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THE IMPACT OF THE SOLVENCY II PROCESS OF THE INSURANCE FIELD IN ROMANIA

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Abstract. Insurance companies and banks are of great importance to the economy, which is why their stability must be ensured. In order to prevent bankruptcies in the financial sector, these companies are subject to strict regulations, which set standards for risk management and the amount of reserve capital required. Such capital reserves act as safety buffers to protect the customers from extraordinary events. In the insurance industry, the reserve capital is referred to as the solvency margin. The purpose of this paper is to present the evolution of prudential regulations for insurance sector and explain how the Solvency II framework (in line with the developments of IAS/IFRS) will affect risk management in the Romanian insurance industry, and whether these changes can result in opportunities for insurers. This is achieved by studying the new regulations and conducting a number of interviews with insurance company representatives as well as industry experts. A final consideration of impacts and developments provides a few recommendations and suggestions for regulators and insurances.

JEL Classification: G11, G22, G23, G31

Keywords: fair value, adequation of capital, solvency margin, risk management, provisions for risk, Solvency II

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