

**MEXICO'S
TOP LAW
FIRMS 2015**

NEW

RULES



NEW

OPPORTU

NITIES

MEXICO IS READY FOR NEW INVESTORS

G R U P O
REFORMA

GREAT CHALLENGES TO THE INSURANCE INDUSTRY AND GREAT OPPORTUNITIES FOR FOREIGN INVESTMENT

MIGUEL GALLARDO / PATRICIA HERNÁNDEZ *

Year 2015 brings along great challenges to the insurance industry as a result of the enforcement of the new Insurance and Bond Law and regulations, which main focus is the implementation of best international practices in the insurance sector through Solvency II. Solvency II aims to strengthen the financial stability of the Insurance and Bond Institutions and generate insurance industry growth on a financially stabilized manner; which will result in an attractive environment for foreign investment promotion in the Mexican insurance market.

As a result of the efforts made by the Ministry of Finance and

Public Credit, through the National Banking and Securities Commission and the National Insurance and Bonding Commission, the new Insurance and Bond Law (IBL) was promoted and published on April 4, 2013, coming into effect until April 4, 2015.

NEW GUIDELINES

Solvency II consists of a series of relevant and specific rules and guidelines designed both, to define the levels of required capital according to the risks assumed by the Institutions and implement more modern procedures to identify,



measure, report, mitigate and follow-up the risks to which Institutions may be exposed.

Among the elements of Solvency II, we find the best practices for the improvement of the calculation and valuation of re-

SOLVENCY II IS BASED ON THREE STAGES:

I. SOLVENCY

1. Technical Reserves
2. Capital Requirements
3. Investments
4. Reinsurance

II. REVIEW AND CONTROL

1. Corporate Governance
2. Risk Management
3. Control and Internal Audit
4. Supervisor's Review

III. MARKET DISCIPLINE

1. Transparency
2. Information Disclosure
3. Market Review



INSURANCE

serves and investments, provided that the IBL includes quantitative and disclosure requirements.

Implementing Solvency II in Mexico carries great challenges to the insurance industry, stimulates the modernization of the solvency regime of Institutions and will promote the development of the insurance and bond activities and a greater competition in the market; provided that it will also strengthen the user-protection regime of the financial services provided.

Small institutions that are not prepared to face the changes arising from the implementation of Solvency II in Mexico, may disappear, merge with other Institutions, create strategic alliances with other Institutions or find foreign investors.

Although the changes required by Solvency II represent great challenges to Institutions, said changes also create great development opportunities for the industry; therefore, those changes will be beneficial to final clients. In Mexico, only 22% of the population has any type of insurance, thus there is a great unexploited market niche for the insurance industry.

Implementing the new regulatory measures will attract new talents, implement new technological resources and new business models and also will result in better market conditions and in a greater competitiveness among Institutions; which, in return, will generate a broader diffusion and efficiency for the market.

In summary, Solvency II implies greater challenges and changes to both the insurance companies and authorities; Solvency II will stimulate competitiveness and efficiency in the insurance market.

**The authors are Partner and Senior Associate at Bello, Gallardo, Bonequi y García.*



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Av. Santa Fe No. 495 "Torre Zentrum" 3er Piso, Despacho 304. Col. Cruz Manca
Santa Fe. Cuidad de México, D.F. C.P. 05349, Tel. (5255) 5251 0775
E-mail: info@hcambiental.com