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## Nationalization of private insurance in Czechoslovakia

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## NATIONALIZATION OF PRIVATE INSURANCE IN CZECHOSLOVAKIA

Private insurance companies in Czechoslovakia were nationalized in autumn 1945 simultaneously with the key industries and banks. (This took place by the Decree of the President of the Republic of Oct. 24, 1945, No. 103 from the Collection of Laws and Ordinances. The executive order under this Decree is the Government Regulation of Oct. 30, 1946, No. 215 Coll.) All domestic insurance companies as well as all insurance stocks held on Czechoslovak territory by foreign companies were subject to nationalization. Only the First Bohemian Reinsurance Bank, which is engaged exclusively in reinsurance, was exempted from nationalization by the aforesaid decree. The nationalization has affected 49 large domestic insurance firms, of which 21 were joint-stock companies, 26 mutual insurance companies, 1 provincial government establishment and 1 sole trader (the Star Insurance firm which was established in order to liquidate the stock of the former Austrian Phoenix Insurance Company after the latter's bankruptcy).

According to the kind of risks insured, 8 of them were engaged only in life assurance, 20 only in fire and accident insurance, 17 in both of these fields and 4 only in private health insurance. Apart from this, 542 minor insurance societies limited to special localities or to the type of risks insured have been nationalized; they had been based on the principle of mutuality (of these 41 were fire insurance societies, 434 horse and cattle insurance societies, 5 funeral benefits societies, 33 sickness and funeral benefits assurance societies, 29 pensions assurance societies).

Finally there have been nationalized 78 (11) insurance stocks belonging to German companies, 9 (4) Austrian, 8 (4) Swiss, 2 (2) Italian and 7 (0) Hungarian; the figures in brackets denote the number of insurance stocks in Czechoslovakia excluding the border areas, which under the occupation formed part of German and Hungarian administrative territories.

The Insurance Nationalization Decree has established a special form of insurance company, namely the Insurance National Corporation, which differs fundamentally from the two traditional types, the jointstock company and the mutual assurance company. The Insurance National Corporations are independent legal bodies and are ruled in their activities by the principles of business enterprise. The insured persons are not held liable for the losses of the corporation — except for the losses in livestock insurance where insured persons may, under the rules and regulations of the corporation concerned, participate in losses of this line of insurance. The insured persons may participate in the profits of the Corporation under dividend schemes. Liability of the state for the Corporations' deficits has not been set up. Deficits of Insurance National Corporations are to be covered out of their funds,

and if these were exhausted, out of a compensation fund established at the Ministry of Finance, in which parts of the surpluses contributed by the Insurance National Corporations to the state are accumulated.

The management of each Corporation is run by a managing board consisting of eight members, of which six are appointed by the Minister of Finance — two of these from the ranks of the insured — and two elected by the employees of the Corporation from their own ranks. The balance sheet and the distribution of surplus is approved of by the Insurance Council, which shall be mentioned in the following paragraph. Surplus remaining after contributions to the Corporation's funds is divided among the employees, the state and purposes of value to the general public (especially of a preventive nature).

Under the authority conferred on them by the Decree, the Government have created four Insurance National Corporations for Life Insurance and Fire and Accident Insurance, and one Insurance National Corporation for Private Health Insurance, all by January 1st, 1947. These corporations have succeeded to the rights and liabilities of establishments subject to nationalization. After the liberation of Czechoslovakia, insurance stocks in the borderlands, which under the occupation had been administered from central or branch offices situated outside Czechoslovak territory, were left without proper management, owing to the impossibility to contact their head-offices abroad, and consequently began to disintegrate. Therefore, these stocks have not been allotted to Insurance National Corporations, but merely put under their administration. 29 pensions assurance societies and 1 provincial government institute, which by their nature belong rather to the system of social insurance, have been exempted from incorporation in Insurance National Corporations by a governmental order; their status will be regulated by the Government later on.

An Insurance Council consisting of thirty members (with a Provincial Insurance Council for Slovakia under its authority) was created by the aforesaid Decree to provide a uniform management for all contract insurance; its chairman and five deputy chairmen are appointed by the President of the Republic, the remaining members by the Government (of these six are representatives of government departments, six are experts in national economy and twelve are experts engaged in practice in contract insurance and appointed on the recommendation of the employees' organizations. The Insurance Council was established on August 12, 1946 and has prepared draft-proposals for the formation of Insurance National Corporations.

Several features in the rules and regulations of Insurance National Corporations are worth noticing: for example the provision requiring that the interest on the Corporation's own capital should be deducted from the surplus in order to ascertain pure business results; further the provision for the com-

pulsory creation of a fund for fluctuations in annual requirements (the manner of creation and use has not been laid down up to the present); the setting of a limit to statutory funds, which limit these funds must not exceed.

The Insurance National Corporations which have been operating since January 1st, 1947, have to solve difficult problems arising out of different systems of operation of individual companies now incorporated in the National Corporations. The present course of development justifies the hope that these tasks will be mastered successfully. There remains the task of determining the compensation for property losses arising from nationalization. The Decree grants to share-holders of nationalized joint stock insurance companies a compensation amounting to the intrinsic value of the shares, but prohibits taking the value of the insurance stock into account. Only a small fraction of shares of Czechoslovak insurance companies had been held by individuals; the bulk were held by domestic and foreign insurance companies.

Překlad článku otištěného pod názvem

„The Responsibility of the Econometrician“ v časopise *Econometrica*, Journal of the Econometric Society, Vol. 14, No. 1, January 1946, The University of Chicago, Chicago 37, Illinois, USA.

## EKONOMETROVA ODPOVĚDNOST

RAGNAR FRISCH

Pokusíme-li se umístit hospodářské události a běžné praktické hospodaření do širší perspektivy tak, abychom odhalili podstatné vývojové tendence, zjistíme, že se děje něco opravdu důležitého s ekonometrického hlediska. *Ekonometrické zaměření* se postupně uplatňuje nejen v theorii, ale i v praxi. Ale čeho jsme svědky dnes, je jen nepatrný počátek ve srovnání s tím, co přichází. Můžeme předpovědět, že věda, jejímiž skromnými a oddanými služebníky chceme být, bude v životě národů důležitým činitelem v úsilí, aby se odstranil nesoulad mezi základními hospodářskými úseky a aby se využilo hladce a v míře stále zvyšované všech zdrojů. V státech založených více nebo méně na volném podnikání je nejnápadnějším nesouladem pustošivý boj mezi prací a kapitálem. A chce-li země s ústředně plánovaným hospodářstvím žít podle demokratického standardu, t. j. má-li produkce být obstarávána nejen lidem, ale také pro lid, vznikne velký problém nalézt prostředky k zjišťování potřeb populace a připustit, aby tyto potřeby měly přiměřený vliv na produkci. Oba problémy nezbytně potřebují ekonometrie.

Věřil jsem vždy v praktické možnosti použití ekonometrie, avšak zkušenosti z naší země po válce mi ukázaly, že tento vývoj bude postupovat