Albanian Insurance market capacities to fulfil Solvency II Regime requirements as a country candidate for membership to the European Union

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Abstract

Solvency II is a relatively new regulatory framework for the European insurance industry. It is the term used for a European Union (EU) directive that became effective in 2009 which codifies and harmonizes insurance regulations in the EU. As Albania continues on its path towards full membership and integration into the EU, the country has made significant reforms in the regulation and management of its insurance industry to comply with EU standards. The main aim of this paper is to discuss the key features of Albanian insurance companies in light of recent Solvency II regime. This paper will also discuss the dynamics of the Albanian insurance market as well as the potential benefits to various related Albanian insurance actors of integrating the Albanian insurance industry into this market. Finally, common issues in insurance arrangement applications and the integration capacity of Albania will be evaluated. By using a mixed approach from global to local, we analyse the current Albanian situation by comparing the indicators of the Solvency regime with the current performance of the Albanian insurance market. Our results indicate that the Solvency II framework may lead to an enhanced economic performance of the current stakeholders in the Albanian market. However, the profitability of this restructuring depends strongly on the correct estimation of costs and the characteristics of the consolidation partner chosen.

Keywords: Insurance market, Solvency II; Market integration; Albania.

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