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COMPARATIVE ASSESSMENT OF THE FINANCIAL STABILITY OF COMPANIES IN THE INSURANCE MARKET OF AZERBAIJAN

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Abstract

In the modern period, instability in the economy and in the insurance market reveals crisis situations and many insurance companies are experiencing certain difficulties in connection with ensuring their financial stability. The performance indicators of some insurance companies operating in Azerbaijan indicate that there are problems with their financial stability. And in such conditions, we pay little attention to research and evaluation of the financial stability of insurance companies. But this category is quite complicated and at present we can say that it has not been fully explored, there is no single concept and methodology for determining the financial stability of insurance companies. The studies available in this area do not take into account the specifics of insurance activities, the characteristics of the financial potential of insurers; do not pay enough attention to the sources of funds that can be used for investment and insurance operations. For this reason, the study of the problems of ensuring and assessing the financial stability of insurance companies is still quite relevant today.

Keywords: insurance company, insurance market, financial stability, solvency, assets, capital, liabilities, investments

INTRODUCTİON

Insurance companies act as a regulator of market processes. In addition, funds raised through insurance are available investment capital. Directing them to the capital market develops it, and the state, at the expense of the funds of legal entities and individuals attracted in the form of insurance premiums, develops the infrastructure of the economy. In addition, this kind of capital investment makes it possible to open new jobs, increase the level of employment, and hence the standard of living of the population. Therefore, it is necessary to pay close attention to ensuring the financial stability of insurance companies.

The financial stability of a financial company is its provision with sufficient funds to fulfill its obligations and maintain its activities for a certain period of time in order to sell insurance products. [Vinnikova I.S., Kuznetsova E.A., 2017 p.162].

The main properties of the financial stability of the insurer are its solvency, and the availability of financial resources in the form of equity and borrowed capital in order to be able to pay its obligations. [Orlanyuk -Malitskaya L.A., 2016 p.95]. Insurance companies, as a business entity, enter into financial relations with many individuals and legal entities, who, for many reasons, are interested in the current financial condition of the insurer, trends in its change and forecast of the results of its financial activities. Therefore, it is necessary to assess the financial stability of an insurance company as the main characteristic of the dynamics of its financial condition.

The Seybold Report
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In order for different users of this information to be able to judge the financial soundness of an insurance company , they must come to a consensus on quantitative indicators, on how these indicators are measured, on the types of information on which the assessment of financial soundness is based, measurement criteria, etc.In other words, a methodology for assessing the financial stability of insurance companies should be developed and created.

The methodology for assessing the financial stability of an insurance company is an accurate description of the method for determining whether or not an insurance company will be able to fulfill its obligations under an unfavorable change in the economic situation and under the influence of negative factors. To describe such a methodology, first of all, it is necessary to determine the criteria and indicators of the financial stability of an insurance company and to formulate the requirements that it must meet .

When developing a methodology for assessing the financial stability of an insurance company, the following requirements must be taken into account:

- Applied financial indicators should inform the user as much as possible and create a complete picture of the financial stability of the insurance company ;
- It is necessary to indicate numerical standards or an acceptable range of changes in all indicators;
- Financial indicators should be calculated only on the basis of public accounting data;
- Financial indicators should make it possible to evaluate the company in space (compared to other companies) and in time (over a certain period of time).

There are many methods for assessing the financial stability of insurance companies, but there is not and cannot be a single system covering all significant areas of the company's activities. This is due to the fact that in the conditions of a modern market economy and in times of frequent changes in legislation, it is impossiblewithin a few years to create a system of indicators that would meet all the conditions of a changing situation. Any methodology should be developed in order to meet the new requirements for insurance companies in relation to the authorized capital, solvency, regarding the placement of their funds and insurance reserves, which are put forward by the bodies regulating their activities [Chernykh M.N. , 2009, No. 1].

We have conducted a study of the existing medotics and, on their basis, have built our new methodology that meets the above requirements. The information base of this technique is made up of reports that are open in accordance with the current legislation.

We have identified several groups of indicators that characterize the financial stability of insurance companies. In them, we have included some coefficients that reflect the influence of the factor under consideration on the financial stability of the insurer.

The first group of indicators includes indicators of the overall solvency of the insurance company. This group of indicators characterizes the capital adequacy (own funds and insurance reserves) of the company to ensure its obligations.

The second group of indicators includes those that reflect the sufficiency of insurance reserves.

The Seybold Report
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This implies the conformity of their structure and volume with the obligations assumed by the insurer under the contracts. In accordance with this methodology, insurance reserves are assessed based on the volume of collected insurance premiums and the structure of insurance reserves.

The third group of indicators includes liquidity indicators. They show the structure of investments and reflect the financial condition of the insurance company. This structure should be such that the insurance company has liquid funds or capital investments with easy turnover at any time, with which it can make insurance payments to the insured.

The fourth group of indicators includes indicators of dependence on the reinsurance market. The transfer of part of the risks for reinsurance allows solving some problems, such as: the problem of stabilizing the results of operations in the long term with negative results throughout the year and in the general insurance portfolio; the problem of scaling up activities and increasing competitiveness; the problem of protecting their capital under adverse conditions. At the same time, the insurance company must evaluate the cost-effectiveness of such solutions. The indicators of this group are aimed at identifying the degree of dependence of the insurance company on the reinsurance market.

The fifth group includes indicators of investment activity of insurance companies. Investment income belongs to this group of indicators. Not only has the income of the insurer, but also its solvency depended on the efficiency and reliability of the placement of temporarily free funds. In this regard, the state strictly controls the placement of insurance reserves. In this methodology, the effectiveness of investment activity is assessed by comparing the indicators of the investment activity of an insurance company (investment income in the reporting year) with the refinancing interest rate.

The sixth group is financial and economic activity indicators. The indicators of this group are general indicators of the financial condition of the insurance company. They characterize the macroeconomic situation and include the main quantitative characteristics of the insurance company's activities: the share of management expenses in the investment income and insurance premiums of the company; the ratio of a company's net income to investment income.

Next come the indicators of profitability and the results obtained. The overall performance of the insurance company is characterized by indicators of profitability and the results obtained. In order to assess the profitability of an insurance company, the profit is compared with the volume of the insurer's own funds, as well as with the volume of insurance reserves.

The following indicators are business activity ratios, which make it possible to analyze how efficiently a company uses its funds. The business activity of the company from the financial side is expressed primarily in the speed of circulation of working capital. The analysis of business activity consists in the study of the level and dynamics of various turnover ratios and profitability. They are relative measures of a company's performance.

At the center of the ability of the insurance company to fulfill its obligations is the system of state regulation. This system includes instruments that ensure the financial stability and

The Seybold Report
ISSN 1533-9211
DOI 10.17605/OSF.IO/HAUNP

solvency of the insurance company, as well as a compensation mechanism if it failed to fulfill its obligations. These include: requirements that apply to the size of the authorized capital of an insurance company; approval of the conditions for tariffication of insurance; establishment of rules for the formation of insurance reserves; determination of the normative ratio between the free assets of the company and the obligations assumed; creation of conditions for reinsurance; organization of general and actuarial audit; publication of the balance sheet and income statement.

The presence of such requirements suggests that after calculating these indicators, they must be compared with the requirements of the legislation governing insurance activities in the country.

In our country, the financial stability of insurance companies is kept under the supervision of the current legislation. Thus, in accordance with the current legislation of Azerbaijan, the financial stability of an insurance company is determined by its ability to pay its financial obligations in full and on time. [Law of the Republic of Azerbaijan "On Insurance Activities", 2014]

The minimum amount of the required capital of the insurer and the procedure for determining the required capital is determined by the financial markets control body. The total capital of the insurer is determined on the basis of the rules provided for in Article 62.2 of the Law of the Republic of Azerbaijan “On Insurance Activities”, taking into account the requirements for the level of diversification, reliability, direction for investment, profitability, liquidity, composition and other criteria for the quality of its assets. For example, the sum of the total capital of an insurance company cannot be less than the sum of its required capital. The amount of the insurer's personal capacity associated with insurance risks for one subject of insurance should not be less than 10% of its total capital. Subject to the requirements of Article 79.6 of this Law, the personal capacity of an insurer associated with risks under one property insurance contract should not exceed 30% of its total capital. [Law of the Republic of Azerbaijan "On Insurance Activities", 2014].

Dynamic changes in the insurance sector require a new financial soundness metric that will track multiple insurer business segments and meet the information needs of more diverse stakeholders. [T. Stevanovic, J. Stankovic , 2020, p. 1-22].

According to Azerbaijani scientists , when determining the financial stability of insurance companies, two criteria are taken as a basis: the ratio of the insurer's own funds and insurance payments; the ratio of the maximum level of obligations assumed by him under one contract to his own funds. [B.A.Khankishiyev, P.N.Abdullayev, p.186]

The basis for a satisfactory level of financial stability of an insurance company is the volume of the authorized capital of the insurance company and the insurance reserves collected by it, as well as the availability of a reinsurance system. It should be noted that if an insurance company carries out several types of insurance, reserves are formed for each type of insurance separately.

The Seybold Report
ISSN 1533-9211
DOI 10.17605/OSF.IO/HAUNP

To analyze and assess the financial stability of an insurance company, we have chosen a number of indicators-coefficients.

1. **Private equity ratio or insurance company property ratio**

$$PER = (ICPE*100) / (ICTL + IC)$$

Here ICPE is the insurance companies with private equity; ICTL - insurance companies total liabilities. [Vorobiev Yu.N., 2016, p.53–63]

This indicator shows the share of equity in foreign currency on the balance sheet of the insurance company. If the level of the indicator is high, then this will indicate the financial independence and stability of the insurance company and that it can fulfill its obligations to the insured and other creditors. It is considered normal if this indicator is kept at the level of 60-70%%.

2. **Debt capital ratio**

$$DCR = (CDC* 100) / (CDC+ ICPE)$$

Here, CDC- the costof dept capital [G.G. Ermolenko, E.E. Mashyanova, 2018, p. 49-56].

This coefficient shows the share of borrowed (attracted) capital in the capital used according to the results of the balance sheet. The value of the coefficient in the range of 30-40%% is considered normal.

3. **To determine the impact of the degree of scarcity of the insurer's funds on the degree of its financial stability, the coefficient developed by F.V. Konshin for a homogeneous portfolio and an arbitrary portfolio divided into homogeneous portfolios is used: [Solonina S.V. , 2014,]**

$$C=\sqrt{\frac{1-T}{n*T}}$$

Here, T- is the average tariff rate for the insurance portfolio; n is the number of insured objects.

It can be seen from the above formula that this indicator directly depends on the value of the tariff rate and the insurance portfolio (number of insured objects) and does not depend on the sum insured. The smaller the value of the coefficient, the higher will be the financial stability of the insurance company.

Disadvantage of this coefficient is that when the insurance portfolio by value will consist of objects with approximately the same risks (i.e. without catastrophes, earthquakes, etc.) , a more accurate result will be obtained.

The Seybold Report
ISSN 1533-9211
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4. **Since the financial stability of the insurer is highly dependent on the volume of reinsurance, to assess the financial stability, you can use the coefficient of financial stability of the insurance fund**

$$C = \sqrt{\frac{\sum IP + \sum ICRF}{\sum IC}}$$

Here, $\sum IP$- the amount of insurance premiums; $\sum ICRF$– insurance companies reserves funds; $\sum IC$- the amount of insurance claims [Mishina E.A., 2018, p. 330].

The greater the stability coefficient of the insurance fund, the higher will be the financial stability of insurance operations.

5. **One of the significant indicators characterizing the financial stability of an insurance company is the indicator of profitability of insurance operations. It is defined as the ratio of total book profit to income**

$$Pr = \frac{BP}{I} x100$$

Here, P_r is the level of profitability; BP– book profit; I - income .

Since the activities of an insurance company are of a non-productive nature, income is not created here, and profit is formed at the expense of the insurers, that is, it is formed by redistributing the necessary and additional product created in other production sectors. Therefore, it would be advisable to define the profitability of insurance operations as an indicator of the level of profitability (P_r), that is, as the ratio of the total profit received for a certain period to the total amount of insurance premiums paid for the same period:

$$P_r = \sum BP / \sum TIP$$

Here, BP- the book profit during the year; TIP- the total amount of insurance premiums during the year [Blazhevich O.G., 2020].

In addition to the above, you can specify other indicators that characterize the financial stability of an insurance company, such as:

6. **One of these indicators is the level of insurance reserves, which shows the share of insurance reserves in the capital of an insurance company and is determined by the following formula**

IRR= CIR \u003d Wed / CTA,

Where, IRR is the coefficient of insurance reserve ratio, CIR is the cost of insurance reserves; CTA is the cost of total assets of the company.

The higher the digital value of the coefficient and the growth in the dynamics of the indicator, the higher will be the financial stability of the insurance company in the field of providing

The Seybold Report
ISSN 1533-9211
DOI 10.17605/OSF.IO/HAUNP

insurance protection. The value of the coefficient equal to 0.7 and above is considered the most acceptable.

7. **The next indicator that characterizes the level of financial stability of an insurance company is the equity ratio, which is defined as the ratio of an insurance company's equity capital to its liabilities. It shows how equity is greater than borrowed capital**

$$CIC=ICE / ICL$$ [Tochilin R.Yu., 2018, p. 33].

Here, ICE-insurance company equity; ICL about - insurance company liability.

It is important that the value of this coefficient be more than one. The higher the value of this coefficient, the higher will be the degree of solvency of the insurance company in terms of repayment of the company's own obligations that are not related to the insurance protection of customers.

8. **Another indicator characterizing the financial stability of an insurance company is the ratio of the amount of insurance premiums to insurance reserves, which shows the direct dependence of the growth or decrease in the size of the insurance fund on insurance activities (on the amount of insurance premium) [Ulybina L.K., 2016, p. 1095]. This indicator is calculated as follows**

$$RAIPIR =AIPI / AIR$$

Where AIPI is the amount of insurance premium for all types of insurance, AIR is the amount of insurance reserves.

The increase in the volume of insurance reserves and the increase in the numerical value of the coefficient reflect the trend of increasing the confidence of policyholders in the insurer. For researchers, it is of interest to compare the change in both parts of this indicator with the overall growth rate of the coefficient.

9. **The coefficient reflecting the ratio of working capital and non-current capital shows the change in the capital of the insurer in terms of its main components. The value of this indicator depends on the duration of the insurer in the insurance market and the economic situation in the country. With the improvement of the economic situation as a whole in a steadily developing insurance company, the numerical value of the coefficient should decrease**

$$ERC=WCC/ NWCC$$

Here WCC is working capital cost, NWCCis non-working capital value.

Significant fluctuations in this ratio require a comprehensive study of the financial situation that caused such a change.

10. **The level of invested capital ratio (ICR) shows the share of the assets of the insurance company aimed at long-term and short-term investments. Analyzing the dynamics of the numerical value of the coefficient, one can judge the changes in the investment policy of the insurance company**

The Seybold Report
ISSN 1533-9211
DOI 10.17605/OSF.IO/HAUNP

11. **ICR = (long-term financial investments + short-term financial investments) / value of all assets**

The value of the coefficient may decrease or increase depending on the long-term strategy aimed at increasing the financial stability and liquidity of the assets of the insurance company, but it should be taken into account that the value of the coefficient increases with the expansion of insurance activities.

12. **Another indicator of this group is the indicator of profitability of investment activity. It is calculated as the ratio of the amount of current assets to the amount of short-term assets. This indicator should not be lower than 1/3 of the refinancing rating in the reporting period.**

The indicator of the level of constantcapital ratio (CCR) reflects the share of all long-term capital in the assets of the insurance company.

CCR= (equity + insurance reserves + long-term liabilities) / total assets

This ratio shows the financial capacity and reliability of the insurance company in the long term.

Some scholars have studied the factors most influencing the financial stability of an insurance company using the example of Jordanian insurance companies. They found that indicators such as liquidity and management efficiency ratio have a positive statistical impact on the company's financial stability. [Almajali, AY, Alamro, SA, & Al-Soub, YZ2012 , p.270].

Similar studies were carried out in Indian companies. Thus, Basha and Chatha investigated the impact of liquidity, solvency, and equity capital on the profitability and financial stability of an insurer. As a result of the study, it was revealed that liquidity has a positive effect on the profitability of an insurance company, and negatively affects capital. In addition, they argue that the rate of return has nothing to do with indicators of liquidity and solvency. [Basha, S.K., &Chatha, S. 2013, p.46].

The development of market relations in the economy of Azerbaijan enhances the role of insurance in society to protect citizens and producers. The increase in demand for insurance causes the creation and development of new insurance companies. The increase in insurance services, the broad development of relations between insurers and policyholders created the prerequisites for the emergence and development of the insurance market.

The table below shows data on insurance companies operating in the insurance market of Azerbaijan in 2019-2021.

The Seybold Report
ISSN 1533-9211
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Table 1: Performance indicators of Azerbaijani insurance companies in 2019-2021(million manats)

Insurance company name	2019		2020		2021		2021 relative to 2019, %	
	Insurance premiums	Insurance payments	Insurance premiums	Insurance payments	Insurance premiums	Insurance payments	Insurance premiums	Insurance payments
Open Joint Stock Company "A-Qroup Sığorta Şirkəti"	15, 1	8, 5	17,1	8,5	19,0	11,7	126	138
Open Joint Stock Company "AtaSığorta"	18,1	14, 6	13,9	8,7	11,9	8,7	66	60
Insurance company OJSC "Atəşgah Həyat"	39,1	19,1	41,5	56,0	44,1	31,6	113	165
Insurance company OJSC "Atəşgah"	36,9	19,0	25,4	14,3	25,1	10,6	68	56
State Insurance Commercial Company of the Republic of Azerbaijan	49,1	16,2	49,1	33,4	54,0	59,8	110	369
Open Joint Stock Company "Azərbaycan Sənaye Sığorta"	5,6	2,0	9,0	2,1	12,0	4 ,3	214	215
Open Joint Stock Company "AzSığorta"	15,3	4,8	15,9	5,9	11,3	7,4	74	154
Open Joint Stock Company "Bakı Sığorta"	1,1	0,2	2,1	0,4	4,8	1,3	436	650
Open Joint Stock Company "Günay Insurance"	7,2	1,9	9,0	2,4	9,8	4,1	136	216
OJSC "İpək Yolu Sığorta"	18,5	19,9	17,3	2,6	15,6	2,7	84	14
Open Joint Stock Company "Meqa Insurance"	21,8	5,0	28,6	4,9	24,7	5,3	113	106
Open Joint Stock Company "Naxçıvansığorta"	0,5	0	1,7	0	2,5	0.4	500	X
Open Joint Stock Company "Pasha Həyat Sığorta"	212,6	99,5	242,6	223,0	313,0	205,0	147	206
Open Joint Stock Company "Pasha Insurance"	150,2	52,8	163,5	71,5	179,2	75,0	119	142
Insurance Company Open	14,9	6,3	15,9	4,1	19,2	3,1	129	49

The Seybold Report
ISSN 1533-9211
DOI 10.17605/OSF.IO/HAUNP

Joint Stock Company "Qala Həyat"								
Open Joint Stock Company "Qala Insurance"	26,8	3,3	32,8	3,4	43,8	5,7	163	173
Open Joint Stock Company "Xalq Həyat"	1	-	3,7	-	6,3	0,1	630	X
Open Joint Stock Company "Xalq Insurance"	28,3	16,0	31,2	17,6	35,5	21,8	125	136
Open Joint Stock Company "Aqrar Sığorta"	-	-	0	-	11,3	0,1	X	X
Open Joint Stock Company Meqa Həyat	-	-			0,5	-	X	X
Insurers whose license has been canceled	19,1	12,2	8,3	6,5	-	-	X	X
TOTAL	**81,2**	**301,5**	**728,6**	**465,2**	**843,9**	**458,7**	**1039**	**152**

Source: https://www.cbar.az/page-202/insurers-and-reinsurers

Over the past three years, a stable growth has been observed in the insurance market of Azerbaijan. So, for the period under study, insurance premiums showed an increase of approximately 10 timesand insurance payments by 52% . In the insurance market of Azerbaijan, the leading position is occupied by the insurance company "Pasha Hayat Sığorta", Open Joint Stock Company "Pasha Sığorta" and the State Insurance Commercial Company of the Republic of Azerbaijan . In the insurance market in 2021, these companies accounted for 546.2 million manats (or 65%) of the 843.9 million manats of insurance premiums collected in the country, and 339.8 million manats (or 74%) of the 458.7 one million manats of paid insurance premiums.

We chose two companies from this list and compared their financial strength using the above methodology. These are the insurance companies "Pasha Sığorta" and the State Insurance Commercial Company of the Republic of Azerbaijan.

Table 2: Balance sheet of insurance companies "PASHA Sığorta" and the State Insurance Commercial Company of the Republic of Azerbaijan at the end of 2020 (manat)

Indicators	"PASHA Sigorta"	GSCC AR	Difference +, -
Land, buildings and equipment	3683237	5 268 154	-1 584 917
Intangible assets	837921	393 235	+444 686
Long-term financial assets	46404603	4544193	+41 860 410
Equity accounted investments	23595164		+23 595 164
Other assets		472912	-472 912
Total long-term assets, of which	74520925	10678494	+63 842 431
reserves	17505		+17 505

The Seybold Report
ISSN 1533-9211
DOI 10.17605/OSF.IO/HAUNP

Accounts receivable :	40516630	21994719	+18 521 911
For direct insurance	21705854	6522060	+15 183 794
For reinsurance operations	3856665	160507	+3 696 158
According to other debaters	14954111	125776	+14 828 335
Cash and cash equivalents:	41514218	4347401	+37 166 817
Short-term financial assets :	35960705	0	+35 960 705
Share of reinsurance in insurance reserves	30368009	17497737	+12 870 272
Other current assets	549288	7068	+542 220
Total current assets	149037197	43846926	+105 190 271
TOTAL ASSETS	223558122	54525420	+169 032 702
Paid nominal (authorized) capital	50000000	9000000	+41 000 000
Capital reserves	0	5005238	-5 005 238
Retained earnings (retained loss)	26710403	4745326	+21 965 077
Net profit in the reporting period	20634926	1918934	+18 715 992
TOTAL EQUITY	76710403	18750563	+57 959 840
Insurance reserves:	108778366	29694726	+79 083 640
Preventive Measures Fund	770969	501611	+269 358
Accounts payable	0	59466	-59 466
Reinsurance liabilities	22681692	5193659	+17 488 033
Total long-term assets	132231027	35449462	+96 781 565
Current assessed liabilities	3427116	0	+3 427 116
Accounts payable	5272715	325394	+4 947 321
Other current liabilities	4614896	0	+4 614 896
Total short-term obligations	14616692	325394	+14 291 298
TOTAL LIABILITIES	146847719	35774856	+111 072 863
TOTAL EQUITY AND LIABILITIES	223558122	54525420	+169 032 702

Source: https://www.pasha-insurance.az/en/about-us/annual-reports and https://azersigorta.az/

As can be seen from the analysis of the state of the balance sheet of insurance companies taken for comparison, the company "PAŞA Sığorta " in many respects is far ahead of the indicators of the State Insurance Commercial To the company and the Republic of Azerbaijan .

The first company has an authorized capital of 50 million manats , and the second company has less than 5 times less and amounts to 9 million manats , the total amount of assets of the first company is 223.5 million manats , and the second is almost four times less and amounts to 54 million manats . The total capital of the first company is 76.7 million manats , the second is 18.7 million manats (almost four times less). The amount of obligations of the first company is also four times more than that of the second, respectively 146.8 million manats and 35.8 million manats. Using the above method, we calculated the financial stability of the insurance company of the Open Joint Stock Company “PAŞA Sığorta” (1) and the State Insurance Commercial To the company and the Republic of Azerbaijan (2) as of December 31, 2020 and summarized in the table below.

The first indicator is the equity ratio

CIC_1= (76710403)/(146847719+ 76710403)=7671040300/223558122=0.34

The Seybold Report
ISSN 1533-9211
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CIC_2 = (18750563) / (35774856 + 18750563) =0.34

The next indicator is the debt capital ratio.

DCR_1=(5272715*100)(5272715+76710403)= 527271500/81983118=6.43%

DCR_2 =(325394 * 100) (325394 + 18750563) =325394 / 19075957 = 1.71%

Next, we calculated an indicator that shows the dependence of financial stability on the volume of reinsurance. This is the coefficient of financial stability of the insurance fund.

$$CFSIF_1 = \sqrt{\frac{\sum G + \sum EF}{\sum X}} = \sqrt{\frac{177322860+108778366}{148054573}} = \sqrt{1{,}93} = 1.39$$

$$CFSIF_2 = \sqrt{\frac{\sum G + \sum EF}{\sum X}} = \sqrt{\frac{82102369+29694726}{80183435}} = \sqrt{1{,}39} = 1.18$$

The higher this indicator is, the higher will be the financial stability of insurance operations .

Next comes the indicator of the profitability of insurance operations, calculated as the ratio of the sum of the total profit of the insurance company on the balance sheet to income.

$$PR_1 = \frac{29268286}{177322860} * 100 = 0.165 * 100 = 16.5$$

$$PR_2 = \frac{1918934}{82102369} * 100 = 0.023 * 100 = 2.3$$

We also calculated a coefficient showing the level of insurance reserves.

CIR_1 = 108778366 / 223558122 = 0.49

CIR_2 = 29694726 / 54525420 = 0.54

The following ratio shows the ratio of an insurance company's equity to its liabilities.

C_1 = 76710403 / 146847719 = 0.52

C_2 = 18750563 / 35774856 =0.52

This figure is the same for both companies.

The coefficient below shows the share of assets aimed at short-term and long-term investment in the total assets of the company.

ICR_1 = (46404603+35960705)/ 223558122=0.368

ICR_2 = (4544193 +0)/ 54525420 = 0.083

The coefficient showing the level of constant capital ratio is calculated as the ratio of the sum of equity capital, insurance reserves and long-term assets to the total amount of assets.

CCR_1 = (76710403+108778366+132231027)/ 223558122=1.42

CCR_2 = (18750563 + 29694726 + 35449462)/ 54525420 = 1.54

Next come the liquidity ratios.

The Seybold Report
ISSN 1533-9211
DOI 10.17605/OSF.IO/HAUNP

Total balance liquidity $_1$ =223558122/ (14616692+108778366) *100%= =181%

Total balance liquidity $_2$ = 54525420 / (325394 +29694726) *100%= =181%

Table 3: Summary table of financial stability of the insurance companies "PASHA Sıgorta" and the State Insurance Commercial Company of the Republic of Azerbaijan at the end of 2020

	Indicators	"PASHA Sigorta"	SICC AR	Standard
1	Equity ratio or insurance company property ratio	0.34	0.34	≥0.2
2	Debt ratio	6.43	1.71	< 25%
3	Financial stability ratio of the insurance fund	1.39	1.18	>1.0
4	Profitability indicator of insurance operations	16.5	2.3	1-15%
5	Level of insurance reserves	0.49	0.54	0.7
6	Equity-to-liability ratio	0.52	0.52	≥0.25
7	Level of invested capital	0.368	0.083	≥0.3
8	Level of permanent capital	1.42	1.54	≥0.9
9	Total balance sheet liquidity	181	181	100-130%

For the visual application of the chosen methodology for assessing financial stability, we chose two insurance companies in the insurance market of Azerbaijan and assessed the levels of their financial stability. The data obtained for comparison were summarized in Table 2, where the normative levels of the calculated indicators were also indicated. Equity ratio or insurance company property ratio both companies have the same and exceed the established standard, which indicates the financial stability of these companies in this aspect. The value of the debt capital ratio of the company must be less than 25%. The "Pasha Sıgorta" company has this figure of 6.43%, while the SICCAR has 1.71%, which is much less than the standard figure. That positively characterizes the financial stability of these companies. But in this aspect, the position of the second company is much better. The coefficient of financial stability of the insurance fund according to the standard should be more than 1%. The "Pasha Sıgorta" company has this figure of 1.39, while the SICCAR has 1.18. In this aspect, the position of the first company is better than that of the second. But in general, both companies are characterized by this indicator as financially stable. The indicator of profitability of insurance operations should be within 1-15%. For the first company, this figure is 16%, for the second, 2.3%, that is, closer to the lower bar of the standard indicator. This means that Pasha Sığorta is ahead of the second company in this aspect of financial stability. The level of insurance reserves. The higher the digital value of the coefficient, the higher will be the financial stability of the insurance company in the field of insurance protection. The value of the coefficient equal to 0.7 and above is considered the most acceptable. For both companies, this indicator is lower and equals 0.49 and 0.54, respectively. In this aspect, the second company is financially more stable than the first. The ratio of equity and liabilities for both companies is the same and is twice the standard indicator, which positively characterizes their financial stability. In terms of the level of invested capital, Pasha Sığorta is far ahead of the second company. In this regard, the first is financially stable, while the other is not. The level of permanent capital of SCCC AR is 1.54 and higher than the normative indicator and the indicator of the company "Pasha Sıgorta". The overall liquidity and balance sheet ratio for both companies is the same and

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equals 181%, which is more than the normative indicator. Thus, we can say that in general both companies are financially stable. But the company "Pasha Insurance" is ahead of the company SCCC AR both in terms of insurance activity and financial stability, in other words, the first company is more financially stable than the second.

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