

The degree of readiness of the Russian insurance market for the transition to Solvency II

ABSTRACT

The problem of insolvency is ambiguous and requires solution in every field of activity. Insurance is to a larger extent based on the mutual trust of participants, and that is the reason for governmental control of the solvency, among other things via new legislation. Entering the WTO means that the insurers become subject to the foreign legislation simultaneously with the domestic one. During the process of transition to the international requirements significant questions connected with the adaptation to those arise. All the aforementioned aspects confirm the relevance of the current survey. The position stated before had determined the aim of the research, that is, the assessment of the Russian insurers from the view of their readiness to the implementation of the new requirements contained in the Solvency-II Directive.

Several tasks were set to achieve the aim of the survey. The analysis of the current state of the Russian insurance market has been performed. Analogues of the Solvency-II and the experience of the Directive implementation in foreign countries where Solvency-I had functioned before were thoroughly examined. Apart from this, the detailed analysis of the main differences between Solvency-I and Solvency-II, - which arise from the risk-oriented approach used in the new Directive, introduction of the additional indicators of the financial health of a company, and global changes in the financial markets' performance, - was performed.

Alongside with this, the evaluation of the Russian insurers' overall state has been performed (with the use of the quantitative approach), and the legislation readiness to the implementation of Solvency-II has been also considered (with the use of qualitative approach). One of the important moments of the research is the assessment of the level of market readiness to the Solvency-II Directive and

estimation of the possible consequences in the case of the eventual implementation of the Directive requirements in the Russian Federation. According to the results of the calculations performed during the research, more than 40 % of insurers demonstrated the compliance with the Solvency Capital Requirement (SCR), whereas the Minimal Capital Requirement was fulfilled by almost 90% of the insurance companies studied. Nevertheless, despite the obtained results, a number of challenges that may influence the successful Solvency-II implementation in Russia were identified.