



# Experience and challenges in the Austrian life insurance market

17 October 2012

# The Austrian Life Insurance Sector

- Written life premiums amounted to 6.899 mio. € in 2011 (-7,32%) which is 42% of total business
- 31 life insurers (including composites)
- Top five insurers have a market share of more than 50%
- 220 mio. € profit on ordinary activities in 2011
- Solvency ratio of life insurance at 178% in 2011 (332% for total business)

# Main life product requirements

- Actuarial bases (calculation of premiums and technical provisions) need to be submitted to the FMA in advance
- Investment principles are part of the actuarial bases for unit-linked, index-linked and investment-oriented life assurance
- Premiums for newly concluded contracts must be sufficient according to actuarial principles (in particular to allow the establishment of adequate technical provisions)
- Policyholders must receive an adequate portion of the surplus for contracts with profit participation
- Profit participation and distribution is stipulated by regulation

# Guarantees - maximum interest rate

Characteristic for classical life assurance that the insurance undertaking guarantees the policyholder a specific benefit

Maximum interest rate (“guaranteed rate”) according to FMA’s Maximum Interest Rate Regulation:

<b>07/2000</b>	<b>01/2004</b>	<b>01/2006</b>	<b>04/2011</b>	<b>12/2012</b>
3,25%	2,75%	2,25%	2,00%	1,75%

# UNISEX Mortality Tables

- For new contracts concluded after 21 December 2012 the use of gender as a factor in the calculation of premiums and benefits is not allowed
- New Austrian UNISEX Annuity Valuation Tables (AVÖ 2005R UNISEX) by Austrian Actuarial Association
- New Table is generally accepted by FMA for annuity insurance business (longevity risk), all deviations must be adequately reasoned

## ■ Article 18b Insurance Supervision Act

- benefits and options available to the policyholder
- the conditions for terminating the insurance contract
- principles for the calculation of participation in profits
- surrender values as well as non-contributory insurance benefit
- the relevant investment funds in unit-linked life insurance
- type of investment and reference value index-linked life insurance
- type of investment and agreed investment strategy, as well as conditions for changing the investment strategy in investment-oriented life assurance
- regulations concerning taxes applicable

## ■ FMA Minimum Standards for Information Requirements in the Life Assurance Sector

- Advertising
- Product name
- Means of communication
- Premium sum
- Guaranteed rate
- Effective yield
- Participation in profits
- Surrender

# Life Insurance Monitoring

- Submission of actuarial bases to the FMA for each life product
- Responsible actuary
- Annual actuarial report
- Deckungsstocksystem and Treuhänder
- Management talks
- On-site inspections
- Power to prohibit products and/or product features  
(Section 104 Insurance Supervision Act)
- Intervention in case of unfair product features and/or  
to potential consumer detriment

# F Monitoring of Marketing Communications

- Any marketing communication has to be fair, clear and not misleading – Art. 18 (4) Insurance Supervision Act
- Unfair commercial practices are prohibited (Austrian Unfair Competition Act)
- Internet Surf Days
- Monitoring of marketing communications in several media
- Thematic work with different focus:  
recently special focus on misleading capital guarantee advertising messages

# Product classification

- Classical life insurance
- Unit-linked products
- Index-linked products
- Occupational group insurance
- Investment-oriented life insurance
- State-sponsored retirement provision
- Hybrid products



# Recent issues concerning life products

- Unsound actuarial assumptions
- 'Private insuring'
- Minimum amount of risk for unit-linked business
- Calculation of solvency requirement for unit-linked contracts where the insurer bears counterparty risk
- Use of the term 'guarantee'
- Information provided to policyholders
- Transparency of index computation in index-linked products
- Conflict of interest in index-linked products



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