



“Evolution of a commercial insurance company in trans-epochal developments: Evidence of the Czech insurance market”

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EVOLUTION OF A COMMERCIAL INSURANCE COMPANY IN TRANS-EPOCHAL DEVELOPMENTS: EVIDENCE OF THE CZECH INSURANCE MARKET

Abstract

This paper aims to analyze the evolution of the leading commercial insurance company Česká pojišťovna on the Czech insurance market in the years 1947–2021. Its evolution was closely linked to the processes of building socialism in the 1950s and the federalization of Czechoslovakia at the end of the 1960s. The paper uses qualitative research methods, methods of description and comparison, as well as local micro-historical analyses shall be applied. The main features of insurance products in the period of the totalitarian regime are characterized. Both the economic transformation in the 1990s and globalization in the last decades have had a radical effect on the further development of the analyzed company Česká pojišťovna. In the period after 1989, the development is marked by a focus on changes in the shareholder structure of the analyzed insurance company, and the development of its market share is shown. As a result of demonopolization, new companies could emerge, creating a competitive environment. The leading commercial insurance company Česká pojišťovna's market share gradually began to decline.

Keywords

insurance company, market, monopoly, economic transformation, life/non-life insurance

JEL Classification

G22, G28, N24

INTRODUCTION

This paper aims to analyze the evolution of the leading commercial insurance company operating in the Czech insurance market from 1947 to 2021. The commercial insurance company Česká pojišťovna was chosen for the analysis of its development. Since the end of the year 2019, its name is Generali Česká pojišťovna. This insurance company was founded in January 1827 and has had a significant position in the Bohemian region ever since (Marvan & Chaloupecký, 1989). The Czechoslovak Republic underwent fundamental economic changes from 1947 to 2021, and this development was reflected in the formation of the Czech insurance market. The period from 1947 to 1989 was a period of building socialism where the market mechanism was not allowed to function. The natural market development of the Czech/Czechoslovak insurance industry was interrupted for several decades. The monopoly period of the Czechoslovak insurance industry lasted until the beginning of the nineties. Year 1989 brought an end to the centrally controlled and planned economy in Czechoslovakia. Former Czechoslovakia was a federation of two national states: of the Czech Socialist Republic and the Slovak Socialist Republic. Another significant milestone in the development of the Czech Republic was the de-

mise/disintegration of Czechoslovakia on December 31, 1992. Two separate countries were established on January 1, 1993 – the Czech Republic and the Slovak Republic. At the end of the 20th century, Czech society merged, and capital spilled over. Transformations of commercial insurance companies can be monitored in that period. There were mergers or repurchases of insurance portfolio.

1. THEORETICAL BASIS

In connection with the achievement of the aim of the paper, two research questions are specified: What significant development changes occurred in the Česká pojišťovna (at present, Generali Česká pojišťovna) during the period under review? Is it possible to find reasons why the Česká pojišťovna (at present, Generali Česká pojišťovna) has maintained its position as a leader in the Czech insurance market until now? In order to achieve the goal and to answer the research questions, an analysis of the leading insurance company is performed on the Czech insurance market in the centrally controlled economy and the period of the market economy. The main development changes of the company are sought. The main features of insurance products in the period of the totalitarian regime are characterized. In the period after 1989, the development is marked by a focus on changes in the shareholder structure of the Česká pojišťovna, and the development of its market share is shown.

In the paper, qualitative research methods are used. In the paper, methods of description and comparison shall be applied as well as local micro-historical analyses. Qualitative research is based on data from available literature and the websites of the Czech National bank, Czech Insurance Association and the analysed commercial insurance company Česká pojišťovna (at present, Generali Česká pojišťovna). Marvan and Chaloupecký are important authors in the field of the historical development of the Czech insurance industry. From 1989 to 1997, both of these authors jointly published an extensive 3-part collection dealing in detail with the history of the Czech insurance market under the title “History of insurance in Czechoslovakia,” which served as a basis for analytical, comparative, and descriptive work on this paper. Their publications from 1995 and 1997 are also used for research. The same authors compiled a publication in 1997 concerning the seven generations of the historical development of the oldest Czech insurance company. This article

also draws inspiration from this publication. The Czech Insurance Association published a bulletin in 1997 on the development of 170 years of Czech insurance. The 1977 publication on the development of 150 years of the Czech insurance market, prepared by a team of Czech State Insurance Company, cannot be omitted either. These publications are also used for analysis. Statistical time series based on data from the Czech National Bank and the Czech Insurance Association are used to calculate the market share of Česká pojišťovna (at present, Generali Česká pojišťovna).

2. RESULTS

It is important to briefly describe what happened in the Czech insurance market after World War II in 1945. Presidential Decree No. 103 Coll., on the nationalization of private insurance companies, was issued on October 24, 1945. Therefore, on the suggestion of the Czechoslovak government, an Insurance Board of Directors was appointed at the Ministry of Finance to nationalize the commercial insurance system. The task of the Board of Directors was to ensure unified insurance management in Czechoslovakia (Marvan & Chaloupecký, 1997b). After 1945, insurance companies managed by the Insurance Board of Directors were nationalized. As of January 1, 1947, out of the then 45 joint-stock and mutual insurance companies, 421 sickness funds, regional fire insurance companies and associations for mutual insurance of livestock, and 268 Czechoslovak shares of foreign insurance companies, five insurance companies in the legal form of national enterprises were established (Vávrová, 2013). These five insurance companies were merged with effect from January 1, 1948, into one company called Československá pojišťovna. At the same time, it was renamed Československá státní pojišťovna, i.e., the Czechoslovak State Insurance Company.

The role of insurance in the centrally planned economy was degraded. In the section of industrial and business insurance, the commercial

insurance system often replaced shortcomings in the implementation of the plan, e.g., comprehensive crop insurance for agricultural cooperatives was balancing the planned services with the state budget through the then Czechoslovak State Insurance Company if there was a crop failure due to bad weather. In the section of retail insurance, i.e., the citizens' insurance, the insurance industry performed its function sufficiently, especially in property insurance. However, in personal insurance, specifically life insurance, the role of life insurance as the third pillar for stabilizing the future income of individuals and their families was completely suppressed. These distortions became a basis of persistent disproportions if we compare the development of the commercial insurance system in the then Czechoslovak Republic with insurance markets in the European Economic Community.

At the beginning of 1947, the situation in the Czechoslovak insurance industry looked as follows: As of January 1, 1947, five insurance companies in the legal form of national enterprises were established by decrees by the Ministry of Finance. In connection with the takeover of power by the working class during the coup d'état in February 1948 and the beginning of building socialism, there was a rapid change in the insurance industry. With retroactive effect from January 1, 1948, Československá pojišťovna (Czechoslovak Insurance Company) national enterprise became the legal successor of these five national insurance companies (CIA, 1997, p. 5). This step forced any competition to disappear from the Czech insurance market – the market gained a monopoly structure for the next 20 years. The situation lasted until 1968, when on August 21, 1968, a group of Warsaw Pact allied countries crossed the Czechoslovak border and brought so-called “fraternal aid,” as it was called long after. The change in the political climate led to a process of so-called normalization of the lives of Czechoslovak citizens. The federalization of the then socialist Czechoslovak state in 1968 became its political consequence. The situation in the insurance market also changed. In 1968, two insurance companies were established with effect from 1 January 1969, namely Česká státní pojišťovna (Czech State Insurance Company) and Slovenská štátna poisťovňa (Slovak State Insurance Company) (Marvan & Chaloupecký, 1995). Both insurance

companies were allowed to operate throughout Czechoslovakia, but they did not exercise this right by mutual agreement. Two acts on insurance were a certain rarity – one for the Czech Republic and the other for the Slovak Republic (then, in one common state of Czechs and Slovaks, i.e., in the Czechoslovak Socialist Republic), which ensured the exclusive right to conclude insurance contracts only by the Czech State Insurance Company and the Slovak State Insurance Company.

There was a simple system of insurance contracts during this period, such as householder's combined/comprehensive insurance. Mass products, cheap insurance for the population with as comprehensive protection as possible and low administrative costs were typical features of the insurance company's monopoly position. As its distribution channel, the insurance company was using a system of sales representatives who bypassed their area. It was also possible to underwrite insurance at the insurance company's counters and agencies. Socialist enterprises were often insured for the book value of their property. Such insurance did not capture the actual value of the property, i.e., the fair value. Voluntary personal lines insurance (especially life insurance, accident insurance, and also pension insurance) supplemented the social security of citizens based on the social policy of the socialist state and the policy of total employment. Standard life insurance served as a form of long-term savings for citizens. Loss prevention did not follow only the business aspect, but also the society-wide aspect. In practice, this meant that uninsured persons also benefited from specific precautionary measures originated by the insurance company. E.g., the introduction of roadside signaling at road junctions helped both insured drivers and uninsured motorists (Marvan & Chaloupecký, 1997c).

The insurance relationship was built on a voluntary basis, with a few exceptions. In practice, this meant that the vast majority of insurance policies were taken out voluntarily based on an insurance contract between the insurance company and natural, or legal person. It was, therefore, voluntary contractual insurance. In some cases, the interest of society as a whole required increased insurance protection; there, the law imposed an obligation to conclude an insurance contract. That follows

from the nature and character of the former state. This was compulsory contractual insurance, for example, insurance for damages incurred in the exercise of a right to hunt. In two cases, the insurance was required directly by law where the whole society was interested in increased insurance protection. The insurance cover was underwritten immediately and automatically. It was mandatory/statutory insurance, which arose without concluding an insurance contract by fulfilling certain predetermined preconditions. This included motor third-party liability insurance and insurance for socialist agricultural organizations (Marvan & Chaloupecký, 1997c).

The insurance company used the profit first to meet its contribution obligations, primarily to the state budget, and only then to meet other commitments. In addition to the payment to the state budget, the insurance company also paid from the volume of wages given by generally applicable regulations. A levy of 95 per cent of the balance sheet profit was set for Česká státní pojišťovna (Marvan & Chaloupecký, 1997a). After paying for the levies, the insurance company used a specific part of the generated profit to create and replenish the necessary reserve fund, which served, if needed, to cover fluctuations in the results of insurance activities. In addition to covering changes in the loss ratio, it also served to cover the costs of loss prevention and promotion activities. This fund was managed company-wide by the general directorate. Although the standards changed over the years, the level of calculated costs in the Česká státní pojišťovna in the early 1970s was set as follows: state non-agricultural organizations/firms 62 per cent, agricultural organizations/firms 60 per cent, statutory motor third party liability insurance of the population and companies 95 per cent, contractual property and liability insurance of the population 75 per cent, foreign insurance and reinsurance 58 per cent (for more see Marvan & Chaloupecký, 1997a).

The most extensive and socially and economically most crucial area of Česká státní pojišťovna's activities was personal lines insurance. Long-term contractual voluntary insurance prevailed in it. According to Marvan and Chaloupecký (1997a), the number of insurance contracts exceeded 7.5 million by December 31, 1971. In addition, on the

same date, 1.9 million motorists covered by statutory motor third-party liability insurance had been registered here. In 1971, Česká státní pojišťovna received more than Kčs 2 billion (Czechoslovak crown, i.e., state currency that times) of premiums written. For comparison, it was paid almost Kčs 1.4 billion in insurance claims. Life insurance reserves were strengthened by Kčs 0.8 billion. The extensive activities carried out by the Česká státní pojišťovna, Czech State Insurance Company, could not do without a comprehensive rationalization of work. Two related tasks were monitored - increasing labor productivity and at the same time facilitating and making employees' activities easier, primarily by eliminating monotonous tedious work, which was gradually taken over by available modern technology. Thus, the premiums received could increase from Kčs 516 million in 1955 to Kčs 10.6 billion in 1983, representing index 2047. At the same time, the number of employees increased from 3,892 to 5,592 (index 144). In 1983, there were 376 settled claims per employee of Česká státní pojišťovna; if converted to an employee of the loss adjustment service, 1,169 claims. In 1983, there were 1,880 insurance contracts per employee within the Czech State Insurance Company. In addition, it was necessary to manage a considerable agenda associated with statutory liability insurance for all motor vehicles and all agricultural organizations (Marvan & Chaloupecký, 1997a, p. 246).

Both property and liability insurance provided by the Česká státní pojišťovna had a long tradition in the Czechoslovak Socialist Republic. According to Marvan and Chaloupecký (1997a), in 1971, it had the following structure: insurance of buildings, households and weekend houses; motor third-party liability insurance; motor hull insurance; agricultural insurance, including livestock insurance. Property insurance was the most widespread insurance in the Czechoslovak Socialist Republic. The insurance company arranged a wide range of property insurance with both citizens (natural persons) and organizations (legal entities). It was, for example, insurance in case of damage or destruction of a property by a natural event; insurance in case of damage, destruction or theft of a motor vehicle; transport insurance; insurance in case of theft of property; insurance in case of intentional damage or destruction of property by vandalism.

The basic idea of liability insurance was the need to protect the injured party. This was particularly pronounced in the case of statutory motor third-party liability insurance. The peculiarity of motor third-party liability insurance was that it had virtually unlimited sums, and that most exclusions from the insurance conditions were removed and replaced by recourse against the insured. The injured party almost always received full compensation. Instead of a guarantee fund, the insurance company's obligation to compensate the injured party was directly established with a certain restriction on material damage. For example, a single surcharge of Kčs 20 was paid for the extension of national insurance abroad, regardless of the type of vehicle, the number of trips per year and the country of residence. Liability insurance did not cover liability for damages caused intentionally and for damages in employment relations when there was a deficit in the entrusted values. The insurance company also did not reimburse the damage caused by the insured to his spouse, relatives or persons living in the same household. Property and liability insurance for citizens (natural persons) was concluded primarily in combined insurance policies, such as house owner's comprehensive insurance, householder's comprehensive insurance, combined insurance of recreational buildings and recreational households, etc. These insurances were concluded based on simplified actuarial aspects without specifying sums insured, only with an indication of the upper limit of the insurance liability. The form of comprehensive/combined insurance enabled an indisputably substantial reduction in the insurance company's administrative costs and, as a result, a reduction in the premiums paid, although, to a certain extent, it did not allow the insured to choose the insurance products freely. However, insurance policies could also be underwritten with individual applicants for other risks, such as insurance of art objects and collections, beehives (Marvan & Chaloupecký 1997c).

Property and liability insurance for Czechoslovak citizens was valid in the territory of the Czechoslovak Republic, i.e., in the entire socialist federation of two parts, but not abroad. When traveling abroad, it was necessary to buy special short-term insurance. For Czechoslovak citizens who were abroad for a long time, it was recommended to arrange insurance with local commercial insurance companies.

A specific part of the national insurance activities operated by the Czechoslovak Insurance Company was the insurance service offered for socialist organizations (legal entities). With the exception of agricultural organizations, this insurance of organizations was voluntary and had to be calculated as mutually beneficial. In the case of non-agricultural organizations with which voluntary contractual insurance policies were carried out, there were mainly socialist organizations that operated on their own account, whether in state ownership or cooperative ownership. They were active in the industry, transport, construction, trade, municipal economy or in the field of services. Of the organizations financed from public budgets being insured in the Czechoslovak Republic, there were only municipal and local national committees and organizations financed from the budgets of all levels of national committees. The scope of insurance coverage and premium rates of non-agricultural organizations were usually agreed upon individually in the relevant insurance contract. The basis of such a contract was either natural perils insurance or liability insurance for the operations liability of the organization, and some other types of insurance were added. Business interruption insurance, i.e., insurance against interruption of business activities caused by machinery damage, did not start to be offered until the end of 1980s (ČSP, 1977).

Unlike non-agricultural organizations, in Czechoslovakia, all agricultural farms were statutorily insured by law in case of damage caused by natural perils. Livestock and the yield of specific crops (fruit, vines, hops and tobacco) were also insured. By insuring these risks, the financial stability of agricultural firms in the event of an insured loss was ensured. Statutory insurance of agricultural companies was very advantageous for them, especially in terms of premium calculation. According to ČSP (1977), the livestock insurance operations calculation was based on the fact, that the average amount of insurance benefits paid each year would be 90 per cent of the premiums paid. The insurance company spent another 4 per cent of the premiums received from this type of insurance on financing damage prevention activities. Thus, on average, 94 per cent of the premiums paid went back to agricultural farms. For the insurance company, the underwriting of agricultural insurance was one of the most critical areas

of its activity, as it represented more than 25 per cent of the premiums received. In addition, agricultural farms could purchase other voluntary contractual insurance, such as motor hull insurance (casco), machinery breakdown insurance and business liability insurance.

In a way, the so-called comprehensive crop insurance was original because the then statutory insurance against natural perils damage did not cover several risks to which crop production was exposed, especially the risk of drought, excessive moisture, freezing, pests, etc. The introduction of this type of insurance was extremely demanding, and therefore, all the important issues were examined during its preparation in the early 1980s. This type of insurance product ended in 1989/1990 with the transformations in the Czech (Czechoslovak at that time) society.

One of the most severe insurance events during the 1950s and 1960s was the floods on the Danube river in 1965. In June 1965, a dam broke on the left bank of the Danube river in southern Slovak territory called Žitný Ostrov, i.e., east of Bratislava, the Slovak capital. The Danube dam was broken and gradually washed away. The water level in the Danube reached 802 cm. From the breaking of the dam until its closure in July 1965, over 1,100 cubic meters of water flowed from the Danube, which flooded 55,000 ha of the lower Žitný Ostrov. The breakthrough was successfully blocked by sinking the tugs of the Czechoslovak Danube Cruise with stones in the Danube riverbed. Hundreds of Czechoslovak Army members and employees of all the companies involved took part in the dangerous work. According to information published in newspapers in September 1965 (see Marvan & Chaloupecký 1997c), the flood destroyed 3,910 homes and damaged 6,180 homes, leaving 4,300 families homeless. A total of 71,702 ha of agricultural land was flooded. 53,693 inhabitants from 46 villages and settlements were evacuated. Property insurance benefits for citizens and organizations were reflected in settlement of damages related to the huge floods and inundations on the Danube river in southern Slovakia. In adjusting the claims, adjusters from all insurance company branches from all over Czechoslovakia cooperated. Experts from workplaces in the Czech regions, who volunteered, also came to the affected areas. In total,

Československá pojišťovna paid Kčs 362,555,343 from insurance for damages caused by floods in two districts of southern Slovakia. These figures show that the insured citizens were indemnified for 20,439 losses by the end of 1965. Due to the fact that extensive damages were in several districts of Czechoslovakia in 1965, the reserve fund of Československá pojišťovna was almost completely depleted (Marvan & Chaloupecký 1997c).

Personal insurance operated by the insurance company included life insurance, and within it, insurance involving death risk, and contingent assurance; pension insurance, and accident and disability insurance. The development of this life insurance branch at that time had the constant support of the highest state authorities in the Czechoslovak Socialist Republic. This manifested itself, for example, in the fact that since 1 January 1975, life insurance and pension insurance were operated on the basis of non-profitability (Marvan & Chaloupecký, 1997a). The calculated interest rate on premium reserves, which were deposited with the central bank Státní banka československá (Czechoslovak State Bank), was advantageous over savings deposits. The achieved technical profit was distributed to the insureds so that the highest individual interest was obtained by the insured, who complied with the insurance conditions and did not terminate the insurance policy before the end of the contractual period. To increase the attractiveness of personal insurance, various combined life and accident insurance, or pension and accident insurance, were created. Representatives of the insurance company obtained the insurance during visits to households, rather sporadic, often at workplaces – in industrial plants, agricultural cooperatives, scientific institutes, social organizations, etc. When concluding an insurance contract at the workplace, the premium was usually collected in bulk by a monthly deduction from salary. This was advantageous for both the insured and the insurance company saving operating costs. Česká státní pojišťovna, Czech State Insurance Company, the insurance company operating on the territory of the Czechoslovak Socialist Republic, for example, had 10,513,634 of long-term insurance policies in 1983, of which 5,888,000 were in personal insurance and the total annual premium from this branch amounted to Kčs 3,595 million (Marvan & Chaloupecký, 1997c).

The premiums received from personal insurance accounted for about a third of all premiums received by this insurance company.

An integral part of the activities of the Czech State Insurance Company, resp. of its branch office for foreign insurance, was reinsurance operation. It was basically no different from standard practice abroad, and its need arose mainly from large foreign exchange risks. Conditions of the monopoly position of the insurance company with its ability to concentrate all insurance funds created a system in which the so-called domestic/national risks and risks insured in the domestic currency were not ceded. According to Marvan and Chaloupecký (1997a), the Czech State Insurance Company, therefore, offered to foreign insurers and reinsurers participation in its transport risks and credit risks, casco shipping risks and airline risks in the form of reinsurance contracts. Individual risks were offered to reinsurance partners practically throughout the whole Europe in facultative reinsurance. The insurance company was also interested in taking over reinsurance from its business partners. Often, it achieved this on the basis of mutual reciprocity, which must be understood not only in the volume of reinsurance premiums exchanged but also in the level of results achieved. The insurance company Česká státní pojišťovna achieved a reinsurance turnover of around Kčs 500 million and maintained connections with approximately 200 companies in more than 50 countries around the world.

Year 1989 brought an end to the centrally planned and controlled economy in former Czechoslovakia, which existed in the form of a federation of two national states: of the Czech Socialist Republic and the Slovak Socialist Republic. The so-called “Velvet Revolution” marked the fall of the communist regime and, in the area of the economy, the change from a planned economy to a market economy. The name of Václav Havel, the first president of the post-communist administration, is an inseparable part of the fall of the totalitarian regime. His person represents an important personality in the struggle for freedom for the Czech Republic and the Central and Eastern Europe region. Another significant milestone in the development was the demise/disintegration of Czechoslovakia on December 31, 1992. Two separate countries were established, the Czech Republic and the Slovak Republic. These changes

had a significant impact on the Czech Republic and the development of its economy, which was, of course, reflected in the development of financial markets and of the insurance market as their important constituent part. Although fundamental social changes began in former Czechoslovakia at the end of 1989, the insurance sector did not change until 1991, namely by the Act of the Czech National Council No. 185/1991 Coll., on insurance, or Act of Slovak National Council No. 24/1991 Coll. in the Slovak part of former Czechoslovak federation (Pastoráková et al., 2021). Competitive environment on the insurance market in the Czech Republic began to form again only on May 28, 1991, when it was allowed to start to operate new domestic insurance companies based on a license. From May 28, 1992, the activities of newly established foreign insurance companies were allowed. There was also a space for the work of internationally experienced insurance advisors and insurance brokers, who, based on their knowledge of the insurance market, selected the best insurance policies from competitive offers for their customers. Certain types of insurance products did not meet new insurance conditions. This meant transforming insurance products, which was associated with the risk of reducing insurance portfolios. For example, during the 1990s, the insurance of agricultural farms changed, and a completely new range of business insurance products based on the latest global knowledge was developed. As a result of demonopolization, new companies could emerge, creating a competitive environment (see Table 1).

The analyzed commercial insurance company Česká pojišťovna has transformed its legal form from a state enterprise to a joint-stock company since May 1, 1992. It offers statutory insurance, contractual insurance of property, persons and liability, insurance for industrial businesses and entrepreneurs, and agricultural insurance. It also provides insurance arising from international trade and reinsurance. These changes led to the rebuilding of its internal structure. A new organizational structure was created. The property and liability insurance section and the personal insurance section were created. Also, the new section of business commercial insurance responding to an emerging social group, and the section of agricultural insurance were created (Marvan & Chaloupecký 1997b).

Table 1. Number of commercial insurance companies (IC) operating on the Czech insurance market in 1991–2021

Source: Authors' own processing based on Czech National Bank data (CNB, 2022).

Year	1991	1992	1993	1994	1995	1996	1997	1998
Number of IC	3	12	20	27	35	35	40	41
Year	1999	2000	2001	2002	2003	2004	2005	2006
Number of IC	42	41	43	42	42	40	45	49
Year	2007	2008	2009	2010	2011	2012	2013	2014
Number of IC	52	53	53	53	54	53	52	53
Year	2015	2016	2017	2018	2019	2020	2021	–
Number of IC	55	54	49	48	47	44	41	–

The Czech Republic's accession to the European Union in 2004 meant a significant change for the Czech insurance market. Regarding this year, Table 1 shows an increase in the number of commercial insurance companies. However, since 2016, the number of commercial insurance companies has declined. There were mergers of insurance companies, changes in shareholders etc., in the Czech insurance market during this period.

Considering capital structure of the analyzed insurance company, developments have progressed in the past two decades. From the second half of the 1990s, the holding PPF Group (with Czech and international capital) was gradually increasing its share in Česká pojišťovna. In 2000, it became the majority owner, and in 2005, it thoroughly controlled the insurance company. The joint agreement signed between Assicurazioni Generali and PPF Group N.V. entered into force in 2008, which established Generali PPF Holding B.V., where 51 per cent was owned by the Generali Group and 49 per cent by the PPF Group. Česká pojišťovna insurance company became part of Generali PPF Holding, which combined the insurance and related activities of both financial groups in the region of Central and Eastern Europe. In 2013, the Generali Group and PPF Group representatives agreed on the purchase of a minority part of Generali PPF Holding. Following this acquisition, the holding company for the Central and Eastern Europe region was renamed Generali CEE Holding B.V. In 2015, Generali CEE Holding became the 100 per cent owner of Česká pojišťovna insurance company (see Česká pojišťovna Annual Report 2000, 2008, 2015).

In 2019, Česká pojišťovna bought the insurance portfolio of another commercial insurance company Generali Pojišťovna. They have combined

their activities and operate under the new name Generali Česká pojišťovna a.s. At the same time, on December 21, 2019, insurance company Generali Pojišťovna began to operate in the Czech insurance market under the new trade name Pojišťovna Patricie. Commercial insurance company Generali Česká pojišťovna took over the insurance contracts of Generali Pojišťovna, with a few exceptions, on the same date. However, this change did not affect foreign insurance contracts, i.e., insurance contracts with insurance risk or insurance liability outside the territory of the Czech Republic, which remained under the administration of Pojišťovna Patricie. On December 21, 2020, insurance company Generali Česká pojišťovna took over the insurance portfolio of Pojišťovna Patricie insurance company (Česká pojišťovna Annual Report, 2022).

After the demonopolization of the Czech insurance market, Česká pojišťovna's original 100 per cent market share began to decline, which was associated with the entry of domestic and foreign new entities, i.e., commercial insurance companies into the market. This process is illustrated in Table 2, which shows the share of the insurer Česká pojišťovna (Generali Česká pojišťovna since the end of 2019) measured by premiums written on the Czech insurance market from the beginning of the market transformation in 1991.

Two methodological notes are required on the data in Table 2. Market share data is always provided according to the latest available sources. It is common practice that subsequent annual reports, including time series, specify the data in the coming years. The second remark concerns the change in the methodology for reporting premiums written by the Czech Insurance Association since 2011. Figures do not include cross-border busi-

Table 2. Share (in %) of Česká pojišťovna in the Czech insurance market, premiums written

Source: Authors' own processing based on Czech Insurance Association data (CIA, 2022).

Year	1991	1992	1993	1994	1995	1996	1997	1998
Market share	N.A.	94.45	87.15	76.15	69.64	64.44	59.94	59.01
Year	1999	2000	2001	2002	2003	2004	2005	2006
Market share	52.43	38.12	38.12	36.60	35.75	36.39	35.46	32.80
Year	2007	2008	2009	2010	2011	2012	2013	2014
Market share	30.17	28.88	26.36	24.62	26.67	26.24	25.23	23.81
Year	2015	2016	2017	2018	2019	2020	2021	–
Market share	23.03	22.46	21.94	21.44	20.50	26.72	26.00	–

ness through branches or under FOS (i.e., freedom of providing services). Single premiums in life insurance are recalculated based on 10 years, where only one-tenth of the written premiums is included. This, of course, was reflected in the value of the total premiums written, which decreased by several tens of billion CZK due to the new methodological approach. Given that the changes in methodology did not have the same effect on all insurance companies, there were also some changes in market shares, which is also reflected in the share of the largest insurance company (Nečas & Vávrová, 2019). However, this does not change the visible trend within the time series. Furthermore, in 2019 for the first time in the modern history of the Czech insurance market, a change was observed in the position of the market leader. Instead of analyzed insurance company Česká pojišťovna, the market leader was Kooperativa pojišťovna, a.s., due to its merger with the smaller insurance company which has belonged to the same financial group Vienna Insurance Group. Its share was 23.31 per cent. But this situation changed soon – see Table 2. At the end of 2019 and in the year 2020, the changes described above took place in the analyzed insurance company. Generali Česká pojišťovna again became the leader of the Czech insurance market with a share of 26.72 per cent in the year 2020.

3. DISCUSSION

This paper aims to analyze the evolution of the leading commercial insurance company operating in the Czech insurance market from 1947 to 2021. In connection with the achievement of the aim of the paper, answers to research questions were specified. This paper discovered what significant development changes occurred in the Česká pojišťovna (at present Generali Česká

pojišťovna) during the period under review. The development of the insurance company can be divided into two time periods, namely 1947–1989 and 1989–present. The first period is a period of the monopoly position of the insurance company Česká pojišťovna in Czechoslovakia. The second period is the period of origin and development of the market environment in the Czech insurance industry, which significantly shaped the structure and performance of Česká pojišťovna. In the period 1948–1968, there was one state insurance company in the legal form of national enterprise in Czechoslovakia, that is, the Czechoslovak State Insurance Company (later Česká pojišťovna, at present Generali Česká pojišťovna). The insurer Československá státní pojišťovna was created by merging five state insurance companies in 1947. This situation lasted until 1968. The socialist Czechoslovak state underwent a federalization process in 1968. In 1968, with effect from January 1, 1969, two insurance companies were established, namely Česká státní pojišťovna and Slovenská štátna poisťovňa. The year 1989 marked the end of the centrally planned and controlled economy in the former Czechoslovakia, which existed as a federation of two nation-states, the Czech Socialist Republic and the Slovak Socialist Republic. On December 31, 1992, two separate countries were established, the Czech Republic and the Slovak Republic. The competitive environment in the insurance market in the Czech Republic began to form again only on May 28, 1991. The analysed commercial insurance company Česká pojišťovna transformed its legal form from a state enterprise to a joint-stock company after May 1, 1992. From the second half of the 1990s, PPF Financial Group was gradually increasing its stake in Česká pojišťovna. In 2000, it became the majority owner, and in 2005, it thoroughly controlled the insurance company. In 2008, Česká pojišťovna became part

of Generali PPF Holding. In 2015, Generali CEE Holding became the 100 per cent owner of Česká pojišťovna. In 2019, Česká pojišťovna bought the insurance pool of another commercial insurance

company, Generali Pojišťovna. They have merged their activities and since the end of the year 2019, they operate under the new name Generali Česká pojišťovna.

CONCLUSION

The purpose of the paper is to indicate what conclusions could be drawn from analyzing the evolution of the leading commercial insurance company operating in the Czech insurance market in the time period 1947–2021. This paper was searching for reasons why the Česká pojišťovna (at present Generali Česká pojišťovna) has maintained its position as a leader in the Czech insurance market until now. The first reason for the leading position of the analyzed insurance company is its very establishment in 1948 as the only state insurance company in former Czechoslovakia, i.e., its monopolistic position on the Czechoslovak insurance market. Until 1991, the insurance company had a monopoly position in the Czechoslovakia/Czech Republic. After the demise of the centrally controlled economy in 1989 and after adopting the demonopolization acts in 1991, new domestic and foreign insurance companies emerged, and Česká pojišťovna's market share gradually began to decline (see Table 2). However, Česká pojišťovna was the leader of the Czechoslovak/Czech insurance market until 2019, when Kooperativa pojišťovna occupied the leading position. Since the end of 2019, considering the purchase of insurance portfolio, Generali Česká pojišťovna has significantly increased its market share and is once again becoming a leader in the Czech insurance market.

AUTHOR CONTRIBUTIONS

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Formal analysis: Eva Vávrová, Lenka Přečková.

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