Selected economic and financial risks

Topic 3: Prevention risks

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Aim of the topic

- The aim of the chapter is to acquaint students with the ways of risk prevention, the historical context and development of insurance and the products of insurance institutions.

Content

- Risk prevention
  - Insurance
  - Risk diversification
  - Additional information
- History of insurance in our territory
- Insurance - a banking product
  - Pension insurance
  - Retirement calculator

Prevention risks

- From the point of view of microeconomic theory, the impact of risks can be reduced in three basic ways:

(a) insurance;

(c) risk diversification;

(c) additional information.

Insurance

- People with a negative attitude towards risk are willing to give up a certain part of their income in order to avoid the risk, because if a person is insured, he or she has an income, whether a certain loss occurs or not.

Diversification risks

- It makes it possible to reduce the risk when it is possible to divide the effort between different activities, the outcome of which is not closely related to each other.

History of insurance on our area

- period of ancient Rome
- fenus nauticum
- nmarine insurance
- Peasant insurance
- central fire fund

Insurance - banking product

- Insurance means the creation, distribution, administration and use of reserves (financial and technical) intended for the payment of insurance claims on the basis of insured events, which are random in certain cases, but as a whole can be estimated. Insurance is a tool for financial elimination of the negative consequences of chance.

Insurance classification

Pinsurance industries have two groups:

- life insurance industry,
- non-life sector insurance.

Retirement insurance

- The pension system of the Czech Republic is based on compulsory basic pension insurance pursuant to Act No. 155/1995 Coll., On pension insurance. Furthermore, pension savings pursuant to Act No. 426/2011 Coll., Since 2013 and supplementary pension savings pursuant to Act No. 427/2011 Coll., Which replaced supplementary pension insurance with a state contribution pursuant to Act No. 42/1994 Coll.

- Basic compulsory pension insurance is defined-benefit (DB) and continuously funded (PAYGO), is universal and provides for all economically active persons. The legal regulation is uniform for all insured persons, there are no special sectoral or professional schemes, etc.

Second benefits

That basic pension insurance, the following pensions are provided:

- old age,
- disabled,
- widow and widower,
- orphans.

Pension consists of two components, namely

- from the basic assessment (determined by a fixed amount equal to all types of pensions regardless of the length of the insurance period and the amount of earnings) and
- of the percentage acreage

Retirement calculator

- Assessment basis
- Excluded times
- Annual assessment basis
- Personal assessment basis
- Calculation basis
- Percentage of pension assessment

Resources on the topic

- ČEJKOVÁ, V., MARTINOVIČOVÁ, D. Insurance. Brno: Masaryk University in Brno, 2004, p. 31.
- DAŇHEL, J. Insurance theory. Prague: Professionalpublishing, 2005, p. 182.
- HUNČOVÁ, Magdalena. *Managerial accounting: basics*. 2nd edition Ostrava:Mirago, 2007. ISBN 978-80-86617-34-3.
- Ministry of Labour and Social Affairs. Pension insurance. Available[online] on: <https://www.mpsv.cz/duchodove-pojisteni>
- Ministry of Labour and Social Affairs. Pension insurance. Available [online] at: <https://www.mpsv.cz/calculators>
- *Personal finance* by Petr Málek, Gabriela Oškrdalováand Petr Valouch. Source: MÁLEK, Petr; OŠKRDALOVÁ, Gabriela; VALOUCH, Petr. Personal finance. 1st ed. Brno: Masaryk University, 2010. 203 pp. ISBN 9788021051577. chapter 3.)
- publications *Historical development of insurance* from Karel Svoboda.
- SOUKUPOVA, Jana. *Microeconomics*. 3rd add. ed. Prague: ManagementPress, 2002. ISBN 80-7261-061-9.
- Act No. 363/1999 Coll., On Insurance.

Tasks and questions on the topic:

Answer the following questions

1. How can risks be prevented and what influences the choice of a particular method?
2. What role does information play in relation to risk?
3. How has the insurance industry developed in the European cultural environment and in our territory?
4. How can we classify the insurance offered by commercial institutions?
5. What is pension insurance and what types of pension insurance do you know?
6. How are pension insurance and risk related?
7. What components does the calculation of the amount of pension consist of?

Thank you for your attention