National University of Science and Technology
Think in Other Terms

FACULTY OF COMMERCE

DEPARTMENT OF RISK AND INSURANCE

RESEARCH PROJECT

"OPTIMUM STRATEGIES FOR SETTING SOLVENCY MARGINS FOR LIFE INSURERS IN ZIMBABWE"

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Abstract

This research was done on the background that the current minimum solvency margins operating in Zimbabwe were inadequate to ensure financial stability of Life insurance companies. An analysis of the optimal risk based model was done, at the same time assessing the relationship between assets and liabilities.

Chapter one was an introductory chapter which introduced the whole project, stating the objectives, statement of the problem and justification of study. The main objective was to unearth all the risks that were being faced by Zimbabwean Life insurers and to represent as closely as possible the steps taken in developing solvency margins under solvency 2. These objectives were achieved in conjunction with the research questions which sought to gather all the crucial data for the research. Chapter two explored the relevant literature that was developed by other authors. The literature reviewed established the conceptual framework within which the research was located. The development of solvency margins under solvency 1 and 2 was looked at, to help in identifying the gaps in knowledge that needed further research.

Chapter three looked at the methodology that was used. Basically, questionnaires and interviews were done to gather relevant information from all relevant people. The information gathered helped in developing a risk based model that was used in coming up with minimum solvency margins taking into account all the risks faced by Life insurers. Chapter four analysed the results obtained from the interviews undertaken and the model developed. Presentation of the respondents' distribution and their contributions was done. Most respondents were fully acquainted with the risks facing Life insurers and the shortcomings of the current minimum solvency margins.

Finally, the recommendations and conclusions were presented in chapter five. It was concluded that the traditional approach to setting solvency margins was inadequate and therefore a risk based approach to solvency setting was applicable. The main recommendation was for the regulators to set minimum solvency margins considering the risk levels of companies.