Overview of current status of the actuarial profession - CZECH REPUBLIC

Three events important for the actuarial profession in Czech Republic took place since September 1998:

1) On November 3, 1998 the Czech Society of Actuaries became a full member of the International Actuarial Association. The Society was one of the founders of IFAA at the Actuarial Congress in Brussels.

2) With effect from 1 July 1999 the Groupe Consultatif has agreed to the admission of Czech Society of Actuaries as its Associate Member. This is the highest status achievable by a Society not domiciled in the European Union and therefore a great distinction.

3) The Law No. 363 on Insurance was passed in 1999. It introduces the appointed actuary system. Starting from 1 October 2000 each insurance company both life and non-life as well as each reinsurance company has to appoint a responsible insurance mathematician.

Enclosure - English translation of the paragraphs of Law No. 363 / 1999 Coll. of L. pertaining to responsible insurance mathematicians.

Developments in Actuarial Education - CZECH REPUBLIC

University based actuarial education is a tradition in Central Europe. A similar tradition exists in Scandinavian countries. The technical universities of Zurich, Vienna and Prague offered courses on Insurance Mathematics and Mathematical Statistics already in 19th century. An important event was the opening of a regular programme for education of insurance technicians (actuaries) at TU Vienna in 1894. A similar two year programme in insurance technics was started at TU Prague in 1904. During the first 30 years of its existence the programme produced 376 graduates. In 1919 the graduates founded The Society of Czechoslovakian Insurance Technicians of which the Czech Society of Actuaries is the successor. Another programme in actuarial sciences was started at the Charles University. A special law was passed in 1946 to reform the studies of statistics and insurance, and to aim to a fusion of both schools of Insurance Mathematics and Mathematical Statistics in Prague. This happened in 1952 when the Faculty of Mathematics and Physics at Charles University was established.

The Society of Czechoslovakian Insurance Technicians was overwhelmingly a union of graduates from one school. Of this kind of actuarial societies l’Association des Actuaires Diplômés de l’ISFA is an eminent example.

In 1992 a five year Master’s Degree Programme in Financial and Insurance Mathematics has been opened at Charles University. A similar has been opened at TU Vienna.

The report on the education strategy developments in the United Kingdom by H. Sutherland has confirmed that in Europe the association based and the university
based actuarial education systems are getting closer to each other. The Institute and
the Faculty of Actuaries aim to a more extensive recognition of university courses.
University based systems, which accept the graduates in actuarial studies from a
university (or several universities) as qualified, give normally to other candidates the
possibility to have recognized equivalent courses they have passed at other
universities or to be examined by the association. In addition to the required education
an applicant for full membership must document a commendable practice of three
years. A system of this type it is proposed to adopt in the amended rules of admission
to full membership in Czech Society of Actuaries.

For the present developments in actuarial education in Czech Republic the
following parallels to Austria and Switzerland are of importance:

i) There is one main respected school of actuarial studies in the countries, namely
TU Vienna, ETH Zurich and Charles University. In Switzerland another important
school is HEC Lausanne.

ii) To initialize the process of creating full members (anerkannte Aktuare in
Austria, Aktuare SAV in Switzerland and certified members in Czech Republic) the
three actuarial Societies have introduced very similar procedures. It should be said
that the Czech Society of Actuaries consulted l’ Institut des Actuaires Francais when
introducing its procedure.

To co-ordinate the bestowing of full membership with the qualification
requirements of Groupe Consultatif and of IAA, the Austrian and the Swiss Actuarial
Associations have modified the procedures with effect from September 1999 and from
September 2000, respectively. The Czech Society of Actuaries prepares the
introduction of amended rules from January 2001. The principles of the Austrian
approach have been found very appropriate also for Czech Republic.
§ 8 (1) The application for licence to act as insurer contains
   h) Name, surname, birth number or birth date, place of permanent residence of the
      natural person who will perform the function of responsible insurance mathematician
      according to § 23.

§ 11 (3) The Ministry shall not approve the application according to Sec. I Lit. a) when
   a) the natural person did not document his/her legal integrity,
      b) has been in the course of past three years a member of a statutory body or a
         supervisory body or a confidential clerk of a legal person, who became legally
         insolvent during that time, or
      c) the licence to perform a trade was withdrawn to the natural person because of
         violation of activities stated in a special regulation.

§ 12 (1) To be member of a statutory or a supervisory body or to function as
       confidential clerk of an insurance or reinsurance company is not allowed to a person,
       being
         d) …, a responsible insurance mathematician, …

   (2) A responsible insurance mathematician may be member of a supervisory
       body.

§ 23
Responsible insurance mathematician

(1) The insurance company has to have certified by the responsible insurance
    mathematician the correctness of
      a) the partition of the returns from the financial placement in life insurance between
         the insured and the insurer,
      b) the calculation of the premiums,
      c) the amount of technical provisions,
      d) the calculation of the minimal solvency margin,
      e) insurance mathematical methods employed in the carried on insurance business.

(2) The reinsurance company has to have certified by the responsible insurance
    mathematician the correctness of
      a) the amount of technical provisions,
      b) the calculation of the minimal solvency margin,
      c) insurance mathematical methods employed in the carried on insurance business.

(3) The responsible insurance mathematician certifies the correctness of the
    presented statements by his/her signature on a report submitted by the insurance or
    reinsurance company to the Ministry in connection with the formation of technical
    provisions and the structure of financial placement according to § 13. Sec. 7, with
    solvency according to § 22 Sec. 6 or on written request of the Ministry.

(4) A responsible insurance mathematician according to this Law is a natural
    person, which is enrolled in the Roll of responsible insurance mathematicians kept by
    the Ministry.
(5) The Ministry decides about the enrolment into the Roll of responsible insurance mathematicians within two months from the receipt of the written application by a natural person, which documents his/her legal integrity and the fulfilment of the conditions of § 11 Sec. 3 lit. b) and c), and
   a) a document on the accomplished university education in Mathematics and the at least three years’ practice in the field of insurance mathematics, and
   b) a certificate of aptitude for the function of insurance mathematician issued by an organisation of insurance mathematicians accredited by the International Actuarial Association.

A foreign natural person submits also an officially verified copy of a valid permit of permanent or long term residence on the territory of the Czech Republic.

(6) The insurance or reinsurance company has to ensure that the responsible insurance mathematician has permanent access to the information on its business, which he/she might request in connection with the fulfilment of the duties stated in this Law.

(7) In case of occurrence of deficiencies in financial management of the insurance or reinsurance company, which pertain to the performance of his/her function according to this Law, the responsible insurance mathematician is bound to propose measures to the statutory body of the insurance or reinsurance company to improve the situation. If the proposed measures are not realised, and the subsequent evolution of the financial position of the insurance or reinsurance company endangers the fulfilment of its obligations, the responsible insurance mathematician is bound to inform about this fact without delay the Ministry.

(8) The ministry erases the name of the responsible insurance mathematician from the Roll, if he/she breaks the duties stated by this Law. Such a person cannot be included into the Roll for up to 10 years from the date to which the Ministry has erased the name from the Roll. The Ministry communicates its decision on the erasing from the Roll to the insurance or reinsurance company for which the person performed the function of a responsible insurance mathematician in writing within 5 days from the coming into force of the decision.

(9) The Ministry publishes the Roll of responsible insurance mathematicians and its amendments in the Financial Intelligencer.

§ 42 (3) Any insurance company, which has been licensed to act as insurer before the coming into force of this Law, has to announce to the Ministry the person of the responsible insurance mathematician within sixth month from the day of coming into force of this Law.

§ 52

This Law comes into force on 1 April 2000, with exception of the regulation of § 48 which comes into force on 31 December 1999.