

Implementation of Solvency I and risk management in five Security companies in Kosovo (2016 – 2018)

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Abstract

Commonly the application of Solvency in insurance companies is used as a risk management tool which may threaten these companies. Solvency mainly applies to all risks that insurance companies in Kosovo are exposed to. Through the implementation of Solvency I, the possibility for insurance companies to lose solvency in relation to the obligations and risks undertaken is reduced. Implementation of Solvency I and other early warning indicators (EWT) contributes to the degree of risk identification, assessment and selection of methods for reducing and preventing risks and unexpected losses. The implementation of Solvency I is based on the Regulation on the calculation of the minimum solvency limit, capital adequacy and guarantee fund for non-life insurers. This regulation is based on the European Solvency Directive I. The regulation of "Calculation of the minimum solvency limit, capital adequacy and guarantee fund for non-life insurers" (Solvency) is approved by the Central Bank of Kosovo on 23 February 2017.

Pursuant to this Regulation, the Solvency (Solvency I) is applied, which is calculated on the basis of premiums and claims. In addition to risk assessment for individual insurance companies, indicators from the implementation of Solvency I can also be used to assess the financial position, compared to other insurance companies (competitors) with the insurance sector as a whole. This analysis assesses the ability of an insurance company to meet solvency capital requirements (Solvencies i), assets covered by technical provisions and other early warning indicators.

As a result, the implementation of Solvency I in this paper was implemented based on the financial statements of insurance companies for three years (2016–2018), using indicators for five companies, including: Sigura, Ylliria, Elsig, Kosova e Re and Sigma. Companies are selected based on: composite criteria (to include non-life insurance in the company portfolio), scope and diversification of insurance portfolios (large insurance companies with a diversified portfolio structure), as well as the existence of a developed asset structures (to represent different forms of wealth).

Keywords: Solvency I and risk management, Security companies, Kosovo.

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