

Country-by-country analysis - Czechia

Annex IX to the Report on the application of the
Insurance Distribution Directive (IDD)

Consumer Protection Department
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EIOPA-BoS-21/584
06 January 2022



eioipa

European Insurance and
Occupational Pensions Authority

Note:

Powers of national competent authorities (NCAs):

In January 2021, EIOPA launched an online survey addressed to NCAs to gather input as to whether they are sufficiently empowered to carry out their tasks. The following information is based on the response from the Czech National Bank to this survey.

The figures should be interpreted with some caution as insurance markets – including the number and type of insurance intermediaries operating therein – vary significantly across Members States, as well as the supervisory structure and framework. **There are, therefore, limits to the level of comparability of data.**

Changes in the EU insurance distribution market:

In February 2021, EIOPA launched a survey addressed to NCAs to gather information on the insurance intermediaries' market structure and patterns of cross-border activities. The following information is based on the response from the Czech National Bank to this survey.

The figures should be interpreted with some caution as there are differences as to how intermediaries are registered in their home Member State, in the national categories of insurance intermediaries and in the approaches by NCAs to collect data.

CZECHIA

Information on the insurance intermediaries' market structure and patterns of cross-border activity

General data of the national market (2020):

	Amounts	Share total EEA
Population (in 1000) ¹	10,693	2.4%
(Re)insurance GWP (in million) ²	6,472.14	0.4%
Number of (re)insurance undertakings ³	26	1.1%
Number of registered insurance intermediaries	38,001	4.3%

National competent authority:

Czech National Bank

Registered insurance intermediaries split by natural and legal persons:

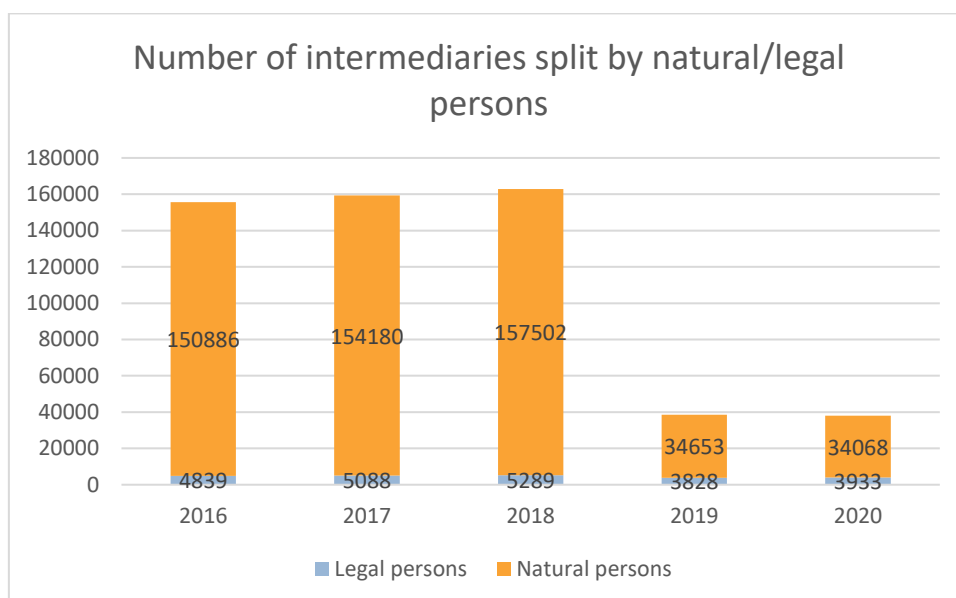
¹ Based on eurostat data:

<https://ec.europa.eu/eurostat/documents/2995521/11081093/3-10072020-AP-EN.pdf/d2f799bf-4412-05cc-a357-7b49b93615f1>

² (Re)insurance GWP includes life and non-life premiums generated by domestically registered undertakings year-end 2020 based on annually reported SII information:

https://www.eiopa.europa.eu/tools-and-data/insurance-statistics_en#Premiums,claimsandexpenses

³ Number of (re)insurance undertakings includes the domestically registered undertakings. Based on SII information (see link above)



Comments provided by the NCA on the figures included in the chart above:

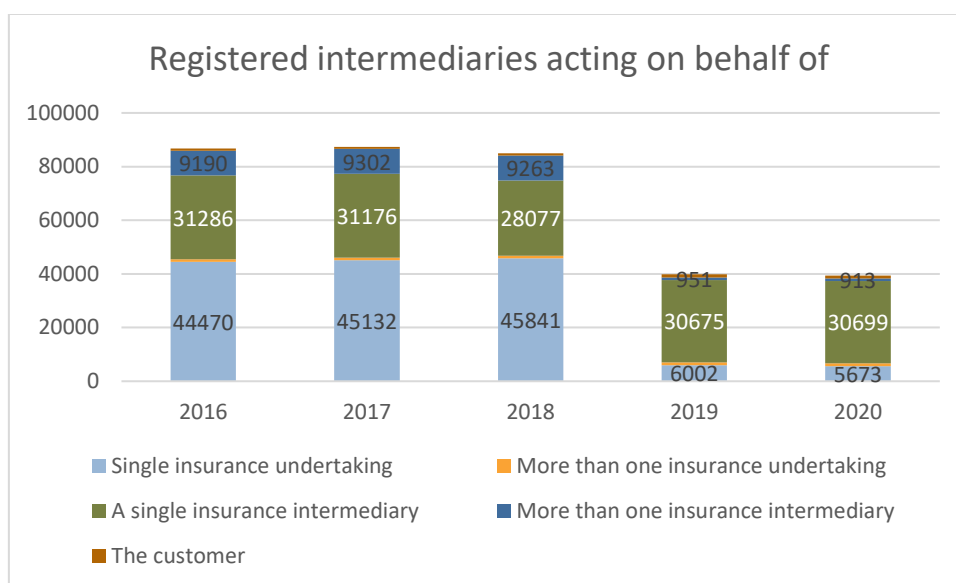
The number of registered insurance intermediaries sharply decreased in 2019 as a result of changes in our registration system (yearly re-registration fees and simplified removal procedures), enabling us to delete inactive intermediaries efficiently. We believe that the transposition of the IDD into domestic legislation may have also played a role and is likely to further decrease the overall numbers in the future. The IDD transposition has introduced stricter rules, especially with regard to professional and organisational requirements (a duty to obtain professional certification from an accredited certification body + a high school/university diploma/continuous professional experience in exceptional cases). However, due to the COVID-19 pandemic and the restriction on the activities of accredited certification bodies, the full application of rules on professional requirements has been postponed. Hence, its potential impact on the number of registered intermediaries is not yet reflected in the 2020 data.

Online registration system:

Independent intermediaries can opt to be registered using an online registration tool called "REGIS". Via REGIS, they can access an online registration form, fill out all the requested information and submit all required documents so that their application can be reviewed by the competent department and (dis)approved. Contrastingly, tied agents and ancillary insurance intermediaries must be registered using the REGIS online registration tool. Unlike independent intermediaries, tied agents and ancillary insurance intermediaries do not submit the registration form themselves - instead, the principal (insurance undertaking/independent

intermediary/intermediary from another MS) submits it on their behalf. The registration is done automatically without any formal review of the application; it is the responsibility of the principal to ensure that its tied agents and ancillary insurance intermediaries meet all the legal requirements for registration. The information on the number of registered insurance, reinsurance and ancillary insurance intermediaries is updated once a day.

Registered insurance intermediaries split by categories based on the activities of insurance intermediaries:



Comments provided by the NCA on the figures included in the chart above:

The total numbers of registered intermediaries provided in this question do not equal the totals provided in question 1 ("Registered insurance intermediaries split by natural and legal persons") for several reasons. Firstly, to provide useful data, we have only included insurance intermediaries that had a demonstrable business relationship with any of the entities listed in the first column at a given time. Consequentially, the totals for 2016-2018 are down by approximately 80,000 to 90,000 compared to the overall numbers provided in question 1. Secondly, the applicable domestic legislation currently permits or used to permit at some point during the applicable time period insurance intermediaries to combine several roles and/or to act on behalf of multiple entities. For instance, it is not uncommon for registered ancillary insurance intermediaries to simultaneously represent insurance undertakings and insurance intermediaries. Similarly, "independent intermediaries", a category introduced in December 2018, are allowed to offer services to customers both as brokers (in which case they are paid by the customer and are barred from accepting payments from the insurance undertaking) and as agents (in which case they

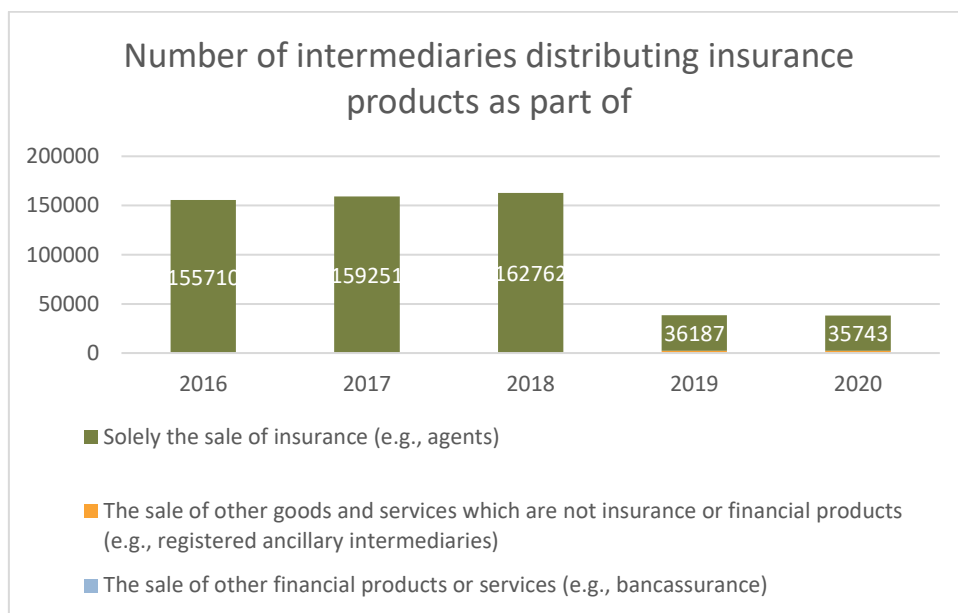
receive a commission from the insurance undertaking). Certain insurance intermediaries are thus included more than once (e.g. in categories 2 and 5 or 2 and 4), thereby increasing the totals in line 6.

Registered insurance intermediaries split by categories based on the way in which they are paid:

Number of intermediaries paid in relation to the insurance contract	No intermediary is remunerated this way	Up to 25% of the intermediaries in the market are remunerated this way	25%-50% of the intermediaries in the market are remunerated this way	50%-75% of the intermediaries in the market are remunerated this way	More than 75% of the intermediaries in the market are remunerated this way
1. on the basis of a fee					
2. on the basis of a commission					
3. on the basis of any other type of remuneration					
4. on the basis of a combination of any type of remuneration set out at points 1, 2 and 3					38,001
5.Total number of registered intermediaries (5=1+2+3+4)	0.00	0.00	0.00	0.00	38001.00

While the prevailing practice in our market is remuneration in form of a commission (as per category no. 2), commissions are often complemented by additional benefits (as per category no. 3). Insurance intermediaries are also occasionally paid by the client (as per category no. 1) in case they were hired specifically for broker services.

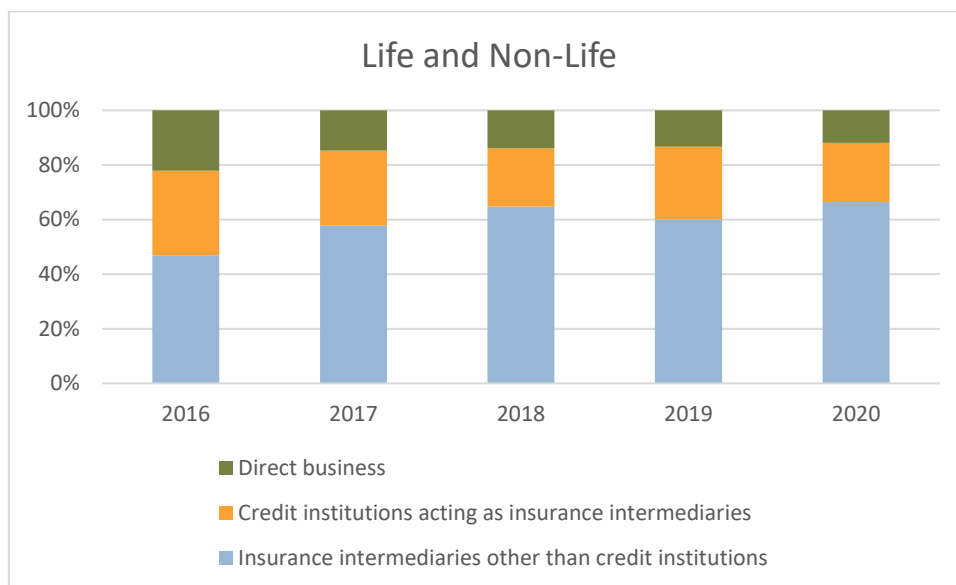
Registered insurance intermediaries split by categories based on the basis in which they sell insurance products:



Comments provided by the NCA on the figures included in the chart above:

Please note that the sale of insurance along with other services/goods (as per categories "the sale of other financial products or services" and "the sale of other goods and services which are not insurance or financial products") is often done via group insurance policies, which are outside the scope of our data set on insurance intermediaries (see our comment below: "Additional comments regarding the insurance intermediaries' market structure:").

GWP split by distribution channels:



Comments provided by the NCA on the figures included in the chart above:

Please note that renewals and insurance undertakings operating under FOS and FOE are not accounted for. Only insurance undertakings licenced in the CZ and new insurance contracts are included.

Proportion of online intermediation/sales (e.g. directly via websites, mobile applications, e-mails) in terms of the total volume of gross written premiums:

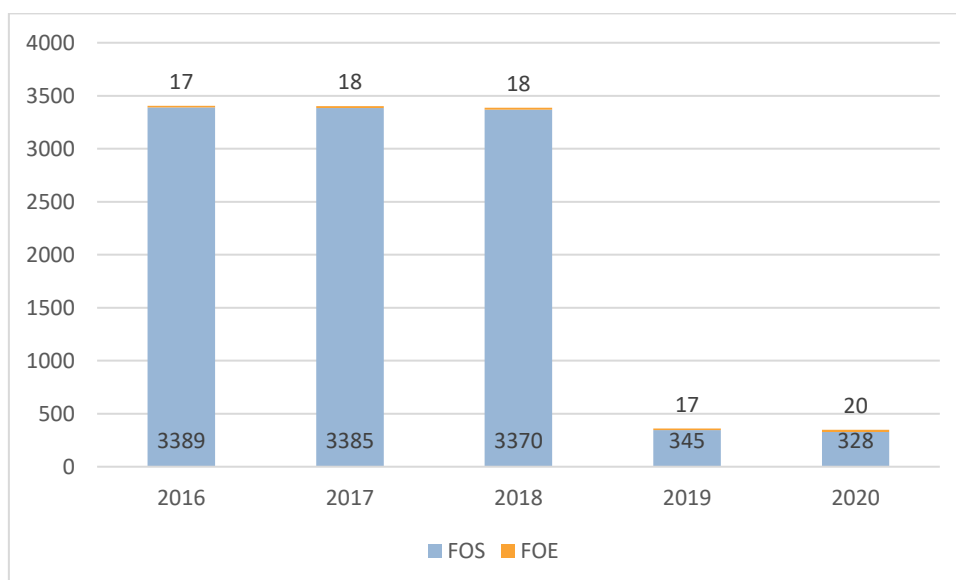
The proportion of online direct sales on direct sales of insurance undertakings is 8%-10% GWP. The proportion of online intermediation on all indirect sales (e.g. websites or apps of intermediaries, internet banking in case of bancassurance etc.) is not exactly known to us.

Comments provided by the NCA on the data above:

Online direct sales are increasing on a year on year basis. This trend was further enhanced by the COVID-19 pandemics and social distancing measures.

Number of domestic insurance intermediaries with a passport to carry out insurance mediation activities under freedom to provide services (FOS) or under freedom of establishment (FOE)

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Comments provided by the NCA on the figures included in the chart above:

The plunge in the number of passported insurance intermediaries is due to an overall decrease in the number of registered insurance intermediaries, brought about by the changes in domestic legislation (see our comment: "Registered insurance intermediaries split by natural and legal persons").

Please note that the graph does not accurately present the underlying data in as much as a number of intermediaries has a passport under both FOS and FOE. Hence, the number of domestic insurance intermediaries "with a passport" is actually lesser than the aggregation of the numbers depicted in the graph.

Number of insurance intermediaries with a passport to carry out insurance mediation activities under FOS or under FOE at the reference date 31.12.2020 split by host Member State:

<i>Host Member State</i>	<i>1. FOS</i>	<i>2. FOE</i>	<i>3. TOTAL</i>
<i>Austria</i>	161	0	161
<i>Belgium</i>	114	1	114
<i>Bulgaria</i>	35	0	35
<i>Cyprus</i>	107	1	107
<i>Croatia</i>	19	0	19

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<i>Czech Republic</i>	0	0	0
<i>Denmark</i>	109	0	109
<i>Estonia</i>	105	0	105
<i>Finland</i>	106	0	106
<i>France</i>	119	0	119
<i>Germany</i>	163	0	163
<i>Greece</i>	108	0	108
<i>Hungary</i>	143	1	144
<i>Iceland</i>	96	0	96
<i>Ireland</i>	115	0	115
<i>Italy</i>	116	0	116
<i>Latvia</i>	106	0	106
<i>Liechtenstein</i>	98	0	98
<i>Lithuania</i>	109	0	109
<i>Luxembourg</i>	108	0	108
<i>Malta</i>	106	1	106
<i>Netherlands</i>	112	0	112
<i>Norway</i>	101	0	101
<i>Poland</i>	174	1	175
<i>Portugal</i>	109	0	109
<i>Romania</i>	36	2	37
<i>Slovakia</i>	315	15	323
<i>Slovenia</i>	111	0	111
<i>Spain</i>	112	1	112
<i>Sweden</i>	109	0	109

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<i>Total EEA</i>	3,322	23	3,333
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Comments provided by the NCA on the figures included in the table above:

In total, 12 insurance intermediaries have a FOS passport to carry out insurance mediation in all EEA members.

General qualitative description of the “patterns of cross-border activity”:

About a quarter of cross-border activities takes place in the neighbouring states (Germany, Poland, Austria, Slovakia). Most cross-border activities occur in Slovakia: 94% of Czech insurance intermediaries with a FOS passport are passported into Slovakia. This close connection to Slovakia is largely due to historical bonds and a virtually non-existent language barrier.

Additional comments regarding the insurance intermediaries' market structure:

Please note that none of our data on insurance intermediaries takes account of policy-holders that act as sellers/service providers and provide an insurance cover to their customers under group insurance contracts. Under Czech law, this activity does not constitute insurance mediation and is not registered as such. Furthermore, please, be aware that due to retroactive changes in the register (number of registered entities, number of licences/roles and business relationships to other entities), the data available to us at the moment slightly differs from the data that we provided to you in 2018.

Information on the powers of the NCA

Statutory powers to implement the IDD:

According to the new provisions of the Act on Insurance and Reinsurance Distribution the Czech National Bank is empowered to register the insurance and reinsurance intermediaries, as well as the ancillary insurance intermediaries, to carry out notification procedure, to supervise breach of obligations under FOS and FOE, to publish general good rules, and to implement sanctions and other supervisory measures, and reporting. Also it is responsible for the supervision, including market monitoring. See §§ 7 to 9, 16 to 18, 25 to 27 and 94 to 106 of the Act.

Extent to which NCA has not been sufficiently empowered to ensure the implementation of the IDD:

Not applicable.

Most common supervisory tools to monitor the IDD implementation (1=least common; 5=most common)

Tools	Insurance undertakings	Insurance intermediaries
Market monitoring	3	2
Data-driven market monitoring, beyond complaints data analysis	3	3
Thematic reviews	4	5
Mystery shopping	n/a	n/a
On-site inspections	5	5
Off-site monitoring	5	4
Consumer focus groups	n/a	n/a

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Product oversight activities	3	2
Consumer research	n/a	n/a
Investigations stemming out of complaints	4	5
Other <i>a priori</i> supervisory activities (e.g., fit&proper assessments)	n/a	5

Supervisory tools adopted before and following IDD implementation:

Cells marked in **blue** means "yes" and cells marked in **grey** means "no".

Tools adopted	Adopted before IDD implementation	Adopted following IDD implementation	Is planning to adopt this or next year	Would like to adopt but is not empowered to adopt
Market monitoring				
Data-driven market monitoring, beyond complaints data analysis				
Thematic reviews				
Mystery shopping				
On-site inspections				
Off-site monitoring				
Product oversight activities				
Consumer focus groups				
Consumer research				

Investigations stemming out of complaints				
Other <i>a priori</i> supervisory activities (e.g., fit & proper assessments) – indicate below				

Comment by NCA on supervisory tools referred to in the table above:

Other *a priori* supervisory activities includes the assessment of fitness and probity, professional knowledge and good repute; registration of accredited certification and continuous education centres and on-site and off-site investigations (incl. assessment of notified changes).

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