Regulator moves to prevent insolvencies in Argentina's insurance market

Recent reforms introduced by Argentina's Superintendencia de Seguros de la Nación are not limited to adjusting accounting parameters but extend to preventing insolvency and, ultimately, avoiding the dissolution and liquidation of insurers

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by Luis Matias Ponferrada

Reforms are aiming to reinforce insurers' financial capacity, ensure compliance with their obligations and mitigate systemic risk in the insurance sector

In recent years, particularly since early 2024 under the new administration of Argentina's insurance regulator, the Superintendencia de Seguros de la Nación (SSN), a general trend towards regulatory streamlining has become evident; however, this simplification has not necessarily led to any relaxation of technical controls.

On the contrary, the SSN has strengthened supervisory mechanisms concerning solvency through two central tools: the adjustment of the minimum capital regime and the update of the technical reserves system. Both reforms aim to reinforce insurers' financial capacity, ensure compliance with their obligations and mitigate systemic risk in the insurance sector.

Minimum capital regime

Adjustment of the minimum capital regime regards the determination of sufficient and technically substantiated minimum capital. A single capital requirement of 750,000 UVA (units of purchasing value) – currently equivalent to close to $857,390 – was established, applicable across all insurance lines. This replaced the previous system, which applied different requirements by line of business. For local reinsurers, the minimum capital required is 3,750,000 UVA ($4.3m). The rule established a schedule for gradual compliance and the new capital requirements will apply fully as of June 2026.

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The second element, the update of the technical reserves regime, seeks to improve the alignment between actual obligations and accounting estimates in labour risks insurance. This rule, among other measures, has unified the IBNR reserve at an amount equivalent to 10% of the premiums issued in the past four quarters.

The regulatory framework accompanying these reforms reflects the fact the SSN's objective is not limited to adjusting accounting parameters but extends to preventing insolvency and, ultimately, avoiding the dissolution and liquidation of insurers.

Strict supervision

The SSN has also demonstrated the effectiveness of its strict supervision beyond the enactment of rules aimed at strengthening insurers' solvency. During the incumbent administration, it has promoted the compulsory liquidation of three insurers for non-compliance with solvency standards, all of which are engaged in judicial proceedings with the regulator at present.

It is noteworthy the SSN's recent regulatory policy demonstrates a clear orientation toward international solvency and prudential standards, particularly those reflected in the European Solvency II framework and developed by the European Insurance and Occupational Pensions Authority.

The framework is structured around three pillars – quantitative capital requirements; governance and risk-based supervision; and transparency and market disclosure – which together form a comprehensive model for solvency assessment and management.

Although Argentina has not yet fully adopted this framework, recent regulatory reforms are advancing in that direction and incorporate several of its substantive principles as Argentina advances towards closer alignment with the framework.

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