THE RELEVANCE OF FINANCIAL ANALYSIS IN PERFORMANCE ASSESSMENT: THE CASE OF AN ALGERIAN INSURANCE COMPANY

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Abstract: Insurance companies are in a special position because of their ability to assess and mitigate the risks faced by their customers. They are susceptible to a series of uncertainties, given their role in protecting individuals, professionals, and businesses. By providing comprehensive coverage and assistance in the event of unforeseen events such as natural disasters, accidents, or loss of life, insurance companies play a vital role in providing financial assistance and mitigating the adverse effects of such events.

Insurance companies play a vital role in the economy by providing financial assistance and mitigating the negative effects of unforeseen events. Financial performance indicators, such as financial ratio analysis to measure the health of the insurance company, are essential tools for assessing the financial stability and growth potential of insurance companies. This study found that SAA, the leader of the Algerian insurance market, had good financial performance from 2019 to 2021. Evaluating the financial performance of an insurance company was the objective of this research, with a particular focus on the case of SAA from 2019 to 2021 by performing an analysis using the ratio method.

The case of this study focused on the preparation of financial statements and the presentation of financial performance indicators of SAA, which is the leader of the Algerian insurance market. The results reveal that SAA demonstrated good financial performance over the three-year study period. SAA's financial analysis indicates that the company's financial structure is solid. This research contributes to the field of financial analysis, highlighting the advantages of using financial ratios to assess the financial performance of insurance companies.

Keywords: financial performance, insurance company, financial analysis, financial health, SAA.

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Introduction

The economy is influenced by many factors, including social, political, cultural, institutional, and technological aspects that are deeply rooted in a country's environment. Within this complex landscape, companies from various sectors such as trade, industry, finance, and other economic sectors play a central role in conducting economic activities. Among these diverse entities, insurance companies play a fundamental role in national and global economies. They provide essential services and protection that contribute to overall economic stability and growth. Businesses from all industries play a central role in the economy. Insurance companies are especially important because they provide essential services that help to keep the economy stable and growing.

Insurance companies are in a special position because of their ability to assess and mitigate the risks faced by their customers. Given their role in protecting individuals, professionals and businesses, they are susceptible to a series of uncertainties. By offering comprehensive coverage and assistance in the event of unforeseen events such as natural disasters, accidents or loss of life, insurance companies play a vital role in providing financial assistance and mitigating the adverse effects of these events. This critical function allows businesses and individuals to recover and continue their operations.

Performance measurement is a crucial dimension within any organization because its existence depends on its ability to effectively achieve its objectives. Given the rapid expansion of financial markets, banks, and insurance companies face intense competition. According to (Derbali & Jamel, 2018) performance measures appear to be important for assembling the strategic development needs of financial institutions.

The problem of measuring the performance of insurance companies has been well-developed in the financial theory literature. Thus, the profitability of insurance companies can be influenced by external factors and internal factors. Financial analysis plays an important role here as an evaluation, monitoring, and control tool for any organization. It allows managers to make informed decisions and organize their operations efficiently.

The object of this subject is to try to evaluate the financial performance of an Algerian insurance company, by applying the financial analysis to the financial statements of this insurance company, to measure the indicators of financial balance and financial analysis ratios, and investigate the effectiveness of these financial ratios in evaluating the financial performance of this insurance company. In this alignment, the question arises:

**How effective are financial analysis ratios as a tool for evaluating the financial performance of an insurance company?**

The rest of the paper is organized as follows; in section 2, we present a review of the literature. In section 3, we present the research methodology: we illustrate the methodology of this research paper that we used for the empirical investigation and the empirical results. Section 4 presents a discussion of the important results and a conclusion.

**Literature Review**

The insurance industry is a major player in the financial services sector in most countries. It is very important to the economy. It helps businesses and individuals manage risk and recover from financial losses. These companies are likely to change the way they work in the future, but they will continue to play a vital role in society. It helps the economy grow by:

- Allocating resources efficiently
- Reducing transaction costs
- Creating liquidity
- Facilitating economies of scale in investments
- Spreading financial losses
The insurance industry is a fundamental part of modern society. It will continue to be important in the future, but the way it works and the value it offers are likely to change significantly due to advances in technology, globalization, and the deregulation of financial and real markets.

Insurance is a contract between an insurer and a policyholder. The insurer agrees to pay the policyholder a sum of money if they suffer a loss due to a specific event, such as a fire or a car accident. The policyholder pays the insurer a premium in return for this protection.

According to Stijn & Guido (2004), state that all parties involved in an insurance contract are legally bound to act in good faith towards each other at all times. This means that they must disclose all relevant information to each other.

The financial crisis showed how important it is to assess the financial strength of insurance companies. Governments have responded by introducing stricter regulations. Understanding the factors that motivate insurers to be sound can also help us to explain and avoid future crises. A strong and stable insurance system is important for both policymakers and regulators, as well as policyholders, as the benefits that policyholders receive depend on the financial health of their insurer (Kramarić, Miletić and Blaževski, 2019).

Insurance is more important than ever before because of the increasing number of risks that we face in modern society. This has led to the expansion of the insurance market. Insurance companies measure their financial performance at the end of each year to assess whether they are able to pay out claims.

To do this, insurance companies must carefully assess the risks they are taking on. This includes both the risks associated with underwriting insurance policies, as well as the risks associated with investing their assets. The two activities are interrelated, so risk management must take into account both.

It is important for insurance companies to calculate premiums accurately in order to build up an adequate insurance fund to cover claims and reduce the risk of insolvency.

Insurance companies need to carefully design their underwriting portfolio to ensure that they can meet their financial obligations. This involves analyzing the returns of different types of insurance policies, as well as the overall financial stability of the insurance business. Insurance companies must also find ways to set premiums that are fair to both themselves and their customers, and to attract enough business to achieve the desired portfolio structure and level of financial stability (Cristea, 2008).

The performance of insurance companies is important for both the companies themselves and the economy as a whole. It helps to improve the companies' market value, contribute to industrial growth, and promote overall economic growth and prosperity. This topic is of interest to many different stakeholders, including regulators, financial experts, researchers, business managers, and the general public.

According to Sharma, Jadi and Ward (2018), It helps to promote overall economic growth and prosperity. This topic is of interest to many different stakeholders, including regulators, financial experts, researchers, business managers, and the general public.

Nowadays, the theme of stability is particularly important in the insurance sector. The factors that influence the performance of insurance companies have been widely studied in the literature on financial companies over the past few decades. However, the factors that influence the soundness of insurance companies have not been as well-studied as the factors that influence the soundness of banks. Nevertheless, some research has been done in this area, and some of the conclusions are presented below.

The Researchers (Sharma, Jadi and Ward, 2021) have studied the factors that influence the financial performance of UK insurance companies, taking into account their financial strength ratings. They found that profitability, liquidity, size, and organizational form are important determinants of financial performance.

This is not the first time that researchers have studied the financial performance of companies. However, this study is unique because it focuses on the life insurance sector.
In the diary of (Derbali & Jamel, 2018) Researchers studied the effect of firm-specific characteristics on the profitability of eight Tunisian insurance companies from 2005 to 2015. They found that the size, age, and growth of the companies were the most important determinants of their profitability, while leverage, tangibility, liquidity, and risk did not have a significant effect.

(Cummins, Rubio-Misas and Vencappa, 2017) suggested Insurance company solvency is important for both policyholders and the financial system as a whole. It protects policyholders by ensuring that the insurance company will be able to pay out claims in the future, and it helps to keep the financial system stable by reducing the risk of insurance company failure.

Insurance companies need to be careful with their money, especially right now. They need to make sure that they charge enough for their products and services to cover their costs, and that they have a good mix of different types of customers. This will help them to stay financially healthy and avoid going out of business.

In a research paper, (Cristea, 2008) propose a mathematical calculation to optimize an insurance portfolio and determine its appropriate structure at a certain level of stability expected by the company. This tool is useful for both policyholders and insurance companies. Policyholders can use it to choose the right type of insurance, based on comparisons, analyses, and conclusions. Insurance companies can use it to improve their underwriting and investment activity, as well as their financial stability.

(Ziemele & Voronova, 2013) also studied solvency as a tool to achieve financial stability in the insurance industry. They assessed the "Solvency II" system as a tool to achieve financial stability in the insurance sector and examined the role of solvency in order to make improvements in the financial stability of insurance companies, taking into account the financial stability factors of the insurance mechanism. Their analysis shows that Solvency II, if implemented, will reveal the true financial situation of insurers and improve transparency and confidence across the industry.

The researchers (Pasiouras & Gaganis) looked at how insurance company stability is affected by insurance regulations. They found that regulations related to technical provisions and investments have a big impact on stability, even after controlling for other factors. Corporate governance and internal control rules do not seem to have a big impact on stability. Capital requirements also do not seem to have a big impact on stability.

Performance is a difficult concept to define and measure. It is the result of a company's activity, and the best way to measure performance will vary depending on the type of company and what you are trying to measure. Strategic management researchers have proposed a variety of models that can be used to analyze financial performance. (Derbali & Jamel, 2018)

The performance of insurance companies can be affected by both things that the company itself can control and things that the company cannot control. Internal factors include the company's size, management team, and product offerings. External factors include the overall state of the economy and the regulations that the company is subject to.

Understanding the factors that affect the performance of insurance companies is important for investors, researchers, financial analysts, and regulators. This information can be used to make better decisions about investing in insurance companies, conducting research on the insurance industry, and developing regulations for the insurance sector.

On the overview of the insurance sector in Algeria

The insurance sector in Algeria has evolved in three stages since the country's independence in 1962:

- **Stage 1 (1962-1970):** After independence, the government took over existing insurance companies and made it so that only licensed organizations could insure risks located in Algeria.
- **Stage 2 (1970-1995):** The government established a state monopoly on insurance, meaning that it was the only one that could provide insurance services.
Stage 3 (1995-present): The government opened up the insurance sector to private investment. In 2008, Algeria and France resolved a long-standing dispute over insurance, and French insurance companies were authorized to operate in Algeria.

Overall, the Algerian insurance sector has evolved from a state-controlled monopoly to a liberalized market with both public and private sector participation.

French insurance companies that have signed the agreement with Algeria are now considered to have fulfilled all of their obligations and are automatically eligible to operate in Algeria. This includes all liabilities, including taxes, related to their insurance operations and real estate assets in Algeria.

The insurance industry has experienced significant deregulation since the 1990s. This has led to mergers and acquisitions, as well as increased competition. As a result, some companies have left the market and others have been taken over by larger insurers.

In other words, the agreement between Algeria and France has made it easier for French insurance companies to operate in Algeria. At the same time, the insurance industry as a whole has become more competitive in recent decades.

In order to make the insurance sector more competitive, Algeria began upgrading its businesses in 1995 by passing Ordinance 95/07, which liberalized the sector. This was followed by Law 06/04, which required insurance companies to separate their life and non-life insurance businesses. (Lezoul, 2023)

The insurance sector plays an important role in the economy and has special characteristics compared to other sectors. It is becoming increasingly important in the lives of individuals and businesses, as people want to protect themselves, their property, and their businesses from as many risks as possible. In Algeria, as in other countries, insurance companies must work hard to achieve the required performance and meet the needs of consumers, whose main concern is to be reimbursed as quickly as possible.

In other words, Algeria took steps to make the insurance sector more competitive in the 1990s by allowing more companies to enter the market and by requiring them to specialize in either life insurance or non-life insurance. This was done to improve the efficiency of the sector and to make it more responsive to the needs of consumers.

The insurance sector is an important part of the economy because it provides a way for people to protect themselves from financial losses in the event of an unexpected event, such as a car accident or a natural disaster. It is also a source of investment for businesses and individuals.

Insurance companies in Algeria must work hard to meet the needs of consumers, who want to be reimbursed as quickly as possible in the event of a claim. This means that insurance companies must have efficient claims processing systems and that they must be financially sound.

Insurance companies in Algeria can be set up as either joint-stock companies (SPAs) or mutual funds.

The National Insurance Council (CAN) regulates the insurance sector on behalf of the government. It is responsible for granting approvals to companies to operate in the market.

The Algerian Union of Insurance and Reinsurance Companies (UAAR) represents the insurance industry at the national level. Its executive committee is made up of the managers of the insurance companies in Algeria.

There are currently 24 insurance companies operating in Algeria, both public and private.

In other words, the insurance sector in Algeria is regulated by the government, but there are both public and private companies operating in the market. The UAAR represents the interests of the insurance industry at the national level.

Insurance companies in Algeria offer around 100 insurance products in different categories. In 2006, the 24 insurance companies in Algeria generated annual sales of 460 million euros, and around 538 million euros in 2007, an increase of 16%.
In 2007, some insurance companies benefited from an increase in their shareholders' equity due to the revaluation of fixed assets. This led to a significant improvement in the solvency margin of these companies and the market as a whole. Insurance companies in Algeria are members of the UAR (Union des Assureurs et Réassureurs). In recent years, the distribution of insurance products has shifted slightly in favor of the intermediary network. In 2012, there were 797 insurance intermediaries, including general agents and 28 brokers, compared to 1,024 direct agencies. In 2015, the number of licensed brokers increased to 35 active brokers and 26 licensed foreign reinsurance brokers.

In other words, the insurance sector in Algeria is growing and the distribution of insurance products is shifting towards more intermediaries. The UAR is the trade association that represents insurance companies in Algeria. (KPMG, 2019). According to data obtained from the Ministry of Finance, Atlas magazine presented the Algerian insurance market in 2022 by turnover and by branch. (Atlas, 2022)

![Figure 1. Representation of the Damage insurance in Algerian insurance companies: 2022 ranking](image1)

Source: (Atlas, 2022) (Growth rate in local currency)

In the reports of (KPMG, 2019), The Algerian insurance market has 24 companies, both public and private. These companies offer around 100 different insurance products. In 2006, the market had a turnover of €460 million, which increased to €538 million in 2007. The solvency margin of insurance companies has improved due to the revaluation of fixed assets.

![Figure 2. Representation of Personal insurance in Algerian Insurance Companies: 2022 ranking](image2)

Source: (Atlas, 2022) (Growth rate in local currency)

Insurance companies in Algeria are represented by the UAR (Union of Insurers and Reinsurers).
Insurance products are distributed through a network of 1,024 direct agencies and 797 intermediaries, including 28 brokers.

General insurance agents (AGAs) are intermediaries who are linked to one or more insurance companies by a contract. They are organized into an association.

Brokers are other intermediaries who practice a commercial activity and are required to register in the trade register. A project to create an association of brokers is underway.

In other words, insurance products in Algeria are distributed through a network of direct agencies and intermediaries, including brokers. Brokers are independent intermediaries who are not tied to any particular insurance company.

The activities of all the different players in the Algerian insurance market are regulated by the National Insurance Council (CNA), which is headed by the Minister of Finance. (KPMG, 2019)

Three new insurance companies have been approved by CNA CASH, a partnership between CAAR and Sonatrach.

TRUST-Algeria, a partnership between Algeria, Bahrain, and Qatar, was approved in 1997 with a registered capital of 1.8 billion dinars.

CIAR (Compagnie Internationale d'Assurance et de Réassurance) was approved in August 1998, with a share capital of 450 million dinars held by a private Algerian shareholder.

2A (Algerian Insurance) was approved in August 1998, with 500 million dinars in capital, also owned by an Algerian.

The insurance distribution system in Algeria consists of a direct network of integrated agencies representing the aforementioned companies, brokerage companies, general agents, and private intermediaries directly approved by the companies.

According to data published by the Conseil National des Assurances, the turnover of all Algerian insurers reached 151.895 billion DZD (1.08 billion USD) at the end of 2021, up 4.8% year-on-year. The direct market accounted for 95.6% of total premiums, or 145.238 billion DZD (1.04 billion USD). This amount is up 4.6% on 2020. At December 31, 2021, non-life premium income stood at 131.969 billion DZD (946.05 million USD), compared with 126.064 billion DZD (951.07 million USD) a year earlier. Non-life premiums accounted for 86.9% of total underwriting in 2021.

Non-life business is driven by the motor branch which, with 46.8% of the total non-life portfolio, will account for 61.717 billion DZD (442.43 million USD) of written premiums by the end of 2021. This branch is followed by miscellaneous risks and transport, which will account for 59.332 billion DZD (425.34 million USD) and 6.228 billion DZD (44.65 million USD) respectively in 2021. With a market share of 8.7%, life and health insurance achieved a 4% growth in turnover to 13.269 billion DZD (95.12 million USD).

International reinsurance acceptances rose by 9.9%, from 6.059 billion DZD (45.71 million USD) at December 31, 2020 to 6.657 billion DZD (47.72 million USD) twelve months later. Currently, the most active markets are the GCC and Southeast Asia. In 2010, the total gross contribution of Takaful amounted to 8.3 billion dollars, with a growth rate of 29%, the largest share coming from the Middle East, with 1.57 billion Muslims. (CNA, 2022)

Methodology and research methods

After we have thoroughly reviewed the literature, we must apply our understanding to the real world by going to the National Insurance Company (SAA) and seeing how things are done there.

We will focus on conducting a comprehensive financial analysis of SAA to assess its financial performance using ratio analysis and cash flow analysis.

We will focus on carrying out a comprehensive financial analysis of the National Insurance Company (SAA), to assess its financial performance using ratio analysis methods, and an analysis of cash flow to assess the financial performance of the company.
Analyzing the financial performance of the National Insurance Company (SAA) helps managers make better short-term and long-term decisions.

In this research, we will use ratio analysis to assess the financial performance of SAA. Ratio analysis is an effective technique for evaluating the financial performance of insurance companies. We will compare the ratios of SAA over the three years 2019, 2020, and 2021 to get a better understanding of how the company is performing.

- **Activity rate**

First, we calculated the **activity rate of the insurance company**. The figure below represents the variation of the loss ratio, the expense ratio and the combined ratio, during the period 2019; 2020; 2021.

![Figure 3. Representation of the loss ratio and the expense ratio and the combined ratio of the SAA.](image)

Source: according to SAA income statements.

According to loss ratios, which is the ratio between claims incurred and premiums earned, we noted that the claims ratio is above 50% during the study period, which means that the SAA pays more than 50% of its earned premiums in claims.

To improve the loss ratio, SAA purchased reinsurance and transferred some of it to another insurance company. Consequently, the amount of claims has decreased.

Through these results and during the period of the study, we noticed that the expenditure rate was around 40% in the first two years and higher than this percentage in the last year, which means that SAA expenditure, represent more than 35% of its total turnover (premium earned).

We observed in the combined ratio, (which is the ratio between the total claims incurred, the general expenses and the premium earned) that the combined ratio was over 90% increasing year on year. This shows that SAA is making a decreasing operating profit over the three years from 9.02% in 2019 to 6.63% in 2020 to 3.18% in 2021. Moreover, this ratio increased by 1.13% in 2020 compared to 2019, and by 3.69% in 2021 compared to 2021, which leads the company to take defensive measures by increasing the premiums, which is the main factor contributing to the decline in this ratio.

- **Profitability ratio**

The table below represents the variation of the economic profitability ratio: Return on assets (ROA) - Return on equity (ROE) during the ASA study period.
Table 1. Representation of the ROA/ROE ratio of SAA (Amounts in DZD)

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>Variation %</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>2.59%</td>
<td>3.03%</td>
<td>3.07%</td>
<td>17.01</td>
</tr>
<tr>
<td>ROE</td>
<td>5.77%</td>
<td>6.64%</td>
<td>6.94%</td>
<td>4.43</td>
</tr>
</tbody>
</table>

Source: according to SAA income statements.

According to this table, the return on the asset ratio indicates the efficiency with which a company uses its assets to generate profits. Through the results of the table above we noticed that this ratio was less than 5% for the three years, it increased by 17.01% in 2020 compared to 2019 and by 1.39 in 2021 compared to 2020, due to the increase of the net result.

The return on equity ratio is an important key metric that indicates a company's efficiency in generating profits from the investments made by its shareholders. From the results above, I concluded that:

SAA's ROE ratio averaged only 5.77% in 2019, 6.64% in 2020 (an increase of 15.09%) and 6.94% in 2021 (an increase of 4.43% compared to the previous year), this positive ratio is less than 10%, this explained the insufficiency of SAA to derive an acceptable profit from the investment in its own funds for the three years.

- **Liquidity rate**

The figure below represents the variation of the Liquidity rate, it represents the variation of the current ratio and the cash ratio during the study period of the SAA.

![Figure 4. Representation of the current ratio and the cash ratio of the SAA.](image)

Source: according to SAA income statements.

Based on the results above, over the three years: The current asset ratio showed a percentage below 100%, it decreased by 4.01% in 2020 compared to 2019 and by 12.25% in 2021 compared to 2020, due to the increase in short-term debt.

The downward trend in this ratio indicates that the company's liquidity position (ability to cover its short-term debts) has weakened over the three-year period.

The cash ratio was below 50% during the period, which is considered risky because SAA has twice as much short-term debt compared to cash.

- **Self-financing capacity**

The table below represents the variation in self-financing capacity during the SAA study period:
Table 2. Representation of SAA’s self-financing capacity 'SFC'. (Amounts in DZD)

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>Variation %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>2 195 732 975,70</td>
<td>2 635 614 377,94</td>
<td>2 882 978 639,92</td>
<td>20,03</td>
</tr>
<tr>
<td>+depreciation, provisions and impairment losses</td>
<td>3 210 886 375,51</td>
<td>2 603 832 461,48</td>
<td>2 281 724 000,62</td>
<td>-12,37</td>
</tr>
<tr>
<td>-Reversal of impairment losses and provisions</td>
<td>372 714 290,58</td>
<td>418 948 506,58</td>
<td>1 124 509 539,68</td>
<td>168,41</td>
</tr>
<tr>
<td>SFC</td>
<td></td>
<td></td>
<td></td>
<td>-16,19</td>
</tr>
</tbody>
</table>

Source: according to SAA income statements.

We noted that the SFC was positive over the three years, indicating that SAA generated sufficient revenue and resources to meet its financial commitments and maintain operations without the need for additional capital injections or borrowing.

However, the SFC experienced a decline of 4.24% in 2020 compared to 2019 and a further decline of 16.19% in 2021 compared to 2020 due to the increase in the Reversal of Depreciations and Provisions.

**Discussion and conclusion**

Many factors influence economic growth, including social, political, cultural, institutional, and technological factors. Companies from various sectors, such as trade, industry, finance, and the economy, play a key role in economic activity. Among these different entities, insurance companies play a fundamental role in national and global economies. They provide essential services and protection that contribute to overall economic stability and growth.

the economy is influenced by many different factors, and insurance companies play an important role in keeping the economy running smoothly. Insurance companies provide services that help to protect businesses and individuals from financial losses, which can help to promote economic growth.

Insurance companies are in a special position because of their ability to assess and mitigate the risks faced by their customers. They are susceptible to a series of uncertainties, given their role in protecting individuals, professionals and businesses. By providing comprehensive coverage and assistance in the event of unforeseen events such as natural disasters, accidents or loss of life, insurance companies play a vital role in providing financial assistance and mitigating the adverse effects of such events. This essential function allows businesses and individuals to recover and continue their operations.

Performance measurement is a crucial dimension within any organization because its existence depends on its ability to effectively achieve its objectives. The concept of performance is multidimensional and different stakeholders have different approaches to assess it. These approaches include economic performance, which focuses on financial results, technical performance, which assesses operational efficiency, and human performance, which considers workforce skills and capabilities. Each stakeholder constructs their understanding of performance based on the specific objectives they assign to the organization.

Financial analysis plays an important role as an evaluation, monitoring and control tool for organizations. It allows managers to make informed decisions and organize their operations efficiently. Financial analysis aims to achieve performance that inspires confidence by assessing the financial health and stability of the organization. This approach is increasingly applied to organizations with financial autonomy, including associations, public institutions and insurance companies. Financial analysis uses tools that use accounting information to assess performance and financial balance.

According (Smęteka, Zawadzka, & Strzelecka, 2022) In a market economy, it is important to assess the financial efficiency of businesses. For insurance companies, the level of results achieved and financial efficiency are influenced by the scope of the insurance business and the groups of risks insured. It is important to have methods for assessing the financial situation of insurers so that they can develop plans to improve their financial performance.
SAA's financial analysis indicates that the financial structure of the company is solid, which allows it to maintain its financial stability. However, there are still several areas that require special attention in order to maintain a favorable financial situation. In addition, SAA has well-organized balance sheets, posting positive results over the past three years.

Based on the results obtained from the indicators and ratios, the following suggestions are recommended for the company: i) Optimize the use of cash: SAA should invest its available cash to ensure that resources adequately cover expenses, resulting in a positive net operating working capital (ONWC). ii) Implement a strategic financial performance plan: It is advisable to implement a well-defined strategy aimed at maximizing financial performance, which may involve initiatives such as cost reduction, revenue increase and allocation resource efficient. iii) Improve Policyholder Awareness: To minimize expenses and increase profitability.

In addition to these recommendations, it would be prudent to carefully examine the control processes put in place by the state to resolve the problems of insolvency and unprofitability faced by an insurance company. Through the analysis of the financial balance indicators and the interpretation of the ratios, it appears that SAA was in good financial health during the three years of the study, which could be sufficient in the event of debt coverage.


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**Informed Consent Statement:** Not applicable.

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