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# **COMERCIAL INSURANCE AND LEGISLATIVE CHANGES IN PRACTICE**

(Bachelor Thesis)

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## ZADÁNÍ BAKALÁŘSKÉ PRÁCE

Jméno a příjmení: **Pavčina Tylová**  
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Téma práce:

### Komerční pojišťovnictví a legislativní změny v praxi

#### Cíl bakalářské práce:

Cílem bakalářské práce je analyzovat a predikovat komerční pojišťovnictví a legislativní změny v praxi. V úvodní části vypracujete za pomoci domácí i zahraniční literatury teoretický základ dané problematiky. V další části charakterizujete Českou pojišťovnu, a.s. a vypracujete její SWOT analýzu. Analyzujte vývoj pojistné legislativy a srovnajte pojistnou legislativu ČR před vstupem do EU a v současnosti. V závěru práce predikujte s využitím fuzzy logiky vývoj pojišťovnictví v ČR v dalším období a navrhněte strategii pro Českou pojišťovnu, a.s. Bakalářskou práci obhájíte před vedením České pojišťovny, a.s. a hodnocení bude součástí bakalářské práce. Bakalářskou práci podrobíte testu z plagiátorství, jehož výsledek předložíte jako součást dokumentace při odevzdání bakalářské práce. Vytvořte příspěvek na mezinárodní studentskou konferenci pořádanou EPI, s.r.o. nebo jinou vysokou školou, nebo článek do odborného časopisu.

#### Osnova:

Úvod

1. Teoretický základ
  2. Charakteristika České pojišťovny, a.s.
  3. Analýza vývoje pojistné legislativy
  4. Predikce vývoje pojišťovnictví v ČR
  5. Návrh strategie
- Závěr

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I confirm that I elaborated this Bachelor Thesis by myself, under the supervision of Mgr. Jana Gajdošíková. All the literary material was listed in the Bibliography.

Kunovice, 2012

I would like to thank Mgr. Jana Gajdošíková for the very useful methodological assistance she provided me with during the elaboration of my Bachelor Thesis.

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Pavčina Tylová

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# INTRODUCTION

The insurance industry is characterized by helping to ensure all values, including health and life, which are often endangered by many effects of economic and non-economic activities of man.

The specified topic thesis, *Commercial Insurance and Legislative Changes in Practice* was chosen because the importance of insurance in the market economy is still not well enough appreciated. Insurance is one of the important and dynamic sectors of each economy. Through its activities, i. e. the insurance protection of the client, insurance contributes and supports the economic stability of the country.

In addition to insurance protection it is of great importance that commercial insurance companies receive large amounts of money from their clients to manage. By the payment of indemnification claims following insurance affair insurance institutions help their clients in restoring their property, health and other values.

Due to the main topic of the dissertation I will focus only on the insurance provided by commercial insurance company's i. e. insurance underwritten outside or in excess of Social Security - the commercial insurance.

The aim of this work is to analyze the development of the insurance industry, focusing on the development of legislation after the Czech Republic joined the European Union, to design the optimal strategy for Česká pojišťovna, to process and evaluate the SWOT analysis to predict the development of insurance in the Czech market in future years by using fuzzy logic and design optimal strategy for Česká pojišťovna, a.s.

The theoretical part will characterize the insurance law and insurance law regulation through the applicable laws. For better understanding the work explains the basic concepts used in the field of insurance, shows the link between finance and insurance market where it lists the indicators of the insurance market level divides insurance by subject and defends equally important function of reinsurance and coinsurance.



In the second chapter Česká pojišťovna is introduced as the most powerful institution in our market with all the pros and cons and its SWOT analysis is formulated up to the output that is its evaluation.

The third chapter provides analysis of developments in insurance legislation from the very beginning of development and comparison of insurance legislation before accession to the EU and now, because through this event two new legal rules governing the insurance status and legal relations of persons engaged in insurance policies and claims handling were approved and published. Also Insurance Act and the Act on liability for damage caused by vehicles were substantially amended and updated.

The last two chapters are intended to predict the development of insurance in our country, where author's own knowledge used in fuzzy logic will be applied, and optimal strategy will be proposed for Česká pojišťovna, a.s.

Development of the Czech insurance market after 1990 brought many new elements into commercial insurance, private insurance and the insurance market. These elements were previously suppressed by the central economy system and only after the creation of competition and the fall of monopoly of the only one insurance company the modern trends and competitive market economy could occur. The transformation process enabled the creation of insurance market. Foreign insurance institutions entered the insurance market with the new European standard insurance products, new expertise, new approaches to clients and new challenges for the development of insurance.

With the admission of the Czech Republic to the European Union a single European insurance market was created, but competition and pressure on foreign insurance companies increased for trying to dominate the domestic insurance market.

Insurance is an important part of the economic potential of the developed countries. In many Western European countries insurance industry controls more capital than the banking sector and in Great Britain, Switzerland or Sweden, the share of premiums to gross domestic product makes more than 8 %. The share of investment in GDP is, mainly due to life insurance reserves, much higher. No wonder that the prosperity of the insurance

sector is closely linked to the overall economic development of individual countries and continents.

In the global market, the strongest and fastest growing is Asian market, followed by North American and European. Individual continents differ in insurance structures. While in Europe and North America non-life insurance market has a larger share, the situation in Asia is opposite. A very high proportion of life insurance in Asian countries (72 % in 1992) can be explained by lower levels of state social security. The general development in the last decade is marked by a faster growth of the rate in life insurance premiums than non-life insurance.

An integral part of the insurance market is undertaking. Their role of the "insurer of insurance companies" particularly in the case of covering major risks is indispensable.

There have always been efforts of every major insurer to expand to foreign markets, not only for commercial reasons but also due to technical actuarial reasons (greater dispersion of risks). In the insurance industry, in the context of the European Union free market of services, a united insurance market is the reality for the member states from 1 July 1994. Creating the united insurance market was not a matter of a revolution, but a gradual process of accepting individual directives which took place over a time horizon of more than twenty years.

The main principle of an integrated market is a single license system which permits any insurance company incorporated and registered in any European Union country to sell their products through branches or representation in another state, or sell directly from their headquarters across the border in the whole European territory on the basis of the original permission and technical and financial control in the country of origin.

The most serious consequences of some pre-identified incidents with social impact on the population are mitigated by the state that directly manages the so-called social insurance. In the Czech Republic is a social insurance system implemented health insurance, sick pays, pensions and other benefits. In general, insurance managed by the state can be described as a form of social security.

# **1 Theoretical basis**

The personal lives of all people and all forms of business and industrial activity sometimes to very often involve the consequences of action of natural forces or undesirable behavior of people. These effects are adverse, sometimes not at all expected (e. g., accident, flood, fire), other times it is quite clear that these situations would occur, but it is never certain in advance when they occur. In time, the uncertain consequence is mainly death. To mitigate the negative consequences of such action and the situation the institute of insurance was created. The main purpose of insurance is to eliminate or at least to some extent mitigate the adverse consequences of such incidents. The most serious consequences of some pre-identified incidents with social impact on the population are mitigated by the State which organizes the social insurance. The Czech Republic has implemented social insurance system of health insurance and sickness insurance system, pension and some other social benefits. Apart from social insurance (social security in general) there is insurance carried by commercial insurance companies that are contracted outside or beyond the scope of social security and those are designated as commercial insurance.

In economic terms, the insurance can be described as creating of financial reserve that is used to cover the needs or damage to the insured that would in the future result from incidents. It goes without saying that the financial reserve is created from the means of the insured, which is the price for the provision of insurance protection.

In legal terms, the insurance is called legal engagement relationship in which the participants have equal status (applies only to the characteristics of insurance carried by commercial insurance companies, not for social security).

## **1.1 Insurance law, legal adjustment of insurance**

Insurance is a legal concept under which the insurer agrees to provide certain performance agreed upon in the insurance policy in case of an incident as defined in the insurance contract. The obligation of the insured is to pay premiums. At the same time there are other rights and obligations of both parties resulting from the insurance contract such as preventing insurance claim, truthfully answering questions related to insurance, etc. The

commercial insurance can only be established if a valid contract of insurance has been signed.

### **1.1.1 The Insurance Contract Law**

On 17th December 2003 The Law on Insurance Contracts And Amending Of Related Laws was approved and under No. 37/2004 Coll. published and took effect on 1st January 2005 (except for certain provisions).

Insurance contract law in the CR is contained in the Act on Insurance Contracts and Civil Code. The content of this legislation is to:

- define the basic terms associated with the operation of insurance services (used in relations between the insured and the insurer),
- exhaustively define the content of the insurance contract,
- distribute the commercial insurance to financial and damage insurance,
- determine the conditions of construction and application of financial and damage insurance,
- define the conditions of establishment, suspension, modification and termination of insurance contract,
- determine the conditions and deadlines associated with the implementation of insurance claims. [2, p. 72]

### **1.1.2 The Law on Insurance**

Act No. 277/2009 Coll. Of Insurance regulates the conditions of operation of insurance and reinsurance activities and supervision of insurance, all in accordance with the rules in force within the European Union.

### **1.1.3 The Law On Liability for damage caused by vehicles**

Anyone who wants to use their vehicle for domestic communications must be covered, so the Act No. 168/1999 Coll. liability insurance for damage caused by vehicles was set, which provides:

- liability insurance for damage caused by vehicles,
- establishment of the Czech Insurers' Bureau, its legal status, organization and business activities.

### **1.1.4 The Law on Insurance Intermediaries and Liquidators**

On 1st January 2005, Act No. 38/2004 Coll. on Insurance Intermediaries and Liquidators, which lays down certain rules relating to insurance, came in force. The main reason for its creation was to ensure coordination and compatibility with the rules in force within the EU.

### **1.1.5 The Law on Financial Conglomerates**

Banks, insurance companies, saving and credit unions, bond dealers and other financial institutions must act within the legislatively defined rules. Adjustment of supplementary supervision of these subjects is regulated by Act No. 377/2005 Coll. on Financial Conglomerates.

### **1.1.6 The Civil Code**

Part of the Civil Code governs the rights and obligations of private insurance participants, which are not regulated by the insurance contract law.

In relation to the Civil Code, Law on Insurance Contract is a special legal regulation, i. e. when the Law on Insurance Contract includes legislation different from that in the Civil Code, the special treatment applies, hence the Law on Insurance Contract. However, if the

Law on Insurance Contract on certain provisions does not include some applications concerning legal relations, the provisions of general law, that means the Civil Code, are applied analogically. In this context it should be noted that the Law on Insurance Contract abolished, with effect from 1st January 2005, the whole fifteenth head of the part eight of the Civil Code on insurance contracts. [1, p. 59]

## 1.2 Basic concepts

**Insurance** is defined as a specific type of a financial service, the insurer for payment (the premiums) provides insurance protection - paid indemnity in case of accidental claim.

Insurance and risk diversification leads to a stabilization of consumption in various states of the world. Insurance covers large individual risks and spreads them to such width that they become tolerable for a large number of individuals. Insurance is a benefit, because, thanks to compensation of consumption in various states of uncertainty, it increases expected utility. [3, p. 220]

**Random event**, the event is defined as a fact that is possible to happen and that is never certain whether it occurs in the duration of private insurance or the time of its creation is not known.

**Insurance event**, which is a random event closely marked in the insurance contract or in a separate piece of legislation to which the insurance contract refers and with which the insurer's obligation to provide indemnification is associated. [1, p. 60]

**The insurance contract** is an agreement on financial services in which the insurer agrees to provide indemnity in the event of an incident within contracted range and the policyholder agrees to pay the premium due for the entire duration of the insurance contract. In short, we can identify an insurance policy as a legal document on the basis of a contractual assurance of legal and private persons. The insurance policy must be in writing. The only exception is the case where we establish insurance with an insurance period shorter than one year.

Particulars of the policy:

- determination of the insurer and the policyholder,
- determination of the beneficiary (beneficiaries),
- determination whether the agreed sum or loss insurance,
- definition of insurance danger and insurance risk,
- premium amount, its maturity, and whether it is a regular or single event insurance,
- definition of the insurance period and the duration of insurance contract,
- for insured persons, if the share of the designated person on the profits of the insurer was agreed, the way they share these profits.

The insurance conditions (attached to the insurance contract) are also a part of the insurance contract:

- definition of an insured event,
- exclusions from liability,
- conditions of establishment, duration and termination of insurance,
- method of determining the extent of indemnity and its maturity. [2, p. 74]

**The insured amount** is the amount that represents premium performance in the fulfillment of the terms and conditions precisely specified in the insurance contract.

**The insurer** is always a legal entity that is authorized to carry on insurance business under a special law. The basic law of this business is the entitlement to be paid premiums. Furthermore, he has the right to require the documents and assistance, in cases specified by law or contract to reduce the insurance benefit, to refuse payment of benefits, to pursue remedies, to contract (invalidate an insurance). The main duty of the insurer in the event of a claim is to provide insurance benefits following an investigation that must be done without undue delay.

**The policyholder** - the person that agreed the insurance contract with the insurer also have their rights and obligations. His primary duty is to pay the premium, if not exempt from this requirement by law. They must truthfully and completely answer all the insurer's questions concerning the insurance under contract or changes in it. The basic right of the policyholder is handling the contract, payback of unused premiums or the payment of surrender value with insurance of persons to appoint a person who is entitled to benefits in

case of death of the insured. This person may change within duration of the insurance by the policyholder.

**Insured** – i. e. the one to whose property, life (health) or liability the insurance applies, shall be entitled to claim the insurance claim. Furthermore, they have the right to ask for an advance on compensation for expenses incurred to avert the insurance event or mitigate its consequences, enter the location of the policyholder. Among other duties, they are to answer truthfully and completely to questions of the insurer, as obliged the policyholder. [6, p. 60]

**The designated person** is the person designated by the policyholder in the insurance contract, which has the right to indemnity in case of death of the insured (determined with the name and date of birth and relationship to the insured), if the policyholder is not identical with the insured, it can be ascertained only with the consent of the insured, unless it is determined at the time of death, a person picked in this order: spouse of the insured, the children of the insured, the parents of the insured, persons living with him for at least 1 year in the household and jointly taking care for the common household or dependents to him were, heirs. [2, p. 73]

**The authorized person** is one who, in case of an insurance event has the right to indemnification. In almost all cases, he is identical with the the person insured, but apart from him, in liability insurance, where there is a direct right of the victim given is the one who has suffered damage.

**Time cost** is defined as the price that the thing had before the insurance event. It is determined from new price of the thing (new price concept is explained differently), taking into account the degree of wear or other deterioration or evaluation of the thing that occurred due to its modernization, repair...

**New price** is defined as the price for which, at a given place and time, comparable or same thing or the new one of the same kind and purpose can be purchased.

**The aggrieved** is considered a person who the damage is caused to. It is a property damage expressed in monetary terms, but also health detriment, moral damage or other damage. The aggrieved is regarded even a person whose property damage occurred and



damage has already been paid for. In liability insurance the aggrieved person is the one who was caused damage by the operation of another vehicle. This person is entitled to damage compensation. It is paid from the liability insurance of the person who caused the accident. [7]

### 1.3 Finance and Insurance Market

Supply and demand for insurance and reinsurance happens in the insurance market. If the insurance market is solid and trustworthy, it is proof of a healthy and successful economy. The development of the insurance market leads towards more complex services, new forms of communication and contact, greater comfort for clients, thereby various commercial insurance companies create certain competition advantages. The globalization of world economy facilitates achieving these goals, but also magnifies the risks. It also sharpens the competition, increases the concentration of the economy, and thus erases the traditional boundaries between different sectors of the economy and governments. [5, p. 11]

The insurance market in the Czech Republic in 2010 over the previous year saw an increase and decrease simultaneously. Total required premiums rose to 151.1 billion CZK, which means a rise by about 8 %. The premium for life insurance was up by 19.2 % to total 70.5 billion CZK. In non - life insurance required premiums decreased by 0.2 % to 80.6 billion CZK. [9, p. 155]

Insurance	The volume of premiums (in billion CZK)	Share (in %)
Česká pojišťovna	38,4	25,4
Kooperativa	30,9	20,4
Allianz	10,6	7,0
ČSOB	10,2	6,8
Pojišťovna České spořitelny	9,2	6,1

Table no. 1: The largest insurance companies in CR according to the amount of required Premium  
Source: [9, p. 155]

### **1.3.1 Financial market**

Financial markets - markets with financial instruments, such as stocks and bonds.

Financial intermediaries - institutions providing financial services and products. These include depository institutions (commercial banks and savings banks) and non-depository institutions (money market funds, brokerage companies, insurance companies and pension funds). [3, p. 735]

The financial market is a system of economic relations and institutions that mediate concentration, allocation and reallocation of available funds through financial instruments. Here the supply and demand for these financial instruments concentrate. Financial instruments are payment instruments, precious metals, bonds and others. Subjects in the economy are faced with a situation where either they lack or have a surplus of funds (either they want to raise money to finance their needs, or for its development, or want to invest their temporarily free funds in order to evaluate). The system allows financial markets to move funds, resources between these subjects. [23, p. 5-9]

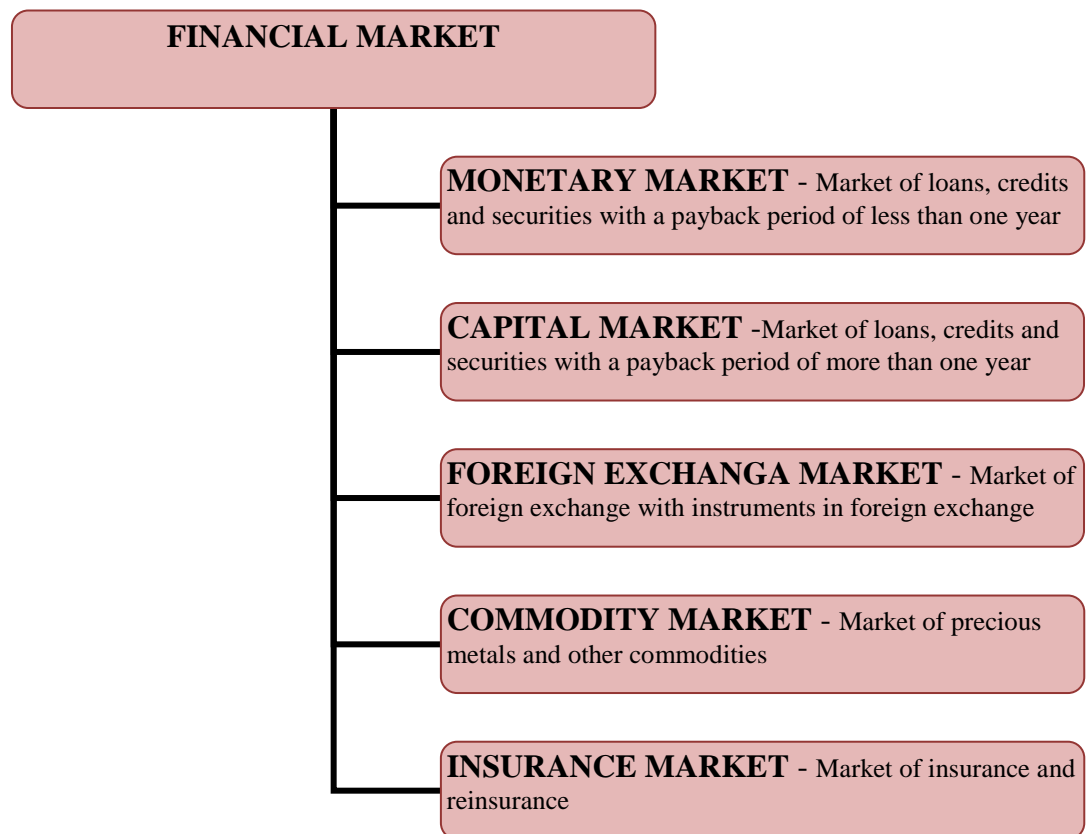
There are two basic methods of redistribution of funds between surplus and deficit entities - direct and mediated.

In a direct way of redistribution of funds they are allocated from surplus to deficit entities through securities. Deficit bodies emit different types of securities and surplus entities invest their savings in these instruments with the assistance of investment banks, brokerage houses, etc.

The mediated method is characterized by the participation of financial intermediaries (banks, insurance companies, savings banks), which emit secondary financial instruments, thus transforming the money obtained from lenders and provide it to the borrowers in other forms with different characteristics. We can say that financial intermediaries facilitate the implementation of monetary transactions for a fee (interest, premiums, reinsurance premiums, and margin).

Financial market perform many tasks and functions - accumulation, allocation, transfer, selection, it reflects the maturity, the overall economic situation of market economies and

bodies. The importance of financial market continues to grow. Financial markets usually we divide by time (short, medium and long term), or individual segments. [5, p. 17]



Graph no. 1: Structure of the financial market in terms of individual segments  
Source: [5, p. 18]

Each of the segments of the financial market has other tools, structure and peculiarities by which all the business is done.

### 1.3.2 Insurance market

The insurance market works on the principle of collection and distribution of funds, called reserves. Reserves in the insurance industry are continually created for the case of random payment needs. They cannot be unambiguously determined for consumption or accumulation and typical is entitlement of their use under certain conditions contained in the Act, the decree, the insurance contract, etc.

The essence of the insurance market can be defined on the base of little-known game theory. According to it the individual insurance business is equal to lottery and time winnings under uncertain moves. Insurance companies act as opponents and also try to expand insurance by balancing risks. The purpose of insurance is then to eliminate the negative effects of chance for a man, means to this is a game and the insurance company then has to generalize this game, if it does not stand it may even go bankrupt.

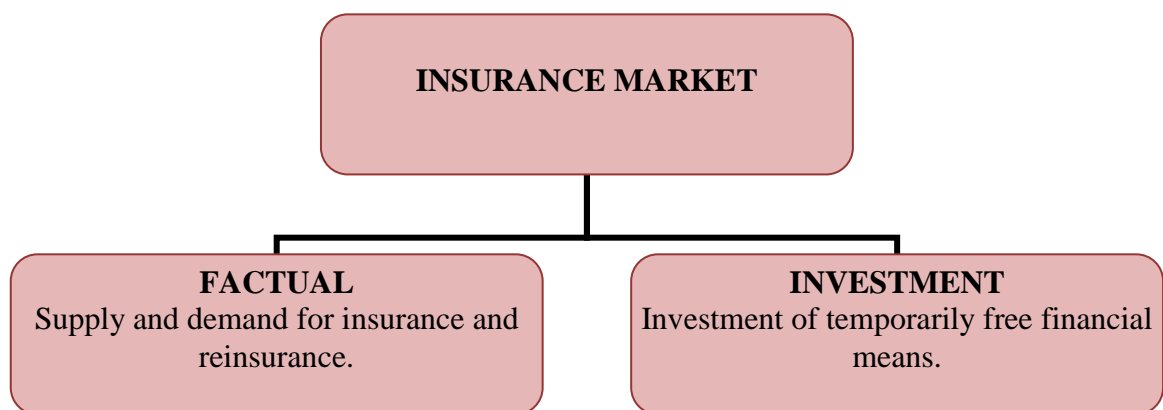
The key for the players to choose strategies in game theory lies in the consideration of its own objectives and those of rivals, when we assume that our opponent chooses his best option. Then we choose a strategy that maximizes our benefit. We always assume that our opponent analyzes our options in the same way. [3, p. 221]

The supply and demand for insurance protection meet in the insurance market. The subject of trades then is the insurance and reinsurance, these are insurance services. These services have of course a fictional character, they must be paid for and there is a risk that the buyer can get their return only after the realization of the covered risk. This is a very uncertain and risky payback of the funds.

The insurance market appears to be a market in which supply prevails. Here insurers, reinsurers and brokers are seeking for their future clients. If the supply dominates, it becomes at the same time the guarantee of the competition, influenced by creating of prices and insurance products, as this is the case in other segments of the financial market. This is partly influenced by the competition supervision in the insurance industry and its tools, and it partly restricts market competition. It is therefore possible to say that the insurance market is influenced by government intervention. The insurance market the specific principles are applied, namely the principle of solidarity, the conditional payback and nonequivalence. [5, p. 19]

The uniqueness of the insurance market is the fact that, unlike other markets, it is not concentrated in one place, but it is a whole network of insurance companies, insurers, reinsurers and brokers in different places and they currently make offers in the insurance market. On the demand side there are private persons, legal persons and associations.

Diversification of the insurance market is influenced by many factors and the same economic rules as any other market apply here.



Graph no. 2: Diversification of the insurance market  
Source: own

Diversification of the insurance market is influenced by many factors. External factors such as development and volume of GDP, inflation, unemployment, population, population's income, household expenditure, hence the basic macroeconomic variables are considered.

Internal factors - they affect the insurance market from the inside and they are:

- insurance and reinsurance and other related activities carried out by commercial insurance and reinsurance companies,
- interest in the insurance generated by the policy holders, respectively by the insured,
- understanding of the importance of insurance by policyholders, respectively by the insured,
- regulation of the insurance market by insurance supervision,
- mediating activities of insurance intermediaries,
- Insurance Association activities,
- and other factors. [5, p. 23]

### 1.3.3 Indicator of the insurance market level

The insurance market has an important status in each major market economy with its specific tasks, principles, rules and meanings. It is not possible to evaluate the development of the insurance market without examination of the development level indicators. Generally we can say that the insurance market level indicator assesses the effectiveness of

the use of resources and money.

Selecting indicators of the level of the insurance market should be oriented in such a way that the market is to be evaluated as comprehensively as possible and the indicators are being used in advanced economies. [5, p. 26]

These are mainly the following indicators:

- premium (in life or non-life insurance) which is set for the agreed-upon insurance period and after deduction of costs it forms the basis for calculating the insurance company income tax,
- insurance coverage (in life or non-life insurance) representing mainly financial performance of commercial insurance company to the client after the claim based on the insurance contract,
- claims volume (in life or non-life insurance), or an indicator which expresses the ratio between the amount provided by the claims and the amount of premium or premiums as a percentage,
- insurance ratio - one of the most important indicators of development of the insurance market, the ratio of premiums to gross domestic product in current prices;
- number of commercial insurance companies in the market
- number of employees in insurance business
- number of insurance policies, which not only reveals the level of the insurance market, but also the efficiency of work in commercial insurance,
- average premium per one insurance contract,
- number of liquidated claims,
- average indemnity per claim,
- concentration of the insurance market, which is also very important indicator of the level of the insurance market. It represents the share of the largest commercial insurance companies on required premiums and usually is measured in five to fifteen largest insurance companies. [28]

## 1.4 Diversification and characteristics of insurance by subject

The following chapter presents the basic diversification and a brief characteristics with some of the specifics.

### 1.4.1 Property Insurance

The subject of the insurance is property of private or legal persons. From the perspective of property owner the insurance can be divided to:

- property insurance of the population,
- insurance of industrial and business risks,
- insurance of agricultural risks.

Insurance is divided into insurance of assets (immovable and movable), and insurance of interests. Immovable things are connected to the ground with a solid foundation and are usually written in the real estate books, chattels are movable. Insurance of interests means the insurance of debts, loans, deposits, profits and other financial damages that may result from adverse effects of business or commercial risks. Things are defined in the insurance contract individually or as part of a defined set of things (ie they have the same or similar character or are intended for the same economic purpose).

The insured has the things:

- in his property or has the right to manage them (things of own),
- lawfully with him or uses them under an agreement (somebody else's),
- taken to perform activities or services ordered (somebody else's, taken over). [1, p 21]

Property insurance in relation to each risk divides sectoral insurance referred to in the following paragraphs.

**Natural insurance**, where the basic risks include fire, lightning, explosion, aircraft crash or collapse, falls of trees and poles, floods, stormy wind, hail, atmospheric precipitation, landslide, falling rocks or soils, heavy snow and earthquakes.

**Plumbing insurance** against damage or destruction of things by water from water supply facilities are also covered for damage with the insured buildings, things at home or on

goods and inventory of business.

**Insurance against theft**, which refers to things that were stolen in a manner when the offender had to overcome obstacles and measures to protect things against theft, it also includes damage caused by the robbery.

**Insurance of buildings and structures**, where the subjects are residential and farm buildings, outbuildings, garages, sheds, cottages, walls, fences and others.

Basic insurance covers damages caused by:

- fire, explosion, direct lightning strike, falling aircraft or its parts or cargo,
- flooding or flood,
- windstorm or hail,
- sliding soil, rocks or soil slides, sliding or collapsing of snow avalanches,
- falling trees, poles or other objects,
- weight of snow or ice,
- earthquake,
- water leaking from water facilities,
- excess pressure or freezing of water,
- stolen goods from burglary or robbery,
- willful damage or willful destruction of things,
- damage or destruction of building components due to acts of theft offenders towards things. [9, p. 158]

**Household insurance** is one of the basic types of property insurance. Household equipment is insured with natural hazards insurance, plumbing insurance and insurance against theft. Any additional insurance can cover things of special value and the accountability of all household members for damages caused in ordinary civil life.

**Motor vehicle insurance** against damage, destruction or theft or robbery.

What are the benefits of accident insurance:

- it covers damages even in cases caused by the insured themselves (eg, caused by road accident),



- optional participation of the insured in damage,
- discount on premiums for non-claim period, the bonus system,
- discounts on premiums for increased security protection against theft (electronic, mechanical or search or monitoring equipment).

There is also the possibility of additional insurance of the following accessories:

- insurance of windscreen or any windows, but this insurance is arranged only in the event of damage or destruction of glass,
- insurance of the luggage carried by the insured vehicle, it is additional insurance against theft or damage to luggage in the vehicle,
- accident insurance of persons transported by the insured vehicle, the insurance provides the vehicle occupants a financial compensation for harm to life, permanent health consequences in connection with injury in a car accident and insurance can be arranged for all the seats in the vehicle or just the driver's seat,
- replacement car insurance - the insurance covers the costs of rent for the replacement vehicle due to damage to the rented vehicle itself due to traffic accidents,
- assistance services - they provide assistance in case of accident or sudden failure, will ensure repair and towing of the broken vehicle, whether in the Czech Republic or abroad, provided the contractor's insurance and insurance to the extent specified the terms of the insurance company. [10]

**Transport insurance**, which applies to cases of damage, destruction, theft or loss of things during transport or acts relating to it. The transport is considered the time period from the preparation of the thing for carriage and its load to the point of handing it over to the recipient at the point of delivery.

The property insurance also include - insurance of machinery and equipment, electronic equipment insurance, insurance of the contents of refrigeration equipment, insurance of glass, construction and installation insurance, insurance of implications resulting from business interruption, insurance of agricultural risks and credit insurance.

### **1.4.2 Liability insurance**

It is the kind of insurance from which the insured subject has the right to get paid by an insurance company for damages caused by them to another entity's property, health and life and where there is a right to sickpay, for compensation for social impairment, the compensation for loss of earnings or income and the costs associated with treatment.

Liability insurance, according to actuarial forms the legal relationship applies in the form of:

- liability insurance for organizations for work injuries or occupational disease,
- mandatory contractual liability insurance for damage caused by the operation of professional activity,
- voluntary liability insurance

Voluntary liability insurance:

- liability insurance of damages of citizens caused by activities in ordinary civil life,
- liability insurance of the owner, holder, tenant or manager of property ,
- liability insurance for damage caused by professional performance,
- Motor Vehicle Liability Insurance (compulsory insurance),
- liability insurance for damage caused by the organization,
- product liability insurance,
- liability insurance of transport contracts
- liability insurance of damages caused by managers, board members and other statutory bodies,
- legal expenses insurance (assistance). [29]

Damage may occur to another person by damage or destruction of the property or by injury or illness of such person. The liability insurance entitles the insured, in case of damage, to be represented by the insurance company in negotiation with the aggrieved about their claims. It would pay the legitimate claims and refuse the arrogates. Insurance can be also arranged for the case of events that may occur abroad. This is particularly important for companies that export their products abroad. Such insurance then covers the risks abroad and is known as "product liability".

Insurance companies often arrange so-called compulsory insurance. Compulsory insurance applies in such cases where the law requires the operator of certain business to have

a liability insurance for damage. [9, p 161]

### 1.4.3 Personal insurance

According to the insurance claims personal insures divides into:

- insurance for the case of death,
- expectancy insurance,
- insurance for the case of death or expectancy,
- health insurance, which includes insurance against personal injury, serious illness, disability, sick leave, medical expenses and so on.

Note that the first three of these options fall under the life insurance sector, the fourth, then (if it is not a pension for life insurance) into the non-life insurance. [1, p 33]

Insurance benefits are paid according to the agreed method of payment in the insurance contract (lump sum, periodic payment amount, or a combination thereof). In terms of payment of insurance benefits can be attributed to the payment of insurance and pensions retirement plans. Life and accident insurance can be combined in the insurance products. In addition to personal insurance commercial insurance offer collective insurance of people which can cover the whole group of people.

**Insurance for the case of death** can be arranged temporarily or permanently. If the person dies between the beginning and end of insurance period, the beneficiaries are paid the agreed sum. If the insured lives to see the end of the agreed insurance period, insurance expires. It occurs in various forms, such as insurance of the costs for the funeral, when the agreed sum is paid to a person that arranged the funeral. In connection with bank loans the risk life insurance is used for risky loans, when in case of death insurance company pays arrears owed to the bank.

**Insurance on expectancy** is characterized by the fact that the insured receives the agreed sum from the insurance company only if the person lives to the end of insurance period. If the insured dies during the term, beneficiaries do not get anything.

**Insurance for the case of death or expectancy** is then a combination of two previous, the insured event is the death of the insured during the insurance period or they live to see the

end of the insurance period. In case of death insurance company usually pays an agreed sum.

**Pension insurance** in the Czech Republic consists of two pillars - mandatory basic state pension insurance, and the voluntary additional insurance, which is technically described as contributionally defined (CD). This is pension insurance with state contribution, sometimes also called additional pension insurance. Some commercial insurance products have a similar character, mainly investment life insurance. Insurance companies also offer a product called pension insurance, which basically means buying a lifetime annuity. [11]

**Accident insurance** is the most flexible one and allows selecting any range of insurance protection. The insurance covers accidental death, permanent disability and necessary treatment for the injured person.

With the accident insurance of the adults favorable terms can be negotiated:

- additional insurance of progressive benefits, which will in accidents with serious consequences get the insured substantially higher insurance claims. In the accident insurance of youth a progressive implementation is included in the basic rate,
- additional insurance for minor injuries that includes insurance for the time of necessary treatment,
- additional insurance of high-risk insurance business, which provides insurance protection, with a few exceptions, in all kinds of sports where the person acts as an active participant in organized competitions. [9, p 163]

**Insurance on serious diseases** (including severe illness insurance) where the whole sum or its part is paid to the insured in case that he is diagnosed with any of the predefined serious illnesses such as cancer. That can then be used for better treatment and compensation for lost earnings.

**Travel insurance** usually includes coverage of medical expenses when traveling abroad, accident insurance, baggage insurance, trip cancellation insurance, or a series of unforeseen events.

**Health insurance**, which we refer to as a voluntary insurance contract with a commercial insurance company. The purpose of insurance is mainly compensation for loss of earnings.

It may be offered as an additional insurance to risk life insurance with loans, leasing agreements, mixed, universal and pension insurance.

**Collective and management insurance** are usually arranged by the employer for their employees or, as the case may be, by trade unions. It is a voluntary contractual insurance which is very promising. Insurance companies are able to follow their clients' wishes to combine life, accident and health insurance, and insurance or medical expenses, liability insurance and others.

## **1.5 Reinsurance and coinsurance**

The insurer takes over the risk from his client. If the portfolio of insurance contracts is sufficiently large and homogeneous, we can assume that the randomness of individual risks cancel each other out and the sum of all claims can be reasonably well estimated. Otherwise, when portfolio of insurance contracts is small or individual insurance contracts are significantly different, the randomness does not cancel itself and the insurer takes the risk which may not be acceptable for them. This occurs particularly in the case of large industrial risks insurance - regional insurance company can often cover only one type of risk (such as a significant business interruption), but the problem, however, can be found in virtually all classes of insurance. In order to reduce risk or to increase insurance capacity, insurance companies use coinsurance and reinsurance or form associations (called pools) of insurers. Quality and existence of security largely influence the business and financial results of a company. For this purpose not only the construction of coinsurance is essential but also the quality of the co-insurers and reinsurers, who must at all times meet their obligations. In some cases, the policyholder can determine signing insurance contract by existence of coinsurance with another, usually capital better equipped insurance company or by collaboration with a certain reinsurer. In case of catastrophic events coinsurance or reinsurance may ensure the very existence of the insurance company. [1, p 226]

### **1.5.1 Coinsurance**

Represents the primary distribution of risks. Its essence is the horizontal division of risks between several insurers who are responsible for their share of overall risk. [8]

Coinurance is used primarily in insurance of property risks and its advantage lies in direct contact, mutual knowledge of the policyholder and all those who take the risk. The insurance company can better manage the risks and some specific needs of the policyholder can be better accommodated. In case of coinsurance each insurer is responsible individually to the insured, up to his share.

This direct contact can be evaluated also negatively - it means having to use a large number of insurers with the policyholder in the construction of an appropriate insurance program. Problems can therefore arise because of different methodologies for risk assessment and claims handling. A major problem may be the existence of a large number of co-insurers and their competition, conflicting interests, low openness. These negatives can be partially solved by the existence of leading co-insurer, under whose methodology the insurance will be followed, and which can convey all payments. [8]

### **1.5.2 Reinsurance**

The method of avoiding the risk by using a particular transaction. A farmer selling wheat can avoid the price fluctuations by selling wheat that would grow up in the fall already in the spring. A football player in the Czech or Italian league can (albeit illegally) bet on a loss of his team earns in case of win (club fees) or loss (n bookmaker's fee). [3, p. 752]

Technically we say that the provision of an insurance company is handed over to another entity, in layman's terms it is provision of insurance of an insurance company. The relationship of the insurer and the reinsurer is different from the relationship of the insured and insurer. The essential difference lies in the quality of communication since here experts are talking in terms of common interest of both partners. The trust between insurer and reinsurer is very important. Ensuring appears in all kinds of insurance, it is more frequent in non-life insurance, especially in the industrial insurance and health-related

harm insurance, where the level of uncertainty is, of course, highest.

The main advantages of reinsurance lie mainly in ensuring security (insurance of the insurance company), but, no less important, in stability and significant capacity. Capacity lies in the fact that the insurer cannot cover any and every risk of client's choice. The amount of risk relates to the competitiveness of the insurer, a power of trunk and creating reserves. Insurance increases the size of the risk that the insurer may bear. The disadvantage is actually the price of the insurance because, unlike in case of co-insurance, taking over the risks must be paid for.

The financial insurance uses insurance-technical tools, but its primary purpose is not to reduce risks. Through the financial backup the financial indicators of an insurance company improve, the ratio between the actual and required solvency or funding to introduce a new insurance product improves (increases). The basic principle of financial insurance can be described as distribution of financial flows to the insurance company in time so that the financial strength at any time meets the interests of society, for example, often there is a mutually agreed transfer of responsibilities to create reserves for claims to reinsurers under which the reinsurer would be provided reinsurance fee in the future. [1, p. 243]

## **2 Characteristics of Česká pojišťovna, a.s.**

In 1827 was founded in Prague the First Czech mutual insurance company (První česká vzájemná pojišťovna), which initially ran only fire insurance of real estate. In the early 20th century this insurance company began to offer also life insurance, insurance against theft and liability insurance and accident insurance. When Československá pojišťovna was created in 1948 as an insurance monopoly, it held its position until 1991, when the Insurance Act opened the market to other insurers. It should be noted that their privileged position, despite the many obstacles that it had to overcome, still holds. Česká pojišťovna, a.s. has more than 180 year tradition of providing life and non-life insurance and it is the largest insurance company in the Czech market. It provides both individual life and non life insurance, and insurance for small, medium and large clients. It currently has about 3,900 employees and 5600 sales representatives in more than 3000 sales outlets. One of their main goals is the maximum satisfaction of their clients. As a proof there is its placing in the top ten most admired companies in the Czech economy in the Czech Top 100 poll in 2011. In 2009 it was named the best insurance company of the year by Hospodářské noviny newspaper. Česká pojišťovna is one of three companies in the Czech Republic, which can boast with the Olympic brand award. Currently in the Czech Republic there have been 252 brands considered, but the term 'Olympic', indicating the highest value, apart from Česká pojišťovna belongs only to company's Škoda Auto and Nokia. Total premiums according to the methodology of Česká asociace pojišťoven (Czech Insurance Association) in 2010 amounted to 38.4 billion CZK. Česká pojišťovna, a.s. manages nearly nine million insurance contracts and its market share in the domestic market exceeds 25 percent. [12]

The general manager of Česká pojišťovna is Pavel Řehák, his term of office began on 1 July 2010. In addition to the general manager and his eight deputies Česká pojišťovna is managed and supervised by:

- General Board,
- Supervisory Board,
- Audit Committee,
- Board of four members.



Customer service of Česká pojišťovna is available to anybody around the clock. The caller can obtain information about products and services of Česká pojišťovna, to report damage (with motor vehicles insurance, property insurance, liability insurance), or get information about reported claim events and specific contracts (motor vehicles insurance, property insurance, liability, life insurance, accident and pension insurance). Negotiating over the phone or the payment of insurance premiums by credit card is also convenient if the client has enabled the possibility of paying over the internet.

The new product of Česká pojišťovna in 2011 became mobile application Pojišťovna that allows quick and easy access to services and products of Česká pojišťovna whenever and wherever needed.

Selected products of mobile applications:

- report a traffic accident,
- a guide through recommended steps after a traffic accident,
- travel insurance arrangement,
- user's profile for effective work with the specified tasks,
- an interactive map of branches of Česká pojišťovna showing the opening hours and contact details,
- first aid guide. [12]

By constantly updating and upgrading of websites of Česká pojišťovna client or candidate need not go to a branch but can use the offered services (arranging insurance, insurance claim reporting) immediately after completing a short and clear questionnaire on the Internet.

## **2.1 Pruducts of Česká pojišťovna, a. s.**

This part of the thesis is divided into six sections with a focus on insurance for citizens.

### 2.1.1 Life

- investment life insurance 'Zajištěný výnos Plus' - a unique appreciation of 20 % in 5 years, joining investment life and accident insurance,
  - 'Diamant' life insurance - enables to set and change the proportion of saving and insurance components, ensures a person or a family in the case of illness and injury,
  - 'Multirisk' life insurance - life insurance without the saving component, suitable to cover a mortgage,
  - 'Sluníčko Plus' children's insurance - wide insurance protection, a unique combination of guaranteed payments for life expectancy and improvement in the funds,
  - accident insurance - comprehensive injury program for adults, children, families and professionals who themselves will determine the extent of insurance risks and premiums,
  - 'Patriot' life insurance - safe money investment with a conservative appreciation of 2.45 % p.a.,
  - health and accident assistance - helps to find the nearest doctor or pharmacy,
  - 'Profi život' life insurance - a combination of employers and employees contributions and collective payments, actively managed funds can be used for appreciation of money,
  - 'Manažer' life insurance - life insurance for employees of companies using employee benefits programs, effective tool for financial incentives to key employees,
  - 'Partner' life insurance - enables a combination of employers and employees contribution and collective payment and guarantees appreciation of invested funds,
  - combined deposit insurance - safe money investment with guaranteed appreciation of 2.5 % p.a., accident insurance with the payback of the deposit at the end of insurance period, option to increase investment and edit individual insurance at any time,
  - 'Pieta' funeral insurance - provides funeral, beneficiary will be returned the remaining funds,
  - pension insurance - security for the well-deserved rest, guaranteed appreciation.
- [13]

### **2.1.2 Animals**

The only insurance Česká pojišťovna offers in this section is called 'Mazlíček' and it mitigates the financial consequences of an injury, illness or death.

### **2.1.3 Responsibility**

- liability insurance of a citizen is arranged by a single contract that protects the entire family with insurance of up to 20 million standardly without participation,
- professional liability insurance - for all professions without limitation covers damages to the employer, it also applies to losses abroad,
- liability insurance of the owner, holder, tenant or property manager to protect the property owner against damages to another person,
- liability insurance for hunters with free weapon insurance and the lowest premiums in the market.

### **2.1.4 Property**

- insurance of a house and related structures without inspection, damages shall be paid at the new prices with the protection of the house including the garden,
- household insurance with non-stop emergency assistance, insurance of objects in the basement and garage,
- insurance of a flat and related areas - the best insurance with a mortgage immediately and without inspection,
- insurance of a cottage against the elements and thieves, including gardens, greenhouse and garden equipment,
- insurance assistance for house and apartment with a quick help in case of emergency - 24 hours a day, 7 days a week, reimbursement of up to 10 000 CZK,
- individual insurance of movables can be arranged for short term against all hazards,
- permanent payments insurance with ČP Zdraví, including mortgage and loan repayments for employees and self-employed.

### **2.1.5 Travel**

Česká pojišťovna is widely focused on the travel insurance. The insurance cover selected risks or combine them, reimburse cancelled tours, offer legal assistance in a foreign country or offer individual packs.

Types of travel insurance:

- sea,
- tourism and knowledge,
- sport,
- cycling,
- ski and snowboard,
- adrenaline,
- euroweekend,
- business trip,
- domestic travel insurance,
- holidays and fun,
- student,
- traveler,
- au-pair,
- for work,
- 'Individual' travel insurance. [14]

### **2.1.6 Car**

- Comprehensive insurance for your car - it saves time, it is cheaper than buying individual products,
- liability insurance „Bez povinnosti“ - help in any situation without loss of comfort,
- accident insurance - coverage for damages caused by accidents, natural disasters, theft, vandalism and unauthorized use of vehicles not only in the CR, but also in Europe with a comprehensive assistance service free of charge,
- accident insurance of older cars.

## 2.2 SWOT analysis of Česká pojišťovna, a. s.

In determining the strategic objectives of the organization we use the SWOT strategic analysis. Having determined the vision and goals, we can proceed to the strategic planning process. Strategic planning builds on the macro-environment trends. [15, p. 100]

S - strengths (resources, reputation, market position, uniqueness, etc.)

W - weaknesses (lack of strategy, unused capacity, resources, etc.)

O - opportunities (new markets, new technologies, etc.)

T - threats (competitors, substitutes, buyers, suppliers, customers, legislation, economic development, etc.) [16, p. 58]

<b>Strengths:</b> The facts which bring benefits to both customers and the company.	<b>Weaknesses:</b> The activities that the company does not perform well or those that other companies can perform better.
<b>Opportunities:</b> Facts which may increase demand or may better meet customers' needs and bring the company success.	<b>Threats:</b> Facts, trends, events which may reduce demand or cause customers' dissatisfaction.

Table no. 2: SWOT analysis

Source: [16, p. 58]

### 2.2.1 Strengths

- The largest insurance company in the Czech market,
- offers variety of insurance products,
- most clients of all insurance companies in the CR,
- more than forty-year tradition of insurance- a considerable advantage of insurance expansion for a Czech conservative klient,
- Olympic brand award Winter,

- availability, flexibility (Česká pojišťovna quickly adapted to the trend of foreign insurance companies by introducing the digitization of all insurance policies and claims in 2003),
- ever faster, upgraded compensation of clients' claims,
- elaborate system of employee training,
- rewards employees for performance (motivation to make as many new contracts with the insurance company as possible),
- highly competent employees who are able to indemnify the insured event based on medical reports (saves costs for the services of a doctor),
- option to arrange insurance from home via the website,
- the mobile application Pojišťovna that allows quick and easy access to services and products of Česká pojišťovna anywhere and anytime,
- around-the-clock client service - callers can report a claim or obtain information on reported claim events and specific contracts on telephone.

### **2.2.2 Weaknesses**

- Digitization of Česká pojišťovna took a relatively long period of time, approximately 2 years,
- outflow of clients due to a greater focus on wealthier clients,
- increase of the premium price.

### **2.2.3 Opportunities**

- Improving the efficiency of their employees,
- higher motivation of employees through corporate bonuses,
- faster penetration to foreign markets,
- individual pricing for existing and new clients,
- even greater range of insurance products.

#### **2.2.4 Threats**

- The increase in insurance fraud,
- human errors,
- the outflow of skilled employees due to the company's failure to appreciate them (a considerable advantage for competition),
- strong foreign insurance companies penetrating the Czech market,
- increasing competition in the Czech Republic.

#### **2.2.5 Evaluation of SWOT analysis**

The main outcome of the SWOT analysis is the behavior of the company that maximizes the strengths and opportunities and on the other hand minimizes its weaknesses and threats.

Strengths of Česká pojišťovna are listed in section above and it is appropriate to mention that its way of development was not easy, but even though it can boast with the title of insurance company with the largest number of clients in the Czech market. Despite receiving the award its greatest achievement is clients' satisfaction and stability, which today, due to the strong competition, must be taken care for by all employees of Česká pojišťovna.

In my opinion Česká pojišťovna is really strong insurance company in the Czech Republic, has a wealth of strengths, but the most serious weakness of the Česká pojišťovna in the last few years has been a greater outflow of clients due to the primal focus on wealthier clients, which in times of economic crisis does not need to pay. The question is whether to keep a long-term client, who has been insured with the company for 10-20 years, paid the lower premiums and has not made any claims at the same time. Česká pojišťovna has been currently focused on 'richer' clients who are new clients, paying considerably higher premiums, since they make short-term insurance contracts and are well aware of the amount of a compensation in case of a claim. I think that Česká pojišťovna has to invest more on detection of potential costs of fake claims and insurance fraud.

Each insurance company certainly has an opportunity to upkeep their employees and improves their efficiency, uses a sophisticated system of training and, not less important, company incentive bonuses. Any company, not only Česká pojišťovna, should appreciate their employees. As customer's advantages we can see in particular individual pricing for each client, providing high standard of care, and the growing range of new insurance products.



### **3 Analysis of the insurance legislation development**

This chapter analyzes (analyzes, examines) the development of insurance from the very beginning and provides a comparison of insurance legislations before accession to the European Union and in the present.

#### **3.1 The beginnings of insurance history to 1918**

The first mention of insurance is the fact that already in ancient Egypt, around the year 2500 BC, masons used to conclude a mutual agreement on the joint costs for funerals deducted from regular contributions. During the reign of King Hammurabi in ancient Babylon caravan owners used to conclude agreements on mutual protection of losses that would result from the planned route (around 2000 B.C.) and also in ancient India different types of credit insurance in the case of traders (about 1000 B.C.) were created. These claims are not accurately documented, as well as claims that in ancient Greece there was a certain kind of social insurance in case of mutilation in the war (Athens around 400 B.C.). [30]

There is evidence of insurance or support activities in ancient Rome, where various clubs with their own statutes existed to ensure a dignified funeral of the late members and later to reallocate the funds for their bereaved. Characteristic features of the commercial insurance business had the marine lease (*faenus nauticum*), whose essence was that the lender lent a certain amount of money at high interest when the debtor was not obliged to return the amount due in case the ship did not reach its destination. [17, p. 22]

With the development of trade and crafts ever larger groups of people began to feel the need to organize themselves, in order to survive, in various professional groups, brotherhoods or guilds (associations of merchants) and guilds (associations of artisans). Gradually they came to such development stage when regular contributions to the common treasury were fixed and the range of claims and contracted amount of compensation for damage determined.

From the late 10th century maritime trade came to life, especially in the Mediterranean. Shipping at the time was very risky, not only for the imperfection of ships, navigation equipment limitations, etc., but also to rampant piracy and the ever-recurring wars. In connection with this, the first in the Mediterranean countries and later in the Atlantic the marine established insurance in mutual and commercial form. In Portugal in the 60th - 80th of the 14th century a "mutual shippers' associations" with a mandatory approach was created. From this period the first contract, signed on the 13th April 1379 in Pisa, Italy, initiating an era of commercial marine insurance and origins of maritime law in Europe (eg Barcelona Consolato del Mare) is preserved. Great risks associated with insuring ships and their cargoes led various insurers efforts to unite for insuring particularly dangerous risks then attempts to allocate risk through co-insurance (the horizontal division of risk) and then through reinsurance (the so-called vertical division of risk). The first evidence of reinsurance contracts have been preserved from the 14th century in England and Italy. [17, p. 21-23]

Since the early 15th century agreements similar to today's have been concluded. Their model contract has been the retirement contract from 1317, still kept in the Netherlands and which details the conditions for pension insurance - an annuity, payment terms etc.

The development of the capitalist insurance is mainly attributed to England, where since the late 80th of the 17th century a distinctive center of marine insurance, Lloyd's, was created. In the late 17th century a café in London, Tower Street, was opened. Its owner Edward Lloyd took advantage of the fact that the ship captains and various businessmen were meeting there and organized to exchange information on maritime transport for them. Gradually, the café became a place that operated a marine insurance. The broker who was instructed to insure the ship, cargo and crew, walked with a sheet of paper around the café guests and each candidate scored the amount for which he was willing to guarantee. According to their shares the premiums were calculated from these facts that customer paid to his subscribers. Even after the death of Edward Lloyd's the café continued acting as a major insurance center.

In 1720 the new owners received from Parliament the exclusive right to operate marine insurance. From now on the insurance sector is developing rapidly and with great fire of London in 1666, the first commercial insurance company in the world, The London Fire Office was founded in 1680. [30]

In 1705 the Prussian King Frederick I. gave initiative to build public fire insurance for the whole of Prussia. In 1786, London Phoenix Insurance Company, as the first insurance company in the world, with the fire insurance, exceeded the limits of their own country and started a business in Hamburg (through his agent William Hanbury), in Hantex and Le Havre. In 1790 the Phoenix insurance company operated fire insurance not only in Germany and France but also in Spain and Portugal. A great fire in Hamburg in 1824 was the impetus for building a fire insurance on a commercial basis in the German states which have by then operated only public insurance. [17, p 24]

In various states other forms of insurance were formed- hail and livestock insurance, liability insurance, plumbing insurance, credit insurance, trade and advertising insurance, insurance against the consequences of strikes. In the late 19th century numerous marginal property insurance were created, liability and accident insurance, as bicycle insurance, accident insurance of newspapers subscribers etc.

Capitalist life insurance began to develop rapidly after scientific basis for its operation was established. An "intermediate type" between feudal and capitalist life (pension) insurance were the tontines, which became a major financial institutions in the 17th and 18 century and in a modified form still survived in the late 19th century as in the Czech insurance bank Slavia. Tontines whose maker was Lorenzo Tonti, an Italian doctor who originally intended to serve as a source of income for destitute French treasury. Tonti suggested to French Cardinal Mazarin, to announced a state loan and the signers to be divided into ten groups according to age. Interest should be paid each year to the living creditors in the age group. Due to the extinction of the file thus determined annuity each year for individuals grew, after the death of the last of creditors in the group the loaned stock fell to the state. The first tontine in France was announced only in 1689, while in Holland since 1670. Tontines then taken up in other countries.

The development of gambling in the 16th century led to scientific research of problems of probability. The decisive moment for the development of the processing of mortality insurance tables based on statistical data through probability. [17, p 25]

The first commercial life insurance company, based at least partly on scientific grounds, the Society of London Assurance of Widows and Orphans (Society for the insurance of widows and orphans), was founded in 1699. It operated only insurance for the case of death and the insured event gave a choice between a whole sum payment and the payment

of retirement in a limited range (first 30% of sum insured), since 1771 only 18% of sum insured. In 1745 the insurance company had to stop all payments and was saved only thanks to state support and further reduce pensions.

In the late 18th century, there problems occurred in association with deviations from normal insurance - suicides, deaths in a duel, insurance people with incurable health. Insurance companies set up new rules but generally paid insured amounts anyway. [30]

Life insurance had long been limited only to England, but in 1778 Hamburg "life checkout" to replace life insurance (abandoned only in 1957) was established. In France, the monopoly Compagnie Royale d'Assurances (Royal Insurance Company) was the first insurance company to deal with life insurance. In Czarist Russia it was the Russian company for capital and pensions insurance, founded in 1835. It had a monopoly on life insurance, but in terms of a backward, feudal autocracy the insurance industry developed very slowly.

The development of insurance in the 19th century increasingly emphasized the inadequacy of co-insurance and a higher level risk classification. Due to the no-go in ensuring the Anglo-Saxon countries was the first professional reinsurance in Germany - Munich Reinsurance Company. Characteristic for the reinsurance relations was the mutual trust partners. In England also could not establish a reinsurance undertaking, but skirted the ban by at home and abroad "insuring insurance companies."

For the capitalist insurance and reinsurance internationalization is typical, capital spillovers from one country to another. In virtually all countries, and therefore in the Austro-Hungarian Empire, including the Czech lands and Slovakia, foreign insurance companies, either directly, through its general agencies, branches, etc., or indirectly, by establishing "domestic" insurance companies, which had a decisive share of the capital and therefore also a main share of the profits. Foreign capital in companies which operated in the Czech and Slovak countries, complicated not only the activities of home insurance companies, but after the collapse of Austria-Hungary in 1918, it deviated the development of insurance in Czechoslovakia. [17, s. 24-28]

### **3.1.1 Beginnings of Insurance in the Czech Lands**

Fire Regulations for the City of Prague has been known from the second half of the 14th century. The fire order and the fire regulations all around the kingdom from 1785 still failed to meet claims. The damage claimers only received so-called begging licenses, or there were, for their benefit, collections held in churches (patent allowed from April 3, 1750).

History of Insurance in territory of the Czech Republic reaches to the late 17th century. Around the year 1699 Jan Kryštof Bořek gave, at that time, original and well thought-out proposal for the introduction of obligatory (compulsory) fire insurance in the Czech lands. This proposal consisted of the fact that there would be Fire Fund established in every town, to which all "people actually set with a purchase of a house" but also "non-established, insofar as they benefit from the local protection and conduct their business" would be obliged to contribute. The Fund did not happen.

Imperial-Royal estate in Brandýs nad Labem, as the only one at the time, established insurance against damage from a fire on field inventories, furniture, tools and cattle for the subjects. The insurance company did not last long and soon disappeared.

Since their founding in 1822 two "foreign" insurance companies started their operations in the country, the C. K. priv. Azienda Assecuratrice of Trieste and the Imperial Priv. First Austrian Insurance Company from Vienna. [31]

In 1827 "The imperial-royal privileged Czech joint Damaged by Fire Insuring Institute" was established in Prague. The name of the institute was later changed to First Czech Mutual Insurance Company since 1827 and it reflexes the tradition of Czech insurance until now. Almost simultaneously came in Brno "Imperial-Royal Institute of privileged mutual fire-damaged for Morava a Slezsko, which turned into the Moravian-Silesian mutual insurance company. Both of these insurance companies initially operated only fire insurance. First Czech Mutual Insurance Company began to operate insurance and property insurance on hail in 1864 and only made a decision in 81st General Meeting of 10 May 1909 and decided to extend the insurance business to a new insurance business - life insurance, insurance against burglary and public liability insurance and accident insurance. [17, s. 24-28]

### **3.1.2 Development of Insurance in the Czech Lands**

Foundation wave of Czech insurance companies and insurance associations took part in the second half of the 19th century. The major institutions were as Asekurační spolek cukrovarníků (1862), Pražská vzájemná pojišťovna (1865), Slavia, vzájemně pojišťovací bank, Praha (1869), etc.

In the seventies and eighties of the 19th century, the Czech insurance industry was already so strong that its economic stability could not be shaken by even the greatest single compensation for damage in 19 century after the fire of the National Theatre. Amount paid 297,869 florins of Austrian currency enabled almost immediately start work on restoring the building of the National Theatre.

With the expertise and political acumen leaders in the insurance industry has managed to transfer the funds entrusted despite the difficult war period 1914 - 1918 and after the establishment of independent Czechoslovakia to initiate a new stage - now Czechoslovakian insurance business. [31]

## **3.2 Development of the insurance legislation in the years 1918 to 1945**

Fundaments of the common state of Czechs and Slovaks were placed in very tumultuous years of World War II (1914 - 1918) when the right to self-determination and at the end of the war also the secession from Austria-Hungary promoted not only to Czechs and Slovaks, but also to other nations of the Habsburg monarchy. The Czechoslovak state was established on 28th October 1918.

### **3.2.1 The post-war years 1918 to 1923**

Disintegration of Austria-Hungary meant a shift of political significance and extent of ownership of individual groups under the new arrangement.

In Czechoslovakia, political representatives of the Czech capital and to a much lesser extent, the Slovak capital strengthened their economic position. Entrepreneurs felt the need

for personal insurance, particularly insurance for the case of death, transport insurance (due to the supply of goods to war-torn area and growing trade) and fire insurance. Economic development then gradually necessitated the introduction of new types of insurance. The science of insurance and related actuarial mathematics and statistics were also formulated. "Insurance Law" had no less success than "insurance science" in the first post-war years in Czechoslovakia, also thanks to its long tradition of scientific work in this discipline. For example, the name of Czech attorney Dr. Karl Hermann Otavský was already a phenomenon during the First World War not only among ours, but also the Austro-Hungarian law specialists. For the entire existence of the first Czechoslovak Republic "safety law" generally understood summary of the statutory provisions governing the legal relations in the private insurance industry. These statutory provisions were divided into private insurance and administrative law. [18, p. 30-35]

After 1918, decisive positions were taken by the oldest insurance companies - První česká vzájemná pojišťovna (the First Czech Mutual Insurance Company, founded 1827), Praha, Slavia, vzájemně pojišťující banka (Slavia, Mutual insuring Bank), Moravsko-Slezská vzájemná pojišťovna v Brně (Moravian-Silesian mutual insurance company in Brno), Asekurační spolek průmyslu cukrovarnického (The Sugar Industry Asecurate Association) and some other insurance companies. These were then gradually joined insurance company, founded in the early postwar years (Continental Čechoslavia, Elbe, Merkur). The most significant achievements included clarifying of the problems of abnormal risks. Insurance theorists had built on the fact that life insurance must be available not only to healthy people, but also to the ones in some way handicapped whose remaining life time could not be foreseen. [31]

### **3.2.2 The legislation and state supervision of insurance in Czechoslovakia (first republic)**

Over the years, various attempts were made to reform and unify law of insurance in the Czechoslovakia. But they were unsuccessful, because deciding whether to be put fully into force the Austrian Act on the insurance contract, or to issue a Czechoslovakian law. Only in 1934 the Law on Insurance Contract No 145 Coll. on insurance contract was adopted. It was the Austrian Act No. 501/1917 Coll., revised and improved. The purpose of this Act was to prevent the violent interruption of the continuity of legal norms.

State supervision of insurance was generally justified by the nature of an insurance contract as the basis of private insurance. Based on an insurance contract one party (the client) meets, without always knowing if it would be met. The second party (the insurer) agrees on the other hand ("promises") that it will perform, if there is a certain event specified in the contract. Supervision was to be responsible for checking whether the establishment and management of insurance company guarantees the ability to meet assumed obligations ("promises") and is complying with applicable regulations (eg calculation of reserves, the imposition of capital, accuracy, clarity and completeness of the activity reports and financial statements). Ministry of Interior and the government commissioners were entrusted to manage the supervision of insurance [18, p. 214-295]

### **3.2.3 Attenuation of the Czech insurance industry in times of The Protectorate of Bohemia and Moravia**

Events in 1938 and 1939 and the Protectorate until 1945 acutely affected the development of the Czech economy and affected the development of private insurance. Insurance trees had to be passed to German, Hungarian or Slovak insurers and later were covered according to territory.

The whole territory of the Protectorate of Bohemia and Moravia was gradually subjected to the Third Reich insurance regulations and its insurance entered the Czech territory without resistance.

### **3.3 Development of the insurance industry after its nationalization in 1945 until the abolition of the monopoly in 1991**

By 1945 there were more than 700 insurance companies and insurance associations in la. Presidential Decree No. 103/1945 Coll., on 24th October 1945, nationalized contractual (private) insurance in the Czechoslovak Republic. To keep the uniform line of insurance business the Insurance Board in Prague on January 1st, 1947 in Czechoslovakia, was established.



By regulations number 2006, 2088, 2090, 2092 and 2094 five insurance companies, national companies, were established, namely: Pojišťovna Slavia, np, Pražská pojišťovna, n.p., První československá pojišťovna, n.p., pojišťovna Slovan, n.p. a Nemocenská pojišťovna, n.p. After February 1948, with retroactive effect from 1 January 1948 a single institute was created - Československá pojišťovna, a national company with headquarters in Prague and the Directorate for Slovakia in Bratislava, which became a monopoly insurer in Czechoslovakia for both domestic and foreign risks. It happened by the Minister of Finance Decree No 977 of 25 May 1948. February 1948 interrupted, as in other areas, for several decades, the natural development of insurance market.

Very negative impact on the development of insurance, especially life insurance, the monetary reform implemented in 1953 brought. Quite unfavorable exchange rate conversion of values of life insurance most significantly damaged the insured for a long time and shook the confidence of the insured in this form of collateral. In 1958, the former Státní pojišťovna incorporated První česká zajišťovací banka and Státní pojišťovna, pojišťovací a zajišťovací podnik Praha was created. Act No. 162/1968 Coll. on insurance in connection with the federal structure created by the State of the State insurance two separate entities - the Czech national insurance company based in Prague and the Slovak State Insurance Company, based in Bratislava, with effect from 1st January 1969.

The legal framework for the changes associated with the introduction of market economy and private enterprise in the insurance industry was created especially for new insurance laws. Under the new legislation, the conditions for the cancellation of monopoly of the former Česká státní pojišťovna in the Czech Republic. The granting of permission from the Ministry of Finance of ČR and SR, as the insurance supervisory authority, allowed other insurance companies in the Czech and Slovak Federal Republic get in the insurance business. The division of the federal state on 1 January 1993 created the conditions for the separate development of the Czech insurance market. [20, p. 149-296]

### **3.4 Insurance worldwide and integration of the European insurance market**

Insurance is an important part of the economic potential of the developed countries.

In many Western European countries insurance industry control more capital than the banking sector and in Great Britain, Switzerland or Sweden, the share of premiums to gross domestic product make more than 8%. The share of investment in GDP is, mainly due to life insurance reserves, much higher. No wonder that the prosperity of the insurance sector is closely linked to overall economic development of individual countries and continents.

In the global market the strongest and fastest growing is Asian market, followed by American and European. Individual continents differ in structure of insurance. While in Europe and North America non-life insurance has a larger share of market in Asia it is the opposite.

A very high proportion of life insurance in Asian countries (72% in 1992) can be explained by lower levels of state social security. The general development in the last decade is marked by a faster growth in life insurance premiums than non-life insurance.

Efforts of every major insurer have always been to expand the markets abroad, not only for commercial reasons but also due to technical actuarial (greater dispersion of risk). Often the nature of insurance itself predisposes this cosmopolitans.

The insurance industry there is, in the context of the European Union services, a single legal insurance market for the member states from 1 July 1994.

Creating a single insurance market was not a matter of a break, but a gradual process of taking individual directives, which took place over a time horizon of more than twenty years.

The main principle of the integrated market system is a single license permit that enables any insurance company incorporated and registered in a European Union country to sell their products through branches or representation in another country, or sell directly from their headquarters across the border in the whole European territory on the basis of the original permit and the technical and financial control in the country of origin.

### **3.5 Comparison of the insurance legislation before accession to the EU and is today**

The beginning of 2004 can be described as an important milestone in the Czech insurance law. Approved and published there were two new legal rules governing the insurance status and legal relations of persons engaged in insurance policies and claims handling.

Two more legal standard were substantially revised, the Insurance Act and the Act on liability for damage caused by vehicles.

The reason for the increased legislative activity in the area of insurance law was, apart from the accession to the EU and the consequently growing need for compatibility of domestic legislation with the European and also need to underline the importance of and legal insurance relationships and the insurance itself.

On 17 December 2003 Insurance Contract Act and amending related laws which took effect on January 1, 2005, was approved and under No. 37/2004 Coll. published, with the exception of several provisions that were needed in connection with the accession of the Czech Republic to the European Union, and therefore came into force on 1 May 2004, which came into force the Treaty of Accession.

They are these paragraphs:

- § 23, paragraph 4 to 6 (applies to special arrangements for insurance contracts concluded by trade at a distance),
- § 30 - amending co-insurance,
- § 42 - amending legal defense insurance with important specifics, eg concerning the conclusion of the arbitration agreement,
- § 63 and § 64 contain special arrangements for private insurance underwritten in the member states, information regarding the fulfillment of obligations, the consequences of liquidation of the insurer and the application of the law,
- § 64 - § 67 governing the obligation of the insurer to inform before the conclusion of insurance contract and during its duration,
- § 70 contains the change of the act on international private and procedural law (this provision is of particular importance to choice of law applicable to a particular insurance). [32]

Insurance Contract Act contains 73 provisions. It is divided into seven parts, so that the first part regulates the insurance contract, respectively insurance, since it is more accurate expression of content and the label was left in order to maintain continuity and tradition.

Part two contains the necessary amendment to the Civil Code, which consists solely of repealing certain provisions, § 104, which regulated specifically designed beginning during the period of limitation for the right to claim on insurance in the event of a claim. The new rules of limitation contained in § 8, for life insurance (as defined in § 54, not according to Annex 1 to the Act on Insurance) differently from the present arrangements, because from three years the length of this period was extended to ten years. The onset and course of this period was left unchanged for 1 year after the claim. Specifically these limitation periods govern a victim's direct entitlement to indemnification and the reimbursement, the right of the insured to be compensated for what they paid to the injured party for damages.

In addition, Civil Code left out all existing insurance contract amendment contained in part eight of the fifteenth paragraph.

Part three covers minor amendments to the act on certain conditions in the area of tourism. This is only an amendment to the compulsory insurance guarantees and a new reference to the Insurance Contract Act. The amendment to this Act, with the same efficiency, which is also included in Law No. 38/2004 Coll. On Insurance Intermediaries and Independent Loss Adjusters.

Part four concerns above mentioned change of Law on International Private and Procedural Law.

An important adjustment to the insurers included in Part five, on the amendment of the Act on Public Health Care, for following the provisions of § 43 and § 50 of the Insurance Contract Act enables the insurer to request health data to authorized health care facilities and to obtain them from the attending physicians.

Part six contains an important provision which states that labor relations (not only the rights and obligations of the parties) arising from insurance contracts concluded before the effective date of this Act shall be governed by existing regulations. It thus establishes the need for dual mode. Simultaneously with the law changing the term "compensation" to

"surrender" in all legislation where it is used.

Part seven governs the effectiveness of this Act.

### **3.5.1 Purpose of Act**

The purpose of the Insurance Contract Act is to regulate relations of insurance participants, arising under an insurance contract if no specific legislation regulates these relationships differently.

Excluding the issue of policies of the Civil Code allowed a more comprehensive and detailed regulation of the rights and obligations of all participants in the insurance relationship.

Insurance Contract Act uses the term private insurance (§ 1, paragraph 1), which distinguishes the relations governed by this Act from such relationships governed by Act No. 48/1997 Coll. on public health insurance.

Insurance Contract Act introduces a number of concepts, relationships, rights and obligations which were not included in the previous legislation and insurers, in many cases, had to integrate them into the policy conditions.

## **4 Forecast of insurance in the CR**

Previous analysis of changes in the Czech insurance law showed in the nineties of the 20th century and in the early 21st century that the regulation of insurance industry and its changes during the relevant period have been historically determined primarily by two main tendencies. First, it was to fill the gaps in the original treatment of the early nineties in order to ensure greater reliability, efficiency and safety of the insurance sector, which resulted in the law, especially in the nineties. Second, the changes that have occurred in connection with the harmonization of our legislation with European law were rather a question of the break of the millennium and further on.

Most of the provisions, which came to us from European directives, have potential to ensure greater security in the insurance and result in "filling the Czech gaps." On the other hand, it was clear that the Czech Republic would in the future become a member state of the European Union and will have to align their law in accordance with Europe. Already in the nineties we have seen some legal changes related to harmonization - a gradual retreat from the supervision of general insurance conditions that started in the Insurance Act in 1999. The most important moment was the adoption of new laws, namely the Insurance Contract Act No. 37/2004 Coll., The Act on Insurance Intermediaries and Loss Adjusters No. 38/2004 Coll. and the amendment of the Insurance Act No. 39/2004 Coll.

European legislation was adapted gradually in the Czech insurance law. At present, it can be said that the Czech insurance law is practically in full compliance with European regulations. The vast majority of legislative changes in the insurance industry had a significant relationship with the European legislation, with European Community law.

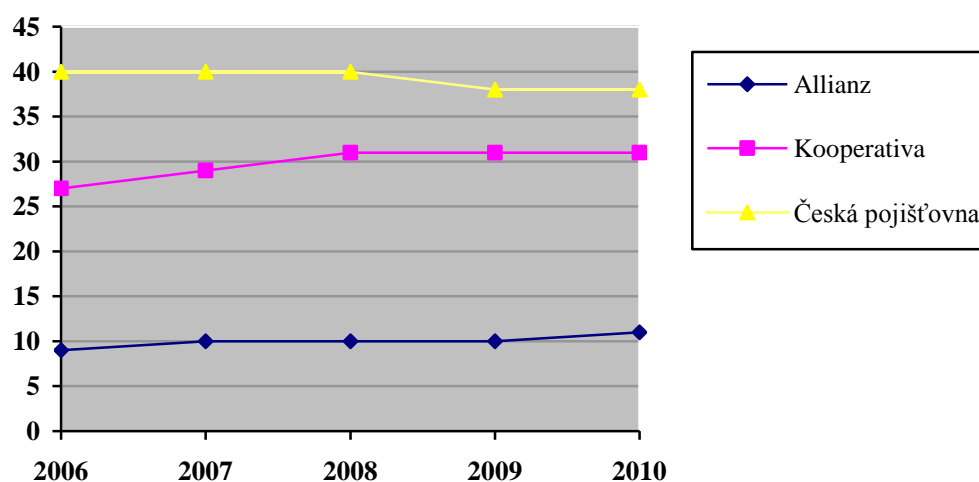
When estimating the future development I predict a period of 3 years rather than longer period of time, because the future is always uncertain and within longer time scale of estimation the likelihood of false and misleading predictions increases. And especially in the insurance industry that is based on risks, there may be many unexpected circumstances that change its face and consequently the form of regulation and supervision in this field.

When predicting the development I will build on the basic indicators of insurance in the past five years through the results of České asociace pojišťoven (ie, an association of

domestic commercial insurance companies). I will be interested in market share indicator according to the total premium.

For this analysis, I chose four largest insurance companies in 2010:

- Česká pojišťovna, a.s.
- Kooperativa pojišťovna, a.s.,
- Allianz pojišťovna, a.s.



Graph no. 3: Market share by total premium  
Source: own

The graph shows that Česká pojišťovna, a.s., albeit with a slightly declining trend, is still top - in 2010 it had 25% market share with the amount of CZK 38,399,459 for the premiums. Kooperativa has in the past five years also improved their sales growing trend to 30,894,705 CZK, as well as Allianz insurance with premiums amount of 10,651,217 CZK and 7% market share in 2010.

Business results of members of Česká asociace pojišťoven (Czech Insurance Association, CAP) in 2010 confirm strong growth of the market. Total premiums increased over the previous year by 8 %. At the same time, the number of annual contracts for life insurance decreased by 1.3 %. Of the total 19.2 % increase in premiums for life insurance only 1.9 % create regular premiums. Premiums for insuring motor vehicles fell by 6.2 %. Growth of regulation of life insurance with premiums paid routinely slowed in comparison with the

previous year. In 2010 it only increased by less than 2 %. The difference was particularly in comparing the volume of new business production in the Life of 9.4 % and decrease the number of contracts by nearly 90,000. "These figures clearly show that while increasing the absolute amount of insurance protection of the individual, but some clients probably reflects the existing contract for renegotiation or contract canceled altogether," says Tomas Sikora, CEO of CAP and adds: "So the absolute number of people having life risks taken care of is not increasing." [21]

It is more than clear that in the next three years, Česká pojišťovna is still going to be leading with the highest numbers and Kooperativa would also remain in second place. Making insurance contracts is affected by the economic crisis that affected all citizens. Probably not too steep will be the growth of the market in making insurance contracts, but its volume will be approximately the same.

#### **4.1.1 Insurance Fraud**

It is well known that number of insurance fraud reached about 15 % of all insurance claims and efficiency in detecting them reaches only 10 %. This implies that approximately 90 % of insurance fraud remains undetected. Number of fraud tends to increase.

Considering that only the best and strongest insurance companies in the market are successful in detecting fraud, and still they do not detect all fraud, what is the actual number of insurance fraud, and can it be prevented?

At present, there is practically no systematical prevention of insurance fraud and the cases are being dealt with only when they are encountered. Detecting insurance fraud is in liquidators' and detective's competition. We can say that enough prevention takes place and to catch an individual, or a sophisticated group of people committing fraud is beyond the reach of most insurance companies. The fight against fraud should be a matter for the entire insurance company. This fight should be predetermined and systematic prevention strategy because it is more than clear that the number of insurance fraud will really only grow if insurance companies would not focus on new methods of prevention and detection of insurance fraud.



Proposed strategy in the area of insurance fraud will be presented in the next chapter.

#### **4.1.2 Prediction using fuzzy logic**

L. Zadeh created theories of fuzzy sets and fuzzy logic, which determines "how much" an element belongs to the set or not (the variable  $x$  is defined in the range from 0 to 1, 0 means complete non-membership and 1 full membership). Using degree of membership corresponds in many situations better than using conventional methods of classifying members into sets according to the presence or absence. Fuzzy logic is a security measure of certainty and uncertainty of an element belonging to the set. Similarly, a person decides to perform mental and physical not quite algorithmic activities. Using fuzzy logic can find a solution to the case from rules that were defined for similar cases. The method of using obscure sets (fuzzy), is one of the methods used in the management of companies. In addition to applications of fuzzy logic combined systems, such as neural networks, called neurofuzzy applications, can be encountered. [22, p. 11]

Creating the system includes three basic steps: fuzzification, fuzzy inference and defuzzification.

The first step is the transfer of real variables to linguistic variables. Defining linguistic variables is based on the basic linguistic variable. Typically seven basic attributes of a variable are used. Degrees of membership of variable attributes in a set are expressed by mathematical function. The second step defines system behavior using rules of type <When>, <Then> in language terms. In these algorithms conditionals appear in evaluating the status of the corresponding variable. These conditional sentences take form known from the programming languages. The third step converts the result of previous operations of fuzzy inference into real value. Real event may be determining the amount of risk. The aim of the defuzzification is to convert fuzzy value of output variable to verbally present the best result of fuzzy calculation. [22, p. 11-12]

To apply fuzzy logic to predict the development of insurance in the Czech Republic, I chose the following risks:

- FIR - financial risk,
- POR - political risk,
- LER - legislative risk,
- RIF - the risk of insurance fraud,
- RCA - the risk of competition from abroad,
- RW - risk work (insurance experts).

The degree of risk I identified as:

- VHR - very high risk,
- HR - high risk,
- MR - medium risk,
- LR - low risk,
- VLR - very low risk,
- NR - no risk.

For the transformation matrix marking from 0 to 1 was applied, where 0 indicates no risk and 1 indicating very high risk. For all the above attributes the same evaluation was used.

The level of risk	Rating
Very high risk	1
High risk	0,8
Medium risk	0,6
Low risk	0,4
Very low risk	0,2
No risk	0

Table no. 3: The scale rating  
Source: own

The transformation matrix was created based on the above assessment scale.

The level of risk	FIR	POR	LER	RIF	RCA	RW
<b>VHR</b>	1	1	1	1	1	1
<b>HR</b>	0,8	0,8	0,8	0,8	0,8	0,8
<b>MR</b>	0,6	0,6	0,6	0,6	0,6	0,6
<b>LR</b>	0,4	0,4	0,4	0,4	0,4	0,4
<b>VLR</b>	0,2	0,2	0,2	0,2	0,2	0,2
<b>NR</b>	0	0	0	0	0	0

Table no. 4: Transformation Matrix

Source: own

The status matrix column in the table determines what is the risk in a particular case. I fill this table based on their knowledge.

The level of risk	FIR	POR	LER	RIF	RCA	RW
<b>VHR</b>						
<b>HR</b>				yes		
<b>MR</b>	Yes				yes	
<b>LR</b>		yes	yes			
<b>VLR</b>						yes
<b>NR</b>						

Table no. 5: Status Matrix

Source: own

The degree of risk we obtain a scalar product of the transformation matrix and status.

$$1 \times 0,6 + 1 \times 0,4 + 1 \times 0,4 + 1 \times 0,8 + 1 \times 0,6 + 1 \times 0,2 = 3$$

For the final determination of the risk matrix retransformation matrix is used to convert numeric values to the linguistic.

<b>Number of points</b>	<b>Risk</b>
6,3 - 7	Very high risk
4,9 – 6,3	High risk
3,5 – 4,9	Medium risk
<b>2,1 – 3,5</b>	<b>Low risk</b>
1,4 – 2,1	Very low risk
0 – 1,4	No risk

Table no. 6: Retransformation Matrix

Source: own

Based on the information obtained in the transformation matrix, we found out that the level of risk associated with the development of insurance in the Czech Republic has a very good value 3, which means low risk from external or internal influences.

My opinion is that the development of insurance in the Czech Republic and has been good from the very beginning, we are a country that reacts quickly to new trends, and we know how to use the knowledge and skills of our experts.

## 5 Strategy suggestion

All insurance companies on the market must have carefully crafted strategic plan based on the vision of management, taking market conditions in an account. Formulating a long-term or short-term strategy is considered one of the most important tasks. The main output becomes the compliance of the goals pursued. To develop a successful strategy, it must differ from other institutions and offer potential customers the original product.

As it has been mentioned several times in this work, Česká pojišťovna, because of its long time in the market and many years of experience, is the Czech market leader.

Despite the unfavorable situation on financial markets, Česká pojišťovna reported, for the first three quarters of this year, very good results, when net technical profit grew by 718 million CZK. Positive economic results contributed most to the stabilization of the trunk and also positive developments in civil damages and insurance industry, "commented the performance of the Czech insurance company CEO Pavel Řehák. "The annual decline in total premiums has long been influenced by the situation in the motor insurance market, but in life insurance there has been annual growth. Our results show that strategic changes currently ongoing in Česká pojišťovna take the right direction, "said Pavel Řehák. Premiums for life insurance reached 15.6 billion in the first nine months of 2011. The largest annual increase recorded a business of insurance (by CZK 88.4 million more than last year's reality), when the Česká pojišťovna has become a market leader again. The most successful was especially agricultural insurance. Premiums for life insurance amounted to 9.8 billion CZK, which represents an annual increase of 145 million CZK. [19]

One of the biggest risks for Česká pojišťovna may be the distribution of insurance products and related dependence on financial intermediaries, therefore, in its strategy it should focus on the largest insurance brokers support through training, provision of expert workshops and subsequent verification of knowledge by testing.

Another key indicator for Česká pojišťovna should be the implementation of obtaining feedback from the client. Contacting the client not only immediately after an insured event, but also the continuous gathering of information on clients satisfaction can help improve services.

Today's trend in banking and insurance institutions is to offer clients a wide range of services and products, such as banks offer financial services outside of additional insurance or, conversely, some insurance companies are beginning to offer financial products such as setting up current accounts, lending or borrowing. In my view, it should be a strategy of Česká pojišťovna to focus primarily on a comprehensive range of insurance products.

### **5.1.1 Strategies against insurance fraud**

In my opinion it is absolutely crucial to know and thoroughly understand the client. The client's behavior need to be analyzed and understood. Most important in detecting insurance fraud is just "knowledge of the client" that can serve to prevent insurance fraud.

The behavior of the client needs not only be watched but also defined what is standard in this case. Based on knowledge of standards of behavior deviations from such behavior and outputs can be then identified. In this context, it is necessary to monitor client relations, identify those that are suspicious and forward the information again. If it is determined that a client wanted to defraud an insurance company, then such a client should be somehow marked for other insurance companies and insurance should be terminated immediately.

The detection of fraud must involve all employees of Česká pojišťovna. That is why it is good to motivate employees financially or otherwise for the performance of the difficult task such as detection of insurance fraud. The roles of employees are of course different.

Business must capture suspicious circumstances and behavior of clients, respecting their risk profile. The motivation then may be a commission dependent on the quality of the trunk. Department of contracts administration must capture suspicious circumstances (signatures on the documents, altered documents). Motivation may be a reward for "good tip". Client Center can detect suspicious patterns, such as strange or unusual questions, the specific claims process. As in previous cases that I have named some rewards for success in detection can be motivating.

Then, when an individual or an entire department correctly identifies the insurance business, comes to a number of marketing and PR department - is to publish their achievements (detection of both normal and sophisticated fraud) in order to deter potential perpetrators of such offense. The best would be to create the impression that with the

particular insurance company you have no chance to successfully create insurance fraud.

### **5.1.2 Strategies for uninsurable risks**

We cannot insure everything. All major insurers use in their work system MaGIS - Geographical Information System of flood risk area and therefore some clients become uninsurable to some of the risks.

A very important role in the occurrence of disasters (e. g. floods) has a State that provides assistance to affected areas. But the question is whether such assistance is really sufficient.

My opinion is that mandatory private insurance against natural disasters should be introduced. This issue and negotiation has Česká asociace pojišťoven in its competition and it would be really good to resolve the insurance of such calamities, before one hits our area.

## CONCLUSION

Man has always had to fight nature to survive. What characterizes the society is that in its development it gets understanding of patterns of development and functioning of the phenomena - the necessary and incidental - with increasing speed. Randomness is manifested in human life as it creates uncertainty and risk. To mitigate the impact of risks, the concept of insurance was established.

The aim of this study is to analyze the development of insurance, focusing on the development of legislation after the admission of the Czech Republic to the European Union, to propose optimal strategy for Česká pojišťovna, to process and evaluate the SWOT analysis and to predict the development of insurance business in the coming years through fuzzy logic. This work is prepared, among others, for the Česká pojišťovna, a.s. Its particular contribution is in the output of the SWOT analysis, prediction of Insurance in the Czech Republic and a proposal for the future strategy for Česká pojišťovna, a.s.

Finally we will, among other things, summarize the experience with the application of Law No. 37/2004 Coll., Law on Insurance Contracts in practice of commercial insurance companies. Insurance Contract Act is, among others, to improve the victim's awareness and position in relation to commercial insurers. The position of the victim as an individual without the necessary technical background and knowledge about insurance is often more than inconvenient. The insurance company itself sets the extent of damage; it also assesses it and pays. Customer, who needs this protection, is given a guarantee of the protection of his rights by the Law on Insurance Contracts while he is given a certain share of responsibility for the selection, design and operation of such legal relationship.

It has long been known in Western Europe that insurance makes a specific category of capital market. Due to development of the united market of insurance services it is necessary to ensure speed and flexibility in negotiating insurance contracts with predominance of standardized insurances for which the insurer created a separate product. In terms of the united European insurance market this product must meet the principles of customer protection and uniform rules for claim settlement. Protection of the insurer and the principle that insurance must not be used for enrichment of the insured must not be



neglected. From this perspective, the Law on Insurance Contracts contributes especially in the category of civil insurance. There is an effort of the insurance companies to maximally reduce the impact of human factor and to introduce standardized insurance contracts and to automate claims settlements.

The evaluation of Insurance Contract Law in the Czech Republic shows that the Insurance Contract Act (37/2004) is a modern law that addresses both the consumer protection as "weaker party" in the category of civil business and contractual freedom in the business and industrial risks where it is possible to apply the principle of economic freedom, which brings the cheapest services to the customers. In addition, the Insurance Contract Act includes the necessary elements of Community law with regard to EU accession.

In the Czech Republic the process of unification of the insurance legislation took place and culminated on the December 17, 2003 by approval and publishing of the Insurance Contract Act under No. 37/2004 Coll. and amending related laws. Insurance Contract Law came into effect on January 1, 2005. Important for the application of the impact of the Insurance Contract Act to insurance-legal relations is understanding of the mutual linkages between it and other relevant legal standards. In relation to previous legislation contained from January 1, 1992, only in the Civil Code (§ 788-828) it was necessary to extend the scope of legal regulations so that all necessary rules in this area are codified and that in the interest of clarity all the used terms are explained. This need is intensified by the fact that since the state supervision ceased to approve the general insurance conditions with the Act No. 363/1999 Coll. on insurance (except for the exceptions provided by law) and from April 1, 2004, when § 8, paragraph 9 of Act No. 39/2004 Coll. came into effect, all these approvals were replaced by subsequent checking of compliance of insurance conditions with legal regulations. Furthermore, it was necessary to remove some of the shortcomings of the former legislation endorsed in practice, and in particular there was the need to include the necessary elements of communitarian law with regard to accession to the EU in this standard.

From response to the approval of the Insurance Contract Law we can observe two different attitudes and approaches to the insurance contract topic.

The first approach takes into account the specifics of insurance as a special field of financial services and considers approval of Insurance Contract Law the culmination of a long process that extends deep into the past. The inclusion of insurance contracts in a separate law is not only an important historical aspect, which is linked to the most advanced treatment of Act No. 145/1934 Coll., but also makes it possible to develop the scope and express the specific terms of insurance. The opposite approach is represented mainly by liberal economists who emphasize the type of liberal legislation that allows insurance companies full business freedom and gives the cheapest services to the customer. In terms of development of insurance - contractual relations they assumed almost complete abolition of control on contract terms and rates, and its replacement by the supervision of solvency of insurance companies, their shareholders and their managements.

In the main summary of the SWOT analysis Česká pojišťovna is listed as a very good institution that has not evolved in an easy way, but even despite of this fact it can boast the with the largest number of clients on the Czech insurance market. Despite all the received awards the client's satisfaction and stability is the greatest achievement which, in today's strong competition, must be looked after by all employees of the Česká pojišťovna. Its weakness is an outflow of clients due to the focus on wealthier clients, which in times of economic crisis might not pay off, and also failure rate in detecting fake claims and insurance fraud.

When predicting the development of insurance in the Czech Republic, it is concluded that in the next three years, Česká pojišťovna will still be leading with the highest numbers and Kooperativa will still remain the in the second place. Insurance contracts are affected by the economic crisis, which to some extent affects all citizens. The insurance contract market probably will not increase with a staggering speed, but its volume will be approximately the same. As to insurance fraud, we can say that there is not enough prevention and to prove individuals or a sophisticated group of people committing fraud guilty is beyond the reach of most insurance companies. The fight against fraud should be a matter of the whole insurance company and predetermined strategy and systematic prevention should be its components because it is more than clear that the number of insurance fraud will really only grow if the insurance companies do not focus on new methods of prevention and detection of insurance fraud. Based on the information obtained in the transformation matrix it has been found out that the level of risks associated with the

development of insurance in the Czech Republic has a very good value, which means low risk caused by external or internal influences.

The last part of this work, the strategy design, is focused on the distribution of insurance fraud and related dependence on financial intermediaries, implementation of obtaining feedback from the client with a recommendation to contact the client immediately after the damage event, but also the continuous gathering of information on clients' satisfaction, which can help to improve services and there is also a new trend of banking and insurance listed - to offer the client a wide range of services and products, e.g. banks offering additional insurance apart from financial services or, on the other hand, some insurance companies are beginning to offer financial products such as setting up current accounts, providing credits or loans with the default strategy of focusing on a complex range of insurance products. The most important output of this chapter is to combat insurance fraud, concluding that it is absolutely crucial to get to know the client and thoroughly understand him. The behavior of the client needs to be analyzed and understood. The most important element in detecting insurance fraud is "knowledge of the client" that can serve to prevent insurance fraud. The new strategy of Česká pojišťovna should also lie in the insurance of "uninsurable risks" because we cannot get everything insured and some of the clients have become uninsurable against some of the risks.

Viewed thesis objectives were successfully achieved and its results can contribute Česká pojišťovna, a.s. to improve its position in the market.

## Evaluation of the work

Česká pojišťovna, a.s.  
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Česká Republika

### Věc: Hodnocení bakalářské práce zadavatelem

Cílem bakalářské práce bylo analyzovat a predikovat komerční pojišťovnictví a legislativní změny v praxi. Bakalářská práce je zpracována účelně a splňuje svůj cíl. Student při jejím zpracování aktivně spolupracoval se zaměstnanci v naší společnosti a veškeré připomínky úspěšně zpracoval do praktické části bakalářské práce. Bakalářská práce je přínosná pro zaměstnance České pojišťovny, a.s. tím, že lze tuto práci využít jako vodítko při sjednávání pojištění i likvidaci pojistných událostí, kdy práce slouží k lepší orientaci na pojistném trhu a v legislativě. Zajímavý je pohled studentky na celkovou problematiku pojišťovnictví v legislativě České republiky a vytváření nových strategií.

Ve Zlíně, dne 16. dubna 2012

  
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ČESKÁ POJIŠŤOVNA a.s.  
Zlín  
pojišťovací agent zastupující ČP  
na základě plné moci

Jan Novák  
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## ABSTRACT

Pavĺína TYLOVÁ *Commercial insurance and legislative changes in practice*. Kunovice, the 2012th Thesis. The Polytechnic Institute, Ltd.

Supervisor: Mgr. Jana Gajdoříková

Key words: insurance, the insured, insurance claim, insurance contract, insurance company, legal rules, prediction, strategy, history, SWOT analysis

Bachelor thesis consists of the theoretical basis and practical part. The theoretical basis presents five main chapters, which are listed here for better understanding of insurance topic.

The practical part introduces Āeská pojiřťovna, a.s. as the strongest insurance institution in the Czech insurance market, generates, evaluates and proposes solutions through SWOT analysis. Equally important third part of this work deals with the analysis of the insurance legislation, developments since the first beginnings of insurance as in the world, as in the Czechoslovakia and later Czech Republic. Emphasis is placed on the Czech Republic's accession to the European Union and there is decommissioned then the new Law No. 37/2004 Coll. of Insurance Contract and conversion of the related laws that came into force on 1.1.2005 (with the exception of several provisions that were needed in connection with the accession of the Czech Republic to the European Union, and therefore came into force on 1.5.2004, when the Treaty of Accession came into force). In the last two parts there is the optimal strategy aimed at combating insurance fraud and the insurance of so-called uninsurable risks designed for Āeská pojiřťovna, a.s. and also provides forecasts of insurance development in the Czech Republic with the application of fuzzy logic.

In the conclusion there is the fulfillment of work and its goals defined, and the experience with the application of Law No. 37/2004 Coll. of Insurance policy in practice of commercial insurance companies summarized.

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## **Příloha č. 1: Příspěvek na mezinárodní studentskou konferenci - Analýza pojistného trhu v ČR**

### **ANALÝZA POJISTNÉHO TRHU V ČR**

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#### **Abstrakt:**

*Člověk musel odpradávná bojovat s přírodou, aby přežil. Pro společnost je charakteristické, že ve svém vývoji získává stále rychleji vědomosti o zákonitosti vývoje a fungování jevů – nutných i nahodilých. Náhodnost se v lidském životě projevuje jako nejistota a tím vzniká riziko. Pro zmírnění dopadů rizik vznikl institut pojištění. Vyspělá Evropa již dávno ví, že v případě pojišťovnictví jde o specifickou kategorii kapitálového trhu. Velký význam má akumulace velkého objemu peněžních prostředků, které získávají komerční pojišťovny od svých klientů a spravují je. Vyplacením pojistného plnění po pojistné události pomáhají pojišťovací instituce svým klientům při obnově jejich majetku, zdraví a dalších hodnot.*

#### **Klíčová slova:**

*pojištění, pojišťovna, zajištění, pojistný trh, pojištěný, pojistitel, zprostředkovatel, životní pojištění, pojistná smlouva*

#### **Úvod**

Pojišťovnictví je charakteristické tím, že pomáhá zajišťovat veškeré hodnoty včetně zdraví a života, které jsou často ohrožovány mnoha riziky ekonomických i neekonomických činností člověka. Rozvoj českého pojistného trhu po roce 1990 přinesl mnohé nové prvky v komerčních pojišťovnách, v soukromém pojišťovnictví i na pojistném trhu. Tyto prvky byly předtím v příkazové ekonomice potlačovány a až po vzniku konkurenčního prostředí a po zániku monopolu jedné pojišťovny se mohly projevit moderní trendy konkurence a tržní ekonomiky. Proces transformace pojišťovnictví umožnil vytvoření pojistného trhu. Na pojistném trhu se objevily i zahraniční pojišťovací instituce s novými pojistnými produkty evropského standardu, novým know-how, novými přístupy ke klientům a novými úkoly pro rozvoj pojišťovnictví. Se vstupem České republiky do Evropské unie došlo k vytvoření jednotného evropského pojišťovacího trhu, ale také došlo k prohloubení konkurenčního prostředí a zvýšení tlaku zahraničních pojišťoven na ovládnutí domácího pojišťovacího trhu. Nedílnou součástí pojistného trhu jsou zajišťovny. Jejich úloha „pojištění pojišťoven“ obzvlášť v případě krytí velkých rizik je nezastupitelná. Úsilím každého většího pojistitele vždy bylo rozšířit trhy o zahraniční a to nejen z důvodů obchodních, ale také z důvodů pojistně-technických (větší rozptýlení rizik). V pojišťovnictví je v rámci svobodného trhu služeb Evropské unie jednotný pojišťovací trh právní realitou pro členské státy od 1. července 1994. Vytvoření jednotného pojišťovacího trhu nebylo zlomovou záležitostí, ale procesem postupného přijímání jednotlivých direktiv, který se odehrával v časovém horizontu více než dvaceti let. Hlavní principem integrovaného trhu je systém jediného povolení, který umožňuje jakékoliv pojišťovně založené a registrované v jednom státu Evropské unie prodávat své produkty prostřednictvím poboček, či zastoupení v jiném státě nebo je prodávat přímo ze svého sídla přes hranice na celém evropském teritoriu na základě původního povolení a technické a finanční kontroly v zemi původu.

#### **Právní úprava pojišťovnictví v ČR**

Pojištění je právní institut, na jehož základě se zavazuje pojišťovna poskytnout určité plnění sjednané v pojistné smlouvě, nastane-li nahodilá událost v pojistné smlouvě definovaná. Pojistníkův závazek je platit pojistné. Zároveň z pojištění plynou další práva a povinnosti obou smluvních stran, jako například předcházet pojistné události, pravdivě odpovídat na otázky související s pojištěním apod. Komerční pojištění může vzniknout jen tehdy, jestliže je uzavřena platná pojistná smlouva.

#### **Zákon o pojistné smlouvě**

Dne 17. 12. 2003 byl schválen a pod č. 37/2004 Sb. publikován Zákon o pojistné smlouvě a o změně souvisejících zákonů, který nabývá účinnosti dne 1. ledna 2005 (s výjimkou některých ustanovení). Právní úprava pojistné smlouvy v ČR je obsažena v Zákoně o pojistné smlouvě a v Občanském zákoníku.

### **Zákon o pojišťovnictví**

Zákon č. 277/2009 Sb. o pojišťovnictví upravuje podmínky provozování pojišťovací a zajišťovací činnosti a výkon dohledu v pojišťovnictví, vše v souladu s pravidly platnými v rámci Evropské unie.

### **Zákon o pojištění odpovědnosti za škodu způsobenou provozem vozidla**

Každý, kdo chce vyjet se svým vozidlem na tuzemské komunikace, musí být pojištěn, tak nám stanoví Zákon č. 168/1999 Sb. o pojištění odpovědnosti za škodu způsobenou provozem vozidla, který upravuje pojištění odpovědnosti za škodu způsobenou provozem vozidla a zřízení České kanceláře pojistitelů, její právní postavení, organizaci a předmět činnosti.

### **Zákon o pojišťovacích zprostředkovatelích a likvidátorech**

1. ledna 2005 nabyl účinnosti Zákon č. 38/2004 Sb., o pojišťovacích zprostředkovatelích a likvidátorech pojistných událostí, který upravuje některá pravidla vztahující se k pojištění. Hlavním důvodem jeho vzniku bylo zabezpečení koordinace a slučitelnosti s pravidly platnými v rámci EU.

### **Zákon o finančních konglomerátech**

Banky, pojišťovny, spořitelny a úvěrová družstva, obchodníci s cennými papíry i ostatní finanční instituce se musí pohybovat v rámci legislativně vymezených pravidel. Úprava doplňkového dohledu nad těmito subjekty je upravena v zákoně č. 377/2005 Sb. o finančních konglomerátech.

### **Občanský zákoník**

Část Občanského zákoníku upravuje práva a povinnosti účastníků soukromého pojištění, která nejsou upravena zákonem o pojistné smlouvě. Ve vztahu k občanskému zákoníku je Zákon o PS zvláštním právním předpisem, tzn., je-li v Zákoně o PS obsažena právní úprava odlišná od úpravy v občanském zákoníku, platí speciální úprava, tedy Zákon o PS. Pokud však Zákon o PS některá ustanovení týkající se právních vztahů neobsahuje, aplikují se analogicky ustanovení obecné právní úpravy, tedy občanského zákoníku. V této souvislosti je nutné upozornit, že Zákon o PS zrušil s účinností od 1. 1. 2005 celou hlavu patnáctou části osmé občanského zákoníku o pojistných smlouvách. [1, s. 59]

### **Pojistný trh a finance**

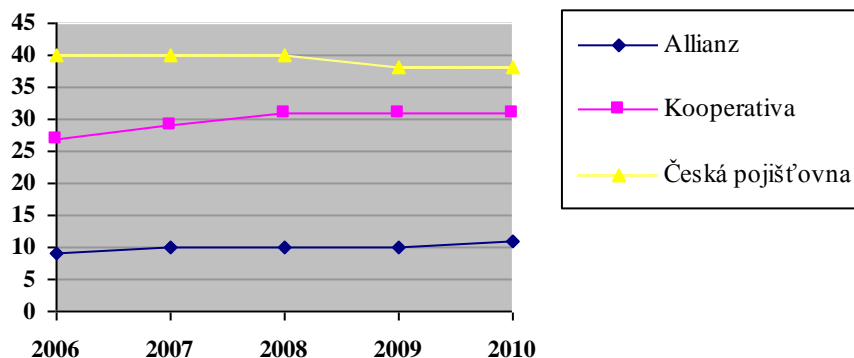
Finanční trh plní mnoho úloh a funkcí – akumulační, alokační, přerozdělovací, selekční, odráží vyspělost, celkovou hospodářskou situaci tržních ekonomik a subjektů. Význam finančního trhu neustále roste. Finanční trh obvykle členíme podle času (krátkodobý, střednědobý a dlouhodobý), nebo podle jednotlivých segmentů (peněžní, kapitálový, devizový, komoditní, pojištění).

Nabídka a poptávka v oblasti pojištění a zajištění probíhá na pojistném trhu. Jestliže je tento pojištění trh solidní a důvěryhodný, je důkazem zdravé a úspěšné ekonomiky. Vývoj na pojistném trhu směřuje k větší komplexnosti služeb, novým formám komunikace a kontaktů, většímu komfortu pro klienty, čímž si jednotlivé komerční pojišťovny vytvářejí určité konkurenční výhody. Globalizace světové ekonomiky ulehčuje dosahování zmíněných cílů, znásobuje však i rizika. Zároveň se zostřeje konkurence, zvyšuje se koncentrace ekonomiky, a tím se smazávají tradiční hranice mezi jednotlivými sektory ekonomiky a státy. [2, s. 11]

Pojistný trh České republiky v roce 2010 oproti předešlému roku zaznamenal růst i pokles současně. Celkové předepsané pojistné stoupl na 151,1 miliardy korun, což je tedy o 8 %. U předepsaného pojistného v životním pojištění došlo k růstu o 19,2 % na celkových 70,5 miliardy korun. V neživotním pojištění se předepsané pojistné snížilo o 0,2 % na 80,6 miliardy korun. [9, s. 155]

<b>Pojišťovna</b>	<b>Objem pojistného (v mld. Kč)</b>	<b>Podíl (v %)</b>
Česká pojišťovna	38,4	25,4
Kooperativa pojišťovna	30,9	20,4
Allianz pojišťovna	10,6	7,0
ČSOB pojišťovna	10,2	6,8
Pojišťovna České spořitelny	9,2	6,1

Tab. č. 1: Největší pojišťovny v ČR dle výše předepsaného pojistného  
Zdroj: [3, s. 155]



Graf č. 1: Podíl na trhu dle celkového pojistného  
Zdroj: vlastní

Z grafu vyplývá, že Česká pojišťovna, i když s mírně klesajícím trendem, je nejsilnější pojišťovnou – v roce 2010 měla 25 % podíl na trhu s částkou 38 399 459 korun za přijaté pojistné. Kooperativa si za posledních pět let také polepšila rostoucím trendem na 30 894 705 korun a stejně tak pojišťovna Allianz s částkou přijatého pojistného 10 651 217 korun a 7 % podílem na trhu v roce 2010.

Obchodní výsledky členů České asociace pojišťoven (ČAP) za rok 2010 potvrzují výrazný růst objemu trhu. Celkové předepsané pojistné se zvýšilo oproti předchozímu roku o 8 %. Současně však meziročně poklesl počet uzavřených smluv v životním pojištění o 1,3 %. Z celkového nárůstu 19,2 % v předepsaném pojistném u životního pojištění je pouze 1,9 % z oblasti běžně placeného pojistného. Předepsané pojistné v oblasti pojištění motorových vozidel se snížilo o 6,2 %. Růst předpisu u životního pojištění s běžně placeným pojistným se zpomalil v porovnání s předchozím rokem. V roce 2010 se zvýšil pouze o necelá 2 %. Rozdíl se projevil zejména v porovnání objemu nové obchodní produkce v životním pojištění o +9,4 % a poklesem počtu smluv o téměř 90 tisíc. „Tato čísla jasně dokládají, že sice roste absolutní částka pojistné ochrany jednotlivce, ale část klientů stávající smlouvy pravděpodobně vypovídá ve prospěch sjednání nových nebo smlouvy ruší úplně“ říká Tomáš Sikora, výkonný ředitel ČAP a dodává: „Nenavyšuje se tedy absolutní počet osob se zajištěním životních rizik.“ [4]

### Závěr

Pojišťovnictví je významnou částí ekonomického potenciálu vyspělých zemí. V mnoha zemích západní Evropy ovládá větší kapitál než bankovní sektor a např. ve Velké Británii, Švýcarsku nebo Švédsku tvoří podíl pojistného na tvorbě hrubého domácího produktu více než 8 %. Podíl investic na hrubém domácím produktu bývá především díky rezervám životního pojištění ještě podstatně vyšší. Není proto divu, že prosperita pojišťovacího sektoru velmi úzce souvisí s celkovým hospodářským vývojem jednotlivých států a kontinentů.

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