



Mr. Louis NORMAN-AUDENHOVE

“The Development of the Austrian Insurance Market and the Role of VVO”

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### **The Development of the Austrian Insurance Market and the Role of VVO**

The Austrian Insurance Association (VVO) wants to thank the League of Insurance Organizations of Ukraine (LIOU) and its President Mr. Oleksandr Filonyuk for the kind invitation to this significant event! We very much appreciate the opportunity to present the Austrian Insurance Market in a special section of this event.

In April 2005 the Austrian Insurance Association and the League of Insurance Organizations of Ukraine signed a cooperation agreement in Vienna – a fruitful and close cooperation between the Austrian and the Ukrainian insurance industry was started!

This presentation should give an overview on the development of the Austrian Insurance Market in 2005, highlight key challenges facing the Austrian as well as the European insurance industry and present solutions provided by the Austrian Insurance Association.

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The Austrian Insurance Association (VVO), which was already founded in 1899, is representing all insurance companies operating in Austria. The main objective of the VVO is to promote the interests of the Austrian Insurance Industry to all relevant national and international bodies and to provide several services (e.g. motor vehicle registration, Green Card Bureau, Guarantee fund, Center of Statistics, Ombudsman,...).

The VVO is consultant to the Austrian Government for many years, one of the founding members of the European Federation of National Insurance Associations (CEA) as well as advisor to the main European Institutions and partner of several international institutions.

As the regional partner in Central- and Eastern Europe the VVO is cooperating and exchanging information with all national insurance associations and supervisory authorities.

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In 2005, the Austrian Insurance Market recorded a premium volume of more than 15 billion Euro – this represents an increase of almost 10% as compared to 2004. All lines of insurance business showed a stronger growth than the whole Austrian economy which grew by 1,9% in 2005.

Life insurance was once more the driving force behind the growth in the Austrian insurance industry in 2005. Due to the positive development of the Austrian capital market and due to the significant success of the State-aided retirement provision, premium earnings in life grew by more than 15% to more than 7 billion Euro. As from September 2005 the occupational

group insurance may be operated by insurance companies – an equal fiscal regime with pension funds was established.

The premium earnings of the Austrian health insurance sector increased by 4%, damage/loss insurance premiums grew by 4,8%.

In 2005, the share of direct domestic premiums in % of GDP reached 6.2%. Insurance density (premiums per capita) increased from 1 720 Euro in 2004 to almost 1860 Euro in 2005.

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There are two major trends in Europe which will have considerable impact on society and insurance in the next decades – the „ageing of society“ and „natural disasters“.

Since 1995 the number of pensions paid has risen by almost 10% in Austria. Presently 4 employees contribute to 1 retired person, in 2050 2 employees will already contribute to 1 retired person. We expect the public expenditures for „long term care“ to double till 2050 in Austria, the public expenditures for health care will probably increase up to 30% till 2050. These facts show the significant importance of complementary pension schemes („multi-pillar-schemes“).

In the last years Austria was affected seriously by floods and hail storms. We recognized a significant increase of frequency and intensity of flooding disasters. The flood disaster of August 2002 amounted to a total damage of 3 billion Euro – the damage insured was more than 400 million Euro. In 2005 the damage insured amounted to more than 111 million Euro.

These key challenges can only be addressed effectively if public authorities and the private sector work hand in hand. The Austrian insurance sector strongly contributes to these successful „public/private partnerships“.

The privatisation of vehicle registration was started in 2000 – since that point of time the central registration data base is run by the VVO. This was the first public/private partnership of VVO.

Retirement models in the form of the 2nd or 3rd pillar formed another step in the public/private cooperation of VVO. The state-aided retirement provision for the third pillar was established 2003. Payments are supported by the State in the form of a premium which currently amounts to 9% (8 – 13%) of the contributions paid. The State-aided retirement provision is one of the most popular financial products in Austria – almost 690.000 policies have been sold since 2003. In 2005 this product grew by more than 65% as compared to 2004.

In 2005 the VVO presented the flood risk zoning model called HORA, which became open to public by 1 June 2006 ([www.vvo.at](http://www.vvo.at)) . This VVO-public/private partnership was designed together with the Ministry of Agriculture, Forestry, Environment and Water Management. The cartography of risks aims to provide State and Public with necessary information (e.g. for regional planning, claims management, prevention measures). HORA already fulfils all requirements of the EU Floods Directive, which may be adopted in 2006 and transposed until 2008.