1 Executive Summary

The value of the Czech non-life insurance segment declined from CZK76.8 billion (US$4.5 billion) in 2008 to CZK74.2 billion (US$3.8 billion) in 2012, at a review-period CAGR of -0.9%. This decline was due to the country’s falling economic growth impacted by the global financial and eurozone debt crises, and the falling penetration of non-life insurance products.

Decline in segment share for motor insurance

Motor insurance, the largest category in the non-life segment, recorded a continuous decline in its segment share during the review period, falling from 53.4% in 2008 to 46.1% in 2012. The written premium of the category also declined at a CAGR of -4.4% during the review period, falling continuously following the global financial crisis of 2009.

During the review period, the segment share of the property insurance category grew from 30.8% in 2008 to 35.9% in 2012, while the general third-party insurance category grew from 14.9% in 2008 to 17.1% in 2012. However, while the number of active motor insurance policies increased at a CAGR of 1.5%, the category’s written premium declined at a CAGR of -4.4% during the review period. This resulted in insufficient cover, and prices are expected to rise over the forecast period.

Economic growth and rising awareness to drive growth

Non-life insurance’s growth is also expected to be driven by the improving economy, a rise in income levels, increased need for non-life insurance across all categories, overall growth in the country’s working population, rising awareness of non-life insurance products, and development of large-scale renewable energy and infrastructure projects that will require customized non-life insurance products. The value of the non-life segment is expected to increase from CZK74.2 billion (US$3.8 billion) in 2012 to CZK87.8 billion (US$4.5 billion) in 2017, at a forecast-period CAGR of 3.4%. The number of non-life insurance policies sold is expected to increase from 15.7 million in 2012 to 17.7 million in 2017, at a forecast-period CAGR of 2.5%.

Insurance against natural disasters anticipated to drive the growth of non-life insurance

Floods in May and June 2013 prompted the evacuation of almost 20,000 people and cost billions of Czech koruna. These incidents are expected to encourage the country’s property and casualty insurers to develop their insurance schemes, making them more effective and less expensive. With the Czech government playing an active role in increasing the cover of insurance schemes, and as more people seek to reduce the risk of natural disasters, more non-life policies will be purchased over the forecast period.

Expected economic stability to support the expansion of non-life insurance

The Czech Republic’s economy remained under pressure during the review period due to the global financial and eurozone crises. GDP at constant prices fell slightly during the review period, at a CAGR of -0.4%. However, GDP is expected to recover and post a CAGR of 2.8% over the forecast period. This is expected to increase consumer disposable incomes, which will have a positive impact on the non-life segment.
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INTRODUCTION

2 Introduction

2.1 What is this Report About?

This report is the result of extensive research into the non-life insurance segment in the Czech Republic, covering its dynamics and competitive landscape. It provides insights on the size of and forecast for the overall non-life segment, and categories such as property, motor, general liability, and marine, aviation and transit insurance. It also provides details on sub-categories and product types. The report also provides an overview of the leading companies in the non-life segment, along with details of strategic initiatives undertaken.

2.2 Definitions

All data is collected in local currency. Conversions into US dollars (US$) of current and forecast data are made at the 2012 average annual conversion rate. Most values are displayed to one decimal place. As such, growth rates may appear inconsistent with absolute values due to rounding. For the purposes of this report, the review period is 2008–2012 and the forecast period is 2012–2017.

The key insurance industry terms covered in the report are defined below:

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### Table 1: Insurance Industry Definitions

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<td>Lapsed policy</td>
<td>A policy which is terminated due to the non-payment of the premium.</td>
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<tr>
<td>Loss ratio</td>
<td>The ratio of total losses paid out in the form of claims plus adjustment expenses divided by the total earned premium.</td>
</tr>
<tr>
<td>Liability insurance</td>
<td>A type of insurance that covers legal claims by third parties against the insured.</td>
</tr>
<tr>
<td>Loss reserve</td>
<td>The estimated amount of claims incurred but not yet settled.</td>
</tr>
<tr>
<td>Maturity claim</td>
<td>The payment made to a policyholder at the end of the stipulated term of a term life insurance policy.</td>
</tr>
<tr>
<td>Per capita premium</td>
<td>The ratio of the total written premium to the country's total population.</td>
</tr>
<tr>
<td>Premium ceded</td>
<td>The share of premiums transferred to a reinsurance company by a primary insurer.</td>
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<tr>
<td>Single-premium life insurance policy</td>
<td>A life insurance scheme in which a lump sum is paid into the policy in return for an assured sum of money in the event of the policyholder's death.</td>
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<tr>
<td>Term insurance</td>
<td>A life insurance scheme that provides protection for a specified period, usually between five and 20 years. The policy expires without value if the insured survives the stated period.</td>
</tr>
<tr>
<td>Treaty reinsurance</td>
<td>A reinsurance agreement applying to the reinsurance of a class or some classes of business, instead of an individual risk.</td>
</tr>
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<td>Direct marketing</td>
<td>Direct Marketing channels for insurance policies include insurance companies' sales forces, telemarketing, postal mail, e-mail, call centers and mobile phones.</td>
</tr>
<tr>
<td>E-commerce</td>
<td>The distribution of insurance policies online through a company or third-party website.</td>
</tr>
<tr>
<td>Agencies</td>
<td>Individuals and corporate agencies which are licensed to sell insurance for one or more specific insurance companies.</td>
</tr>
<tr>
<td>Insurance brokers</td>
<td>Individuals or businesses which sell insurance policies, and advise and represent the policyholder. They differ from insurance agents, which act on the behalf of an insurance company.</td>
</tr>
<tr>
<td>Bancassurance</td>
<td>The partnership between a bank and an insurance company in which the insurance company uses the bank's sales channel to sell insurance.</td>
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<tr>
<td>Other distribution channels</td>
<td>Other distribution channels include post offices, convenience stores, multi-level marketing, any channel other than agencies, direct marketing, bancassurance and the above-mentioned channels.</td>
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2.3 Methodology

All Timetric insurance reports are created by following a comprehensive, four-stage methodology. This includes market study, research, analysis and quality control.

1) Market Study
   A. Standardization
      ● Definitions are specified using recognized industry classifications. The same definition is used for every country.
      ● Annual average currency exchange rates are used for the latest completed year. These are then applied across both the historical and forecast data to remove exchange rate fluctuations.
   B. Internal audit
      ● Review of in-house databases to gather existing data:
        - Historic market databases and reports
        - Company database
   C. Trend monitoring
      ● Review of the latest insurance companies and industry trends

2) Research
   A. Sources
      ● Collection of the latest market-specific data from a wide variety of industry sources:
        - Government statistics
        - Industry associations
        - Company filings
        - International organizations
        - Insurance regulatory agencies
   B. Expert opinion
      ● Collation of opinion taken from leading insurance industry experts
      ● Analysis of third-party opinion and forecasts:
        - Broker reports
        - Media
        - Official government sources
   C. Data consolidation and verification
      ● Consolidation of data and opinion to create historical datasets
      ● Creation of models to benchmark data across sectors and regions

3) Analysis
   A. Market forecasts
      ● Feeding forecast data into market models:
        - Macroeconomic indicators
        - Industry-specific drivers
      ● Analysis of insurance industry database to identify trends:
        - Latest insurance trends
        - Key drivers of the insurance industry
INTRODUCTION

B. Report writing
   - Analysis of market data
   - Discussion of company and industry trends and issues
   - Review of financial deals and insurance trends

4) Quality Control

   - Templates
     - Detailed process manuals
     - Standardized report templates and accompanying style guides
     - Complex forecasting tools to ensure that forecast methodologies are consistently applied
     - Quality-control checklists

   - Quality-control process
     - Peer review
     - Senior-level QC
     - Random spot checks on data integrity
     - Benchmark checks across databases
     - Market data cross-checked for consistency with accumulated data from:
       - Company filings
       - Government sources
3 Appendix

3.1 Methodology

Timetric’s dedicated research and analysis teams consist of experienced professionals with an industry background in marketing, market research, consulting and advanced statistical expertise.

Timetric adheres to the Codes of Practice of the Market Research Society (www.mrs.org.uk) and the Society of Competitive Intelligence Professionals (www.scip.org).

All Timetric databases are continuously updated and revised.

3.2 Contact Timetric

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Timetric is a leading provider of online data, analysis and advisory services on key financial and industry sectors. It provides integrated information services covering risk assessments, forecasts, industry analysis, market intelligence, news and comment.

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- Expert analysis from experienced economists and analysts, who use robust proprietary models, indices and forecasts
- Powerful proprietary visualization and workflow technologies developed over years of extensive investment

Timetric has office locations in London, New York, San Francisco, Hyderabad, Seoul, Singapore and Sydney. It employs 500 people, including 150 analysts and economists, and 200 professional researchers.
3.4 Timetric’s Services

Intelligence Centers

Timetric’s industry intelligence centers are premium web-based services that provide access to interactive tools, comprehensive research and expert analysis in key sectors. They provide invaluable decision support presented in an easily digestible format and grounded in deep research.

Timetric offers Intelligence Centers covering the following industries:

- Banking
- Insurance
- Wealth
- Construction
- Travel and Tourism

Briefing Services

Timetric offers a range of briefing services, which offer cutting-edge thought leadership and expert commentary on and for the financial services industries. Driven by influential and respected editorial teams with years of experience in their respective fields, these services deliver need-to-know insight and analysis to decision makers across the financial services value chain.

Timetric offers briefing services covering the following financial sectors:

- Accountancy
- Asset Finance
- Banking
- Cards and Payments
- Insurance

Consultancy

Timetric specializes in the development and delivery of innovative research solutions that are designed to provide competitive advantage and profitability to clients.

Dedicated industry analysts and economists provide expert advice and actionable recommendations underpinned by Timetric’s market and country knowledge, experience and proprietary databases, panels and research infrastructure.

For projects requiring quantitative data, Timetric undertakes special research projects using its in-house panels and survey technology. These provide ready access to an extensive source of specialist business executives and consumers.

Core capabilities include:

Economic Research and Consulting

Highly experienced economists provide a number of bespoke research services covering subjects ranging from macroeconomic forecasting to sector outlooks, business presentations and workshops.

Industry Analysis and Consulting

Information analysis, independent expert opinion and advice, facilitated decision or strategic support, are provided by Timetric’s extensive body of proprietary data and analysis models. It provides expertise-based consulting to deliver solutions that best suit its clients’ requirements.
APPENDIX

Quantitative Research
Timetric connects with thousands of potential customers for various markets every day. Using sophisticated, interactive and highly engaging graphical surveys, research speed is increased and costs reduced, while ensuring that respondents deliver the insight needed.

Qualitative Research
Timetric’s Qualitative Research service helps customers understand the emotional and cultural behaviors of a target audience. Timetric provides unique access through market-leading publications and information services to decision makers specifically brought together to discuss topics that are important to the client.

Technology Solutions
Timetric has built a unique technological platform to collect and visualize data, and employs some of the world’s leading experts on data collection and visualization. Through technology and software consulting services, Timetric can provide clients with the means to gather and visualize the data the client has, or wants to collect.

3.5 Disclaimer
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