

Application of dynamic financial analysis (DFA) for solvency assessment for "'general insurance companies'" in Kenya

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Abstract:

Regulators have recently adopted Risk-Based Capital formula for the assessment of solvency. The project has developed a simple DFA model for the assessment of solvency for general insurance companies. The application of probability of ruin and EPD ratio approaches for setting risk-based capital standards as a measure of solvency. The analysis considers the stochastic nature of insurance risk, correlation between classes of insurance business, estimation of capital using the two approaches and comparison of capital at different levels of risk with the one calculated under the Kenyan solvency model.