial security were identified, which include:

- level of capitalization and structure of insurance companies financial resources;
  - the level of insurance coverage in the country;
  - insurance intermediaries network effectiveness, the level of domestic regional insurance markets development;
  - structure of demand for insurance services in different country regions;
  - national economy branches development.
- insurer financial security ensuring requires the following actions:
- general activity strategy development of the insurance organization and setting of priorities

- financial management, aimed at its safe level activity achieving;
- constant forecasting of possible threats to the insurance company activity;
- insurance portfolio balance ensuring, tariff, investment and reinsurance insurer policy;
- substantiation and realization of the most rational forms, methods, methods and ways of creation,
- improvement and development of insurance organization financial security system;
- ensuring continuous control and financial security management;
- observance of appropriate training level of the insurance company's employees in compliance with all established rules aimed at financial security ensuring.

**Conclusions.** The research, analysis and generalization of the existing approaches to the definition of «insurer financial security» made it possible to distinguish between common elements and differences in interpretation. It is substantiated that most researchers consider financial security directly as an ability of an insurance company, as well as a condition that in future requires the possibility of its analysis, evaluation and, on the basis of its definition, management directions in order to ensure the insurer's financial security. The factors influencing the insurance enterprise financial security are identified, the main of which are: insurance companies financial resources structure and the demand for insurance services; the effectiveness of insurance company financial resources use and the measures to ensure the insurer financial security.

#### **REFERENCES:**

1. Bazylevych V., Virchenko V., Nature of intellectual Property insurance and its Role in modern Economy, *Bulletin of Taras Shevchenko National University of Kyiv. Economics*, №1(166), (2015), pp. 6-13, doi: [dx.doi.org/ 10.17721/1728-2667.2015/166-1/1](https://doi.org/10.17721/1728-2667.2015/166-1/1).
2. Baranovskyi O.I. *Filosofia bezpeky: monohrafiia: u 2 t. T.1 Osnovy ekonomichnoi i finansovoi bezpeky ekonomichnykh ahentiv / O.I. Baranovskyi.* – K.: UBS NBU, 2014. – 831 s.
3. Pukała R., Vnukova N., Achkasova S., Smoliak V., Improvement of the methodology for assessing the capital adequacy to cover the reinsurance default risk, *Economic Annals-XXI*, Vol. 165 №(5-6), (2017), pp. 152-156, doi: <https://doi.org/10.21003/ea>.
4. Pukała R., Vnukova N. & Achkasova S., Identification of the priority instruments affecting regulations on the development of insurance in the framework of international, *Journal of Insurance, Financial Markets and Consumer Protection*, № 23, (2017), pp. 28-40, available online: <https://rf.gov.pl/ru/wpcontent/uploads-/2017/06/RU23-3.pdf>, last visit: 20.06.2018.
5. Slobodianiuk O., Tolkacheva H., Institutional forms and their competitive analysis of organization of insurance activities in Ukraine, *Economics. Ecology. Society*, №2 (1), (2018), pp. 99-110, doi: <https://doi.org/10.31520/2616-7107/2018.2.1-9>.
6. Achkasova S. The governmental regulation of the insurance market in the European integration processes, *Economic Annals-XXI*, №7-8 (2), (2015), pp. 49-52.
7. M. Rajeev, Dr. S. M. Abdul Kader, A Study Of The Impact Of Privatization On The Performance Of Indian General Insurance Sector (2016), available online: <http://apo.org.au/node/66345> //, last visit: 28.08.2018, doi:10.5281/ZENODO.159068.
8. Cai J., Lemieux C., & Liu F., Optimal reinsurance with regulatory initial capital and default risk, *Insurance: Mathematics and Economics*, Vol. 57, (2014). pp. 13-24, doi: <https://doi.org/10.1016/j.insmatheco.2014.04.006>
9. Shapoval L.P. Vehicle insurance market competitive position estimation in Ukraine in terms of European integration / L. P. Shapoval, T.M. Zavora // *International Journal of Engineering & Technology.* – 2018. – Vol 7, No 4.8. – P. 772-777. – DOI: 10.14419/ijet.v7i4.8.27457
10. Zavora T. M. Analiz diialnosti strakhovykh kompanii / T. M. Zavora, M.L. Peretiata // *Visnyk Odeskoho Natsionalnoho universytetu. Serii: Ekonomika.* Tom. 23. – 2018. – № 4 (69). – S. 118 – 123.
11. Zavora T.M. Finansova nadiinist yak umova zabezpechennia finansovoi bezpeky strakhovoi kompanii / T.M. Zavora, N.S. Ivashyna // *Ekonomichna bezpeka: derzhava, rehion, pidpriemstvo : monohrafiia : v 3 t. za zah. red. V.O. Onyshchenka ta H.V. Kozachenko.* – Poltava : PoltNTU, 2019. – T. 3. – S. 289-314.
12. Shapoval L.P., Skrypnyk L.Yu. Adaptivnist strakhovoho rynku do umov nestabilnosti rynku finansovykh posluh Ukrayiny // *Ekonomika. Finansy. Pravo.* – 2017. – №1/2. – S.4–8.
13. Nahaichuk N.H. Instrumentarii upravlinnia finansovoiu bezpekoiu strakhovykiv. *Visnyk Universytetu bankivskoi spravy Natsionalnoho banku Ukrainy.* 2014. № 2. S. 195–198.
14. Volkova V.V. Osoblyvosti zabezpechennia finansovoi bezpeky strakhovoho rynku (na prykladi PAT «Hrave Ukraina») / V.V. Volkova // *Ekonomichna bezpeka: derzhava, rehion, pidpriemstvo: monohrafiia v 3-kh t., T. 2. za zah. red. V. O. Onyshchenka ta H. V. Kozachenko.* – PoltNTU im. Yu. Kondratyuka, 2018. – S. 119 – 136.

15. Zakon Ukrainy «Pro strakhuvannia» vid 07 bereznia 1996 r. N 85/96 – VR // VVR Ukrainy, 1996, № 18, S. 78. [Elektronnyi resurs] – Rezhym dostupu do resursu: <http://zakon.rada.gov.ua/laws/show/85/96-%D0%B2%D%80>.

УДК 336

JEL: G22

**Завора Таїна Миколаївна**, кандидат економічних наук, доцент.  
**Перетяга Марина Леонідівна**, бакалавр. Полтавський національний технічний університет імені Юрія Кондратюка. **Фінансова безпека страхової компанії: оцінювання та напрями забезпечення.**

Ефективність розвитку страхової діяльності з метою активізації руху інвестиційних ресурсів, а також захисту населення в умовах соціально-економічних перетворень можлива за наявності кількох умов, однією з яких є фінансова безпека страхової компанії. Теоретичне обґрунтування сутності поняття «фінансова безпека страхової компанії» здійснене на основі аналізу й узагальнення існуючих підходів, що дозволило виокремити спільні елементи та відмінності у трактуванні науковцями. Запропоновано фінансову безпеку страховика розуміти як здатність страхової компанії, а також як стан, що надалі потребує можливості його аналізу, оцінювання й визначення напрямів забезпечення.

Визначено концептуальні засади оцінювання фінансової безпеки страхової компанії, які враховують вплив факторів і містять алгоритм формування системи показників за конкретними групами. Виявлено фактори впливу на фінансову безпеку страхової компанії та визначено комплекс заходів для її забезпечення.

**Ключові слова:** фінансова безпека, страхова компанія, ліквідність, платоспроможність, фінансова надійність, ділова активність.

UDK 336

JEL: G22

**Zavora Taina**, PhD (Economics), associate Professor. **Peretiata Maryna**, bachelor. Poltava National Technical Yuri Kondratyuk University. **Insurance Enterprise Financial Security: Evaluation and Providing Directions.** The theoretical substantiation of concept explanation «insurer's financial security» was done, which allowed common elements distinguishing and differences in the treatment of scientists. It is proposed to treat financial security as an insurance company's ability, as well as a condition that further requires its ability to analyze, evaluate, and providing directions determination. The factors influencing the insurance enterprise financial security and the set of measures for its providing are revealed.

**Key words:** financial security, insurance enterprise (company), fluidity (liquidity), credit standing, financial accountability, economic activity.

УДК 336

JEL: G22

**Завора Таїна Николаевна**, кандидат экономических наук, доцент.  
**Перетяга Марина Леонидовна**, бакалавр. Полтавский национальный технический университет имени Юрия Кондратюка. **Финансовая безопасность страховой компании: оценка и направления обеспечения.** Эффективность развития страховой деятельности с целью активизации движения инвестиционных ресурсов, а также защиты населения в условиях социально-экономических преобразований возможна при наличии нескольких условий, одним из которых является финансовая безопасность страховой компании. Теоретическое обоснование сущности понятия «финансовая безопасность страховой компании» осуществлено на основе анализа и обобщения существующих подходов, что позволило выделить общие элементы и различия в трактовке учеными. Предложено финансовую безопасность страховщика понимать как способность страховой компании, а также как состояние, в дальнейшем требующее возможности его анализа, оценки и определения направлений обеспечения.

Определены концептуальные основы оценки финансовой безопасности страховой компании, учитывающие влияние факторов и включающие алгоритм формирования системы показателей по конкретным группам. Выявлены факторы влияния на финансовую безопасность страховой компании и определен комплекс мер по ее обеспечению.

**Ключевые слова:** финансовая безопасность, страховая компания, ликвидность, платежеспособность, финансовая надежность, деловая активность.