

SUSTAINABLE DEVELOPMENT OF THE INSURANCE BRANCH IN CR AND THE HIDDEN THREATS OF ITS STRATEGIC PERSPECTIVE

Key Words

Long time trends, macroeconomic indicator, GDP, gross premiums (premium paid), insurance claim (claim paid), strategic perspective, floods.

The Premium Paid and Claim Paid and Macroeconomic Indicator Chosen

For comparison the trends of claim paid (and premium paid) was chosen following macroeconomic indicator:

- GDP.

GDP is taken in following comparison from very clear reasons – **this macroeconomic indicator is the basic one**. And in addition, this indicator is probably one of the most important macroeconomics indicators. The Comparison of the Development of the Claim/Premium Paid and Given Macroeconomic Indicator DNP and Premium Paid. For the corresponding data in trends 1995 – 2006 see Table 2.1

Table 2.1 Comparison of the trends GDP and gross premiums (premium paid) by the law in CR 1995 – 2006

Year	GDP		gross premium		gross premium/ GDP
	[bil. Kč]	[%]	[bil. Kč]	[%]	in [%] GDP
1995	1 466,7	100,00	33,940	100,00	2,31
1996	1 660,6	113,22	41,125	121,17	2,48
1997	1 785,1	121,71	47,985	141,38	2,69 floods in Moravia
1998	1 962,5	133,80	55,637	163,93	2,84
1999	2 041,4	139,18	62,784	184,99	3,08
2000	2 159,1	147,21	70,589	207,98	3,27
2001	2 315,3	157,86	80,367	236,79	3,47
2002	2 414,7	164,64	90,322	266,12	3,74 floods in Bohemia
2003	2 555,8	174,26	105,597	311,13	4,13
2004	2 750,3	187,52	111,585	328,77	4,06
2005	2 970,3	202,52	115,755	341,06	3,90
2006	3 204,1	218,46	119,857	353,14	3,74

DNP and Claim Paid

For the corresponding data in trends 1995 – 2006 see Table 2.2

Table 2.2

Comparison of the trends GDP and insurance claim (claim paid) in CR 1995 – 2006

Year	GDP		insurance claim		insurance claim/ GDP
	[bil. Kč]	[%]	[bil. Kč]	[%]	in [%] GDP
1995	1 466,7	100,00	18,734	100,00	1,28
1996	1 660,6	113,22	21,692	115,79	1,31
1997	1 785,1	121,71	33,023	176,27	1,89 floods in Moravia
1998	1 962,5	133,80	33,070	176,52	1,67
1999	2 041,4	139,18	35,523	189,62	1,74
2000	2 159,1	147,21	34,056	181,79	1,58
2001	2 315,3	157,86	39,102	208,72	1,69
2002	2 414,7	164,64	59,236	303,97	2,34 floods in Bohemia
2003	2 555,8	174,26	59,946	316,20	2,35
2004	2 750,3	187,52	58,50	312,27	2,13
2005	2 970,3	202,52	53,70	286,65	1,87
2006	3 204,1	218,46	-	-	-

3. Discussion

According to the above mentioned data, the insurance industry in CR is (generally) in good situation. Trends both gross premiums (premium paid) and insurance claim (claim paid) indicators are even better than trend of the indicator gross domestic product (GDP). The very first conclusion seems to be clear – the strategic capability of the insurance branch in CR is better than the capability of the CR economy on the whole.

But there is one important factor – unexpected financial risk of the insurance industry, especially risk connected with the floods. For the corresponding most topical data see Table 3.1 and Table 3.2.

Table 3.1

Flood damages in CR and resulting insurance claim (claim paid)

year	area/river basin	damages on the whole bil. Kč	insurance claim (claim paid)	
			bil. Kč	%
1997	Moravia river basin Morava and Odra	63,-	9,7	15,4 %
2002	Bohemia river basin Vltava Labe and Dyje	73,-	36,811	50,43 %
2006	all area CR	5,6	not important case	

Table 3.2

Insurance claim (claim paid) resulting from the floods and insurance reserves (both life and nonlife) in CR

	1991	1997	2002	2003	2004
insurance claim (claim paid)	–	9,7	36,811	–	–
insurance reserves ¹⁾					
life insurance reserves	39,1	63,8	110,9	125,42	139,3
nonlife insurance reserves	–	33,1	46,6	50,9	59,3

¹⁾only members of the Czech Association of Insurance Companies (CAP)

Conclusions

The above-mentioned data from Table 3.1 and 3.2 make it clear that with regard to risk of the floods are disposable volumes of financial sources of the Czech insurance companies not sufficient.

The reality of the business is confirming this conclusion – in both 1997 and 2002 year floods in CR it was necessary to involve the reinsurance companies from abroad. The impact to the costs of the Czech insurance companies were significant, in fact in strategic dimension.

As follows from the above-mentioned information, the emphasis to the strategic threats of the insurance business in CR, stemming in floods risks, is fully justified. There is even in discussion the possibility to stop in the future the insurance activity in flood area. The resulting risks for both industry and people could be of course fatal.

It is therefore high time to view insurance in general and insurance of industry and commerce in particular (especially in flood area) in the light of the above-mentioned facts and abandon the no longer relevant reduction of insurance to the “business with the hot water”.