

2011 meeting of Voorburg Group

Mini-Presentation

# Service Producer Price Index for Non-Life Insurance

September 19<sup>th</sup> – 23<sup>rd</sup> 2011

Newport, South Wales



CZECH STATISTICAL OFFICE

Na padesátém 81, CZ - 100 82 Praha 10, Czech Republic

[www.czso.cz](http://www.czso.cz)

# Definition of the sector

Insurance industry – specific sector of the economy dealing with



Insurance

Reinsurance

Intermediary activities (field of insurance)

# Definition of the sector

Institutions related to the insurance industry can be divided into following types:

- Universal insurance companies
- Life insurance companies
- Non-life insurance companies
- Specialized insurance companies
- Captive insurance companies

# Definition of the sector

Non-life insurance includes coverage of a wide range of risks of non-life character (namely):

- ..... endangering health and human life
- ..... evoking direct material damage
- ..... evoking financial loss

# Definition of the sector

Non-life insurance comprises following services:

- Accident and health insurance s.
- Motor vehicle insurance s.
- Marine, aviation and other insurance s.
- Fire and other damage to property insurance s.
- General liability insurance s.
- Credit and surety ship insurance s.
- Travelling and assistance, legal expenses and miscellaneous financial loss instance
- Other non-life insurance s.

# Definition of the sector

## Basic economic indicators

Total revenues – Total expenses = Profit or Loss

Total revenues:

- *Earned premiums (gross premiums written – premiums ceded to reinsurers)*
- *Return on financial placements (investments)*
- *Other technical income*



# Definition of the sector

## Basic economic indicators cont.

### Total expenses:

- *Claims incurred*
- *Bonuses and rebates*
- *Operating expenses (acquisition costs of insurance contracts, administration expenses etc.)*
- *Other technical charges*

*\*Amount of gross premiums written represents turnover*

# Market conditions and constraints -size of the industry

Total value of gross premiums written (turnover)  
for the whole insurance market in 2009

5.8 billion €, thereof

**3.36 billion € for non-life insurance services**



# Market conditions and constraints -size of the industry

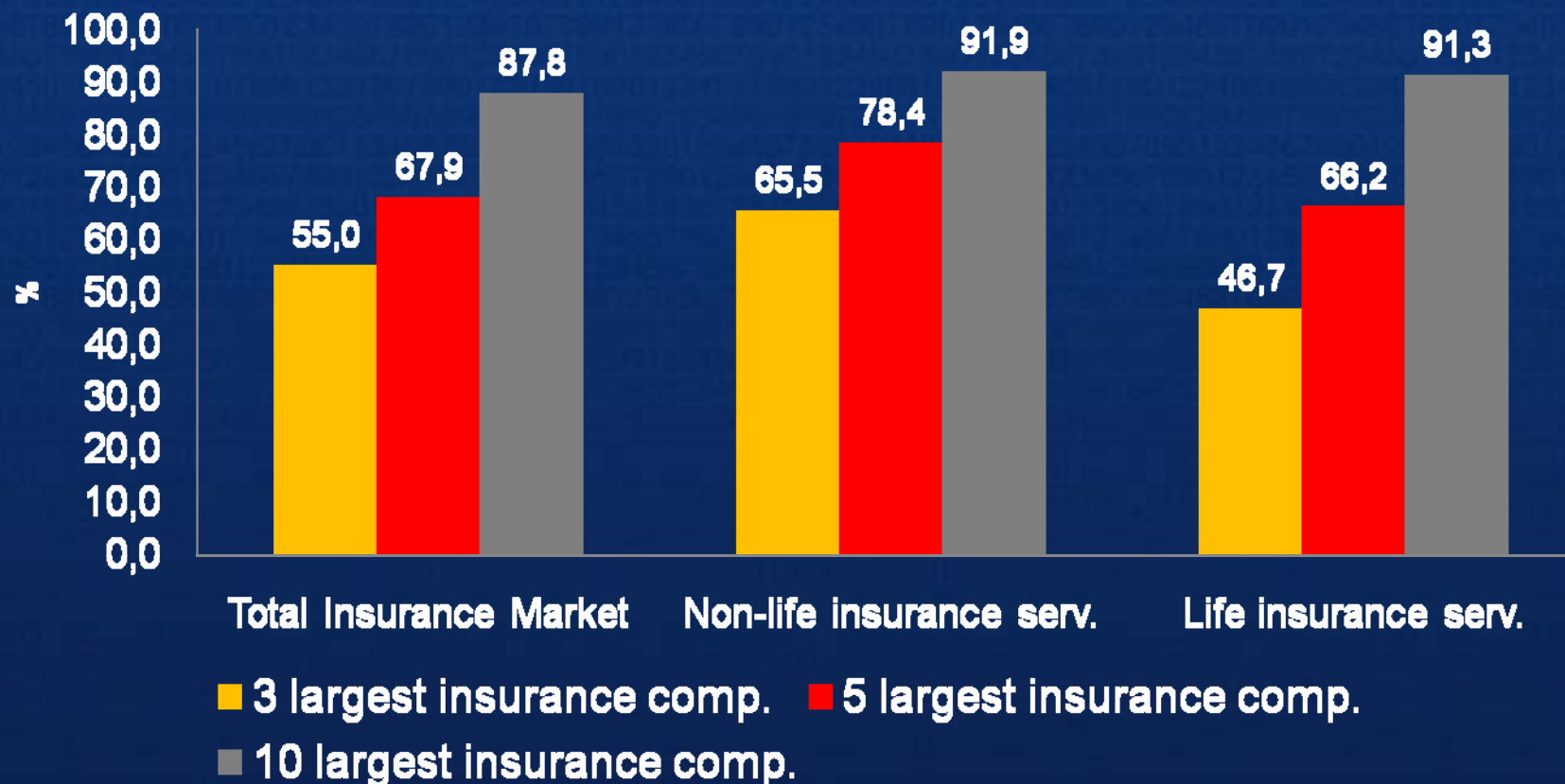
Number of companies: 614, thereof

- 35 domestic insurers
- 16 foreign insurance branches from the EU
- 1 branch of a third-country insurance company (Switzerland)
- the rest (freedom to provide temporary services)

Premiums written by industry insurance	CPA 2008	Turnover	
		Bill. €	%
Total non-life insurance	65.12	3.36	100.0
Motor third-party liability insurance	65.12.21	0.98	29.08
Damage to property insurance	65.12.4	0.79	23.60
Motor damage insurance	65.12.29	0.67	19.90
General liability insurance	65.12.5	0.47	13.95
Accident and health insurance	65.12.1	0.18	5.48
Other non-life insurance	65.12.3, 65.12.6, 65.12.7, 65.12.9	0.27	7.99

# Market conditions and constraints -size of the industry

The share of the largest insurance companies on the  
insurance market according to premiums written



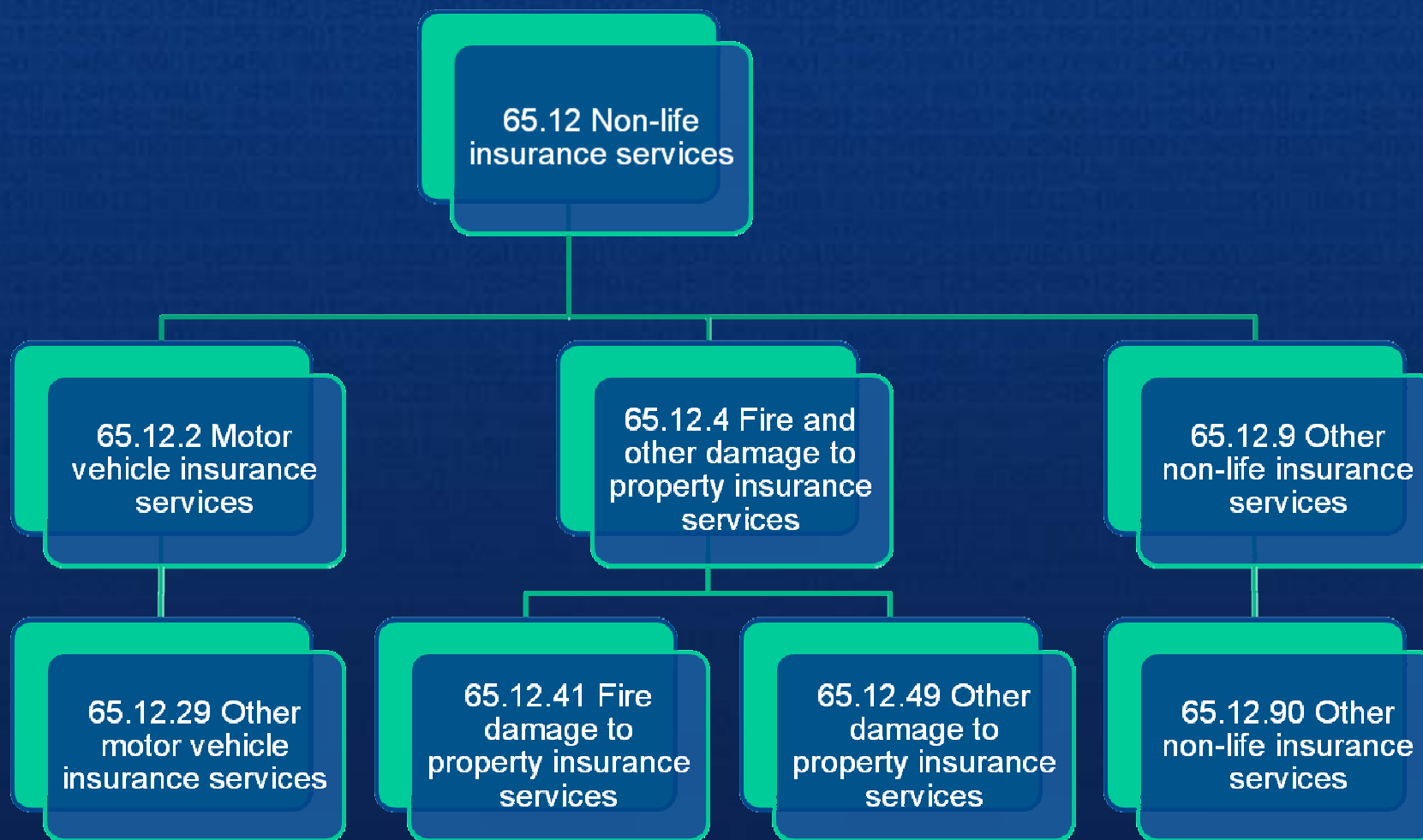
# Market conditions and constraints – special condition

- List of all insurance segments
- License permission
- VAT (freed)

# Market conditions and constraints – record keeping

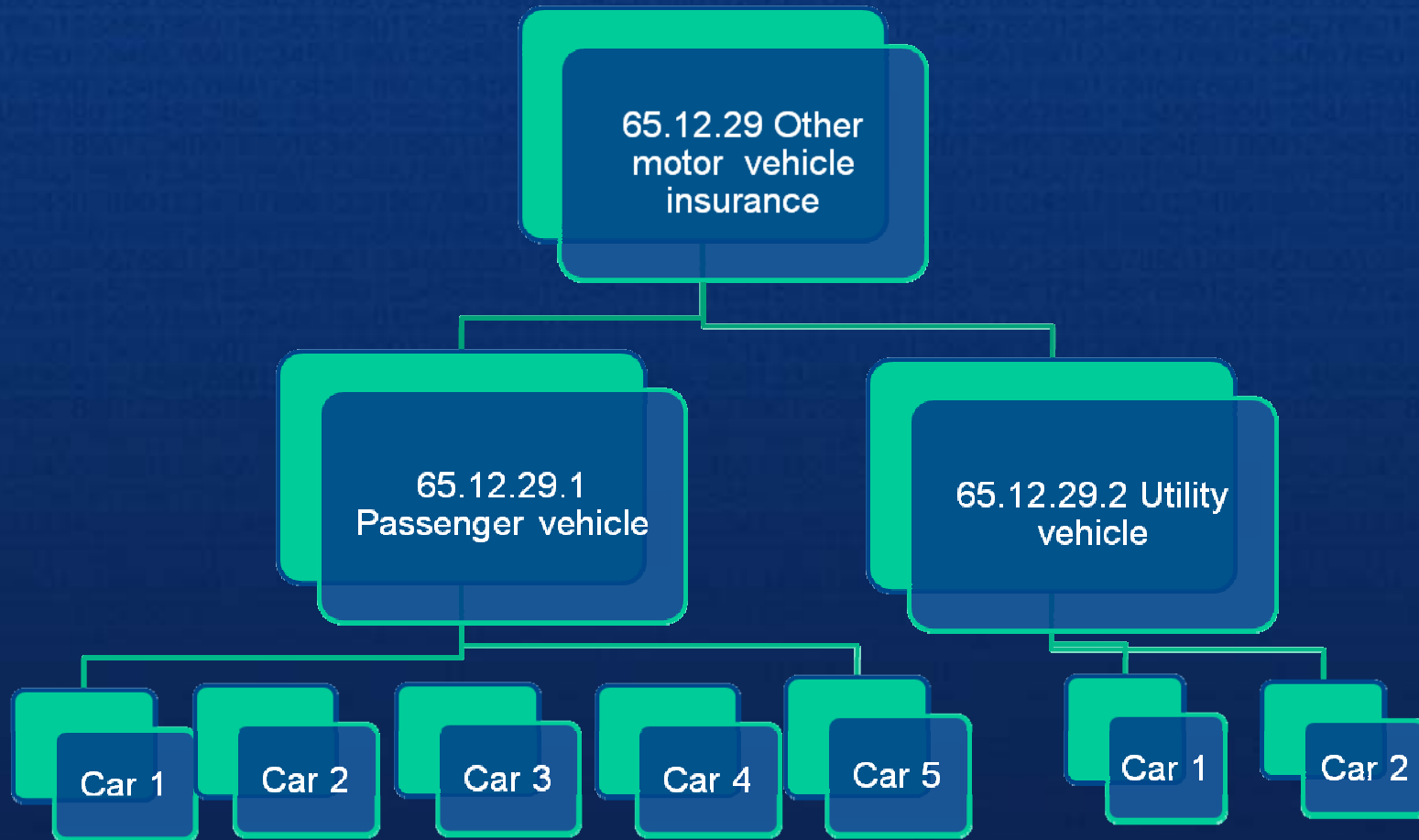
- Method of data collection: monthly statistical survey
- Source of respondents: SBS survey, Czech Insurance Association
- Sample method: purpose selection
- Number of respondents: 4 insurance companies (65% coverage)
- Data surveyed: insurance premium, insurance rate, yearly turnover
- Number of representatives: 42 (168 price observations)

# Classification used





# Classification used

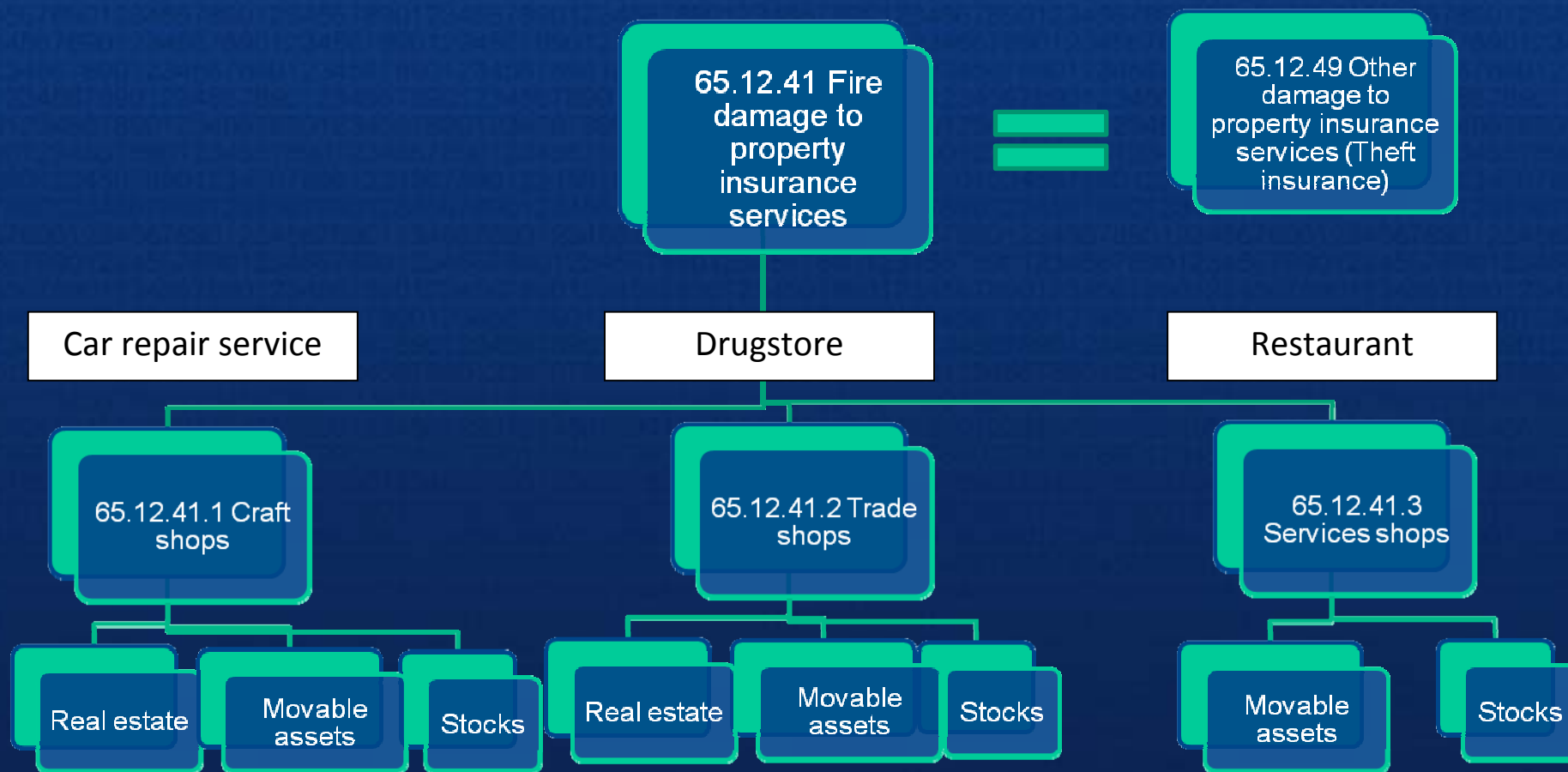


# Motor damage insurance

## Pricing methods and determining factors

- Combination of 'Model pricing/Direct use of prices of repeated services
- B2B and B2C approach
- Determining factors:
  - vehicle type
  - age of the vehicle
  - model of the given type of vehicle
  - complicity (5%)

# Classification used cont.

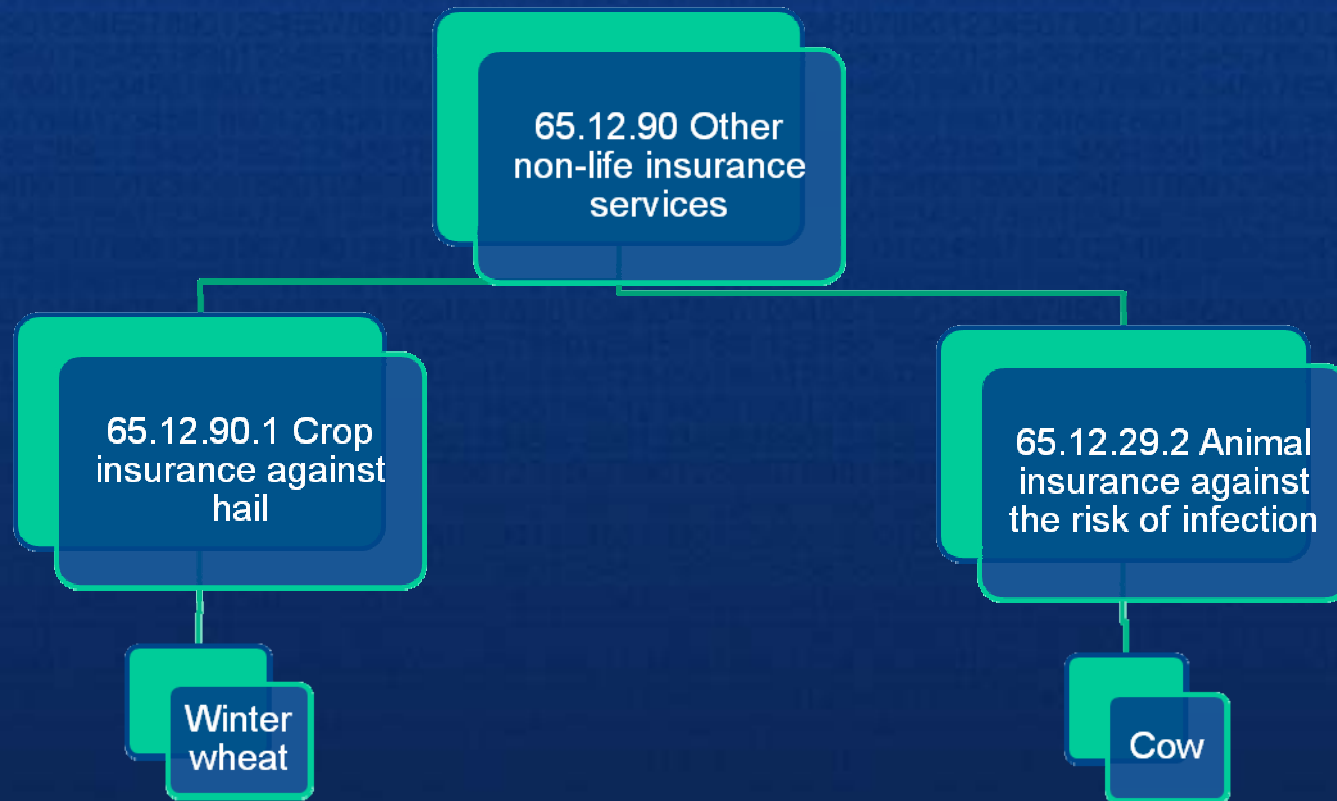


# Property insurance

## Pricing methods and determining factors

- Combination of 'Model pricing/Direct use of prices of repeated services
- B2B approach only
- Determining factors:
  - sphere of small and medium risks
  - field (car repair service, restaurant, drugstore)
  - size of the city
  - specification of the object
  - value of the building itself and its own movable assets and stocks
  - complicity (€ 200), number of employees etc.

# Classification used cont.



# Agriculture risks insurance

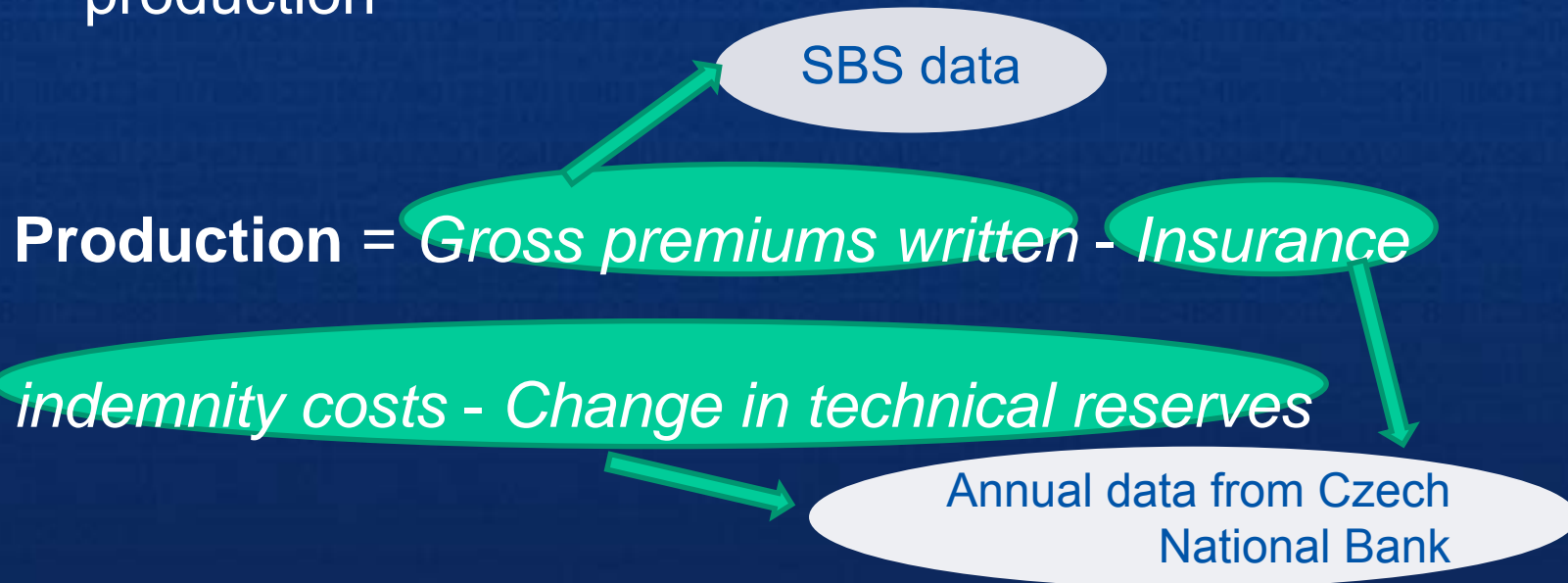
## Pricing methods and determining factors

- Combination of 'Model pricing/Direct use of prices of repeated services
- B2B approach only
- Determining factors:
  - type of commodities or animal
  - yield of commodities and productivity
  - complicity (10%)





# National accounts vs. Price statistics

- Compilation of national accounts based on value of production



- Compilation of price index based only on gross premiums written

# Quality adjustment

- Principle of model case of representatives
- Quality of the individual services determined by factors and parameters
- Object insured is changed  Obligatory for all respondents
- New insurance premium  Quality adjustment (expert estimation)

# Conclusion and summary

- SPPI for insurance services since 1994
- CPI for insurance services (accident insurance, household contents insurance, household insurance, motor damage insurance, motor third-party liability insurance) since 1991
- B2B and B2C price indices are not aggregated to B2all
- Fictitious models based on the most commonly offered insurance
- Price = Insurance premium
- Only 4 respondents, but very concentrated market

Thank you

for your attention

Jiří Šulc

Price Statistics

Department CZSO

[jiri.sulc@czso.cz](mailto:jiri.sulc@czso.cz)



CZECH STATISTICAL OFFICE

Na padesátém 81, CZ - 100 82 Praha 10, Czech Republic

[\*\*www.czso.cz\*\*](http://www.czso.cz)