Evaluation of the Impact of the COVID-19 Pandemic on the Financial Health of Commercial Insurance Companies in the Czech Republic

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Focus and Reasons for Research

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- This **paper focuses** on assessing the impact of the COVID-19 pandemic on the insurance operations of commercial insurance companies in the Czech Republic.
- Puławska (2021):
  - German and Italian insurance companies experienced a **decline in return on assets** (ROA).
  - Belgian, French, and German insurance companies experienced a **decline in solvency ratios**.
- Stojkoski et al. (2021):
  - They were found that the pandemic **reduced insurance activity** in insurance companies in Macedonia.
- Preda et al. (2021):
  - Authors noted the **increased costs** associated with facilitating telework.

Focus and Reasons for Research

- Kočović et al. (2023):
  - Authors presented the results of **premium growth** in various Central and Eastern European countries (Serbia, Croatia, Slovenia) in 2020.
  - The evolution of premium growth rates was **different** in the selected countries.

- Kašćelan et al. (2023):
  - Authors focused on the analysis of the EU insurance sector.
  - The research suggests that there is a very **delicate balance between profitability and solvency** for insurance companies in the EU.

Goal of Paper

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- **The aim** is to determine the impact of the pandemic on the **financial health** of commercial insurance companies in the Czech Republic

Research period: **2016-2021**

The **research questions**:

- *In which areas of financial health did the COVID-19 pandemic have an impact?*
- *What variations in the impact of the pandemic on financial health can be observed in individual commercial insurance companies?*

Research Progress

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- Insurance companies were included in the assessment (see next Tables)
- **Insurance companies** were devided into **two groups** – insurance companies predominantly engaged in non-life insurance and insurance companies predominantly engaged in life insurance
- The **indicators** were selected.
- The development of the selected indicators was **determined** over the selected period.
- **Changes between 2019/2020/2021** were examined in indicator trends as these years mark the onset of the COVID-19 pandemic.

Insurance Companies in the Czech Republic

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Insurance company	Abbreviation	Share of non-life insurance (average)	Market share (average)
Predominance of non-life insurance			
Allianz pojišťovna, a.s.	ALLIANZ	76.86%	9.46%
AXA pojišťovna a.s	AXA	100.00%	1.38%
BNP Paribas Cardif Pojišťovna, a.s	BNP	100.00%	1.66%
Colonnade Insurance S.A., organizační složka	COLLONADE	100.00%	0.48%
Česká podnikatelská pojišťovna, a.s.	CPP	76.98%	6.48%
ČSOB Pojišťovna, a. s., člen holdingu ČSOB	CSOB	53.50%	8.57%
D.A.S. Rechtsschutz AG, pobočka pro ČR	DAS	100.00%	0.24%
DIRECT pojišťovna, a.s	DIRECT	100.00%	1.03%
ERGO pojišťovna a.s. (2022: SV pojišťovna, a.s.)	ERGO	68.03%	0.33%
ERV Evropská pojišťovna, a. s.	ERV	100.00%	0.37%
HALALI, všeobecná pojišťovna,a.s.	HALALI	100.00%	0.02%
Hasičská vzájemná pojišťovna, a.s	HVP	99.62%	0.41%
HDI Versicherung AG, OS	HDI	100.00%	0.26%
MAXIMA pojišťovna, a.s	MAXIMA	85.96%	0.38%
Pojišťovna VZP, a.s.	PVZP	100.00%	0.46%
Slavia pojišťovna a.s.	SLAVIA	100.00%	0.58%

Insurance Companies in the Czech Republic

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Insurance company	Abbreviation	Share of life insurance (average)	Market share (average)
Predominance of life insurance			
AXA životní pojišťovna a.s.	AXA ZP	81.54%	1.09%
Komerční pojišťovna, a.s.	KP	92.88%	4.41%
MetLife Europe d.a.c., pobočka pro ČR	METLIFE	93.63%	1.86%

Methods and Data

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Detecting changes over time in selected indicators:

- Growth rate of written premiums (GWP)
  - GWP is calculated as the change in gross written premiums between two consecutive years
- Cost (expense ratio)
  - Expense ratio (ER) is the ratio of operating costs and gross premiums written
- Return on assets (ROA)
  - Return on assets (ROA) is the ratio of net profit/loss and assets
- Solvency (solvency ratio)
  - Solvency ratio (SR) is the ratio of equity and net premiums earned
- **Data for research:**
  - The statistics of the Czech Association of Insurance Companies (CAIC)
  - Insurers' annual reports
  - Website of insurance companies

RESULTS

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- **The aim** is to determine the impact of the pandemic on the **financial health** of commercial insurance companies in the Czech Republic
  - It has been determined that the crisis caused by the COVID-19 pandemic **influenced** the financial performance of insurance companies in the Czech Republic.
  - The findings confirm the results of earlier studies.

RESULTS

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In which areas of financial health did the COVID-19 pandemic have an impact?

- It was found that almost all insurance companies had a **deterioration** in their **financial health indicators.**
- There was a **reduction** in **premium growth, capital profitability, and solvency ratio.**
- **Operational cost increased**.

RESULTS

What variations in the impact of the pandemic on financial health can be observed in individual commercial insurance companies?

- All insurance companies experienced a **decrease** in **GWP growth rate** (except HDI, AXA ZP).
- There was a **decline** in GWP between years 2019-2020 and **growth** between years 2020 – 2021.
  - The most significant decrease in written premiums was reported by the insurance company ERV. This is probably due to its specialisation in **travel insurance**.
  - The same development can be observed in the case of the insurance companies ERGO and PVZP, which specialise in **travel and health insurance** for foreigners.

RESULTS

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What variations in the impact of the pandemic on financial health can be observed in individual commercial insurance companies?

- All insurance companies experienced a **decline** in **ROA and SR indicators** during the period of 2019-2021 (except for AXA, AXA ZP, DIRECT, CSOB).

- The results confirm the **relationship between profitability (ROA) and the Solvency Ratio (SR)**. The findings confirm the study's conclusions Kašćelan et al. (2023).

RESULTS

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What variations in the impact of the pandemic on financial health can be observed in individual commercial insurance companies?

- All insurers experienced an **increase in operating costs** related to their activities (except DAS Insurance). The insurance company ERGO experienced the largest rise in costs.
- The increase in costs is probably related to the fact that insurance companies began to allow **remote work** during the crisis.
- The findings confirm the study's conclusions Kašćelan et al. (2023).

Thank you for your attention!

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