Czech Republic update – November 2012

Government Bill to substantially reform the Czech Insurance Mediation Act

On 21 November 2012, the Government submitted to the Parliament a Bill that should substantially reform the Czech Insurance Mediation Act. The main proposed changes include (i) limitation of categories of insurance intermediaries from current five categories to only two categories, (ii) stricter qualification rules for obtaining insurance mediation licence, (iii) new rules for disclosure of commissions paid to insurance intermediaries, and (iv) new rules for providing information about costs associated with insurance products to consumers. As a next step, the Bills will be considered by the Lower Chamber of the Parliament.

Bill to postpone the launch of major pension system reform till 2015 introduced by Parliament

On 22 November 2012, the Government considered and express negative standpoint towards a Bill proposed by a group of Members of the Lower Chamber of Parliament in which it is proposed to postpone the launch of the major pension system reform by two years, i.e. till January 2015. The major pension system reform was enacted at the end of 2011 and shall be fully launched in January 2013. According to the pension system reform, the current pay-as-you-go system (I. pillar of the pension system) will be supported by a newly created II. pillar. The II. pillar will consist of private pension fund companies created either by the transformation of the currently existing pension funds providing supplementary pension insurance with state contribution, or by establishing completely new pension fund companies. Each pension fund company will need to offer 4 types of pension funds (with different investment limits, structure of portfolio and associated risk): standard pension fund; conservation pension fund; balanced pension fund; and dynamic pension fund. Participation in the second pillar will be voluntary. As a next step, the Bills will be considered by the Lower Chamber of the Parliament.

Government Bill to implement EU Directive on Consumer Credit to Czech law

On 9 November 2012, the Lower Chamber of the Parliament held second reading of the Government Bill to implement EU Directive 2011/90/EU of 14 November 2011 providing additional assumptions for the calculation of the annual percentage rate, and to propose additional change to current Consumer Credit Act. The main proposed changes include (i) new formula for calculation of annual percentage rate, (ii) stricter rules for assessment of credibility of consumers, (iii) new rules for disclosure of commissions paid to intermediaries, and (iv) new rules protecting consumers, including prohibition of use of bills of exchange, promissory notes and cheques as security required from consumers. As a next step, the Bills will be considered in third reading by the Lower Chamber of the Parliament.

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