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AUSTRIA

FINANCIAL SECTOR ASSESSMENT PROGRAM

August 2026

TECHNICAL NOTE ON INSURANCE REGULATION AND SUPERVISION

This Technical Note on Insurance Regulation and Supervision for the Austria Financial Sector Assessment Program was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country. It is based on the information available at the time it was completed on July 29, 2026.

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TECHNICAL NOTE

INSURANCE REGULATION AND SUPERVISION

Prepared By
Monetary and Capital Markets Department

This Technical Note was prepared by IMF staff in the context of the Financial Sector Assessment Program in Austria. It contains technical analysis and detailed information underpinning the FSAP's findings and recommendations. Further information on the FSAP can be found at http://www.imf.org/external/np/fsap/fssa.aspx

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Glossary

BMF	Federal Ministry of Finance
BEL	Best estimate liabilities
CAP	Coordinated analytical priorities
CESEE	Central, Eastern and Southeastern Europe
CIS	Collective Investment Schemes
ComFrame	Common Framework for the Supervision of Internationally Active Insurance Groups
CRAF	Comprehensive Risk Assessment Framework
CRE	Commercial Real Estate
DORA	Digital Operational Resilience Act
ECB	European Central Bank
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
EPIFP	Expected profits in future premiums
ERM	Enterprise risk management
ERSB	European Systemic Risk Board
ESG	Environmental, Social and Governance
EU	European Union
FMA	Financial Markets Authority, Austria
FSAP	Financial Sector Assessment Program
FMSB	Financial Market Stability Board
FTE	Full-time employees
AGAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
GWS	Group-wide Supervisor
IAIS	International Association of Insurance Supervisors
IAIG	Internationally Active Insurance Group
ICP	Insurance Core Principle
ICT	Information and Communication Technologies
IET	Information exchange template
IFRS	International Financial Reporting Standards
ID	Insurance, Pension and Corporate Provision Companies Supervision Department
IRRD	Insurance Recovery and Resolution Directive
KPI	Key Performance Indicator
LLM	Large language models
MCR	Minimum Capital Requirement
MoEET	Ministry of Economy, Energy and Tourism
NaTCat	Natural Catastrophe
OeNB	Oesterreichische Nationalbank
ORSA	Own Risk Solvency Assessment
PZV	Prämienbegünstigte Zukunftsvorsorge
RoE	Return on Equity ratio

RRE	Retail real estate
SCR	Solvency capital requirement
SFCR	Solvency and Financial Conditional Reporting
Solvency II	Solvency II Directive 2009/138/EC of 25 November 2009
SPOC	Single Point of Contact
TN	Technical Note
TP	Technical provisions
VA	Volatility adjustments
VAG	Austrian Insurance Supervision Act, 2016
VVO	Austrian Insurance Association

EXECUTIVE SUMMARY[1]

The Financial Sector Assessment Program (FSAP) conducted a focused review of insurance regulation and supervision in Austria. This Technical Note (TN) provides an update on the insurance sector and highlights risks and vulnerabilities. It analyzes key aspects of regulatory and supervisory oversight: governance; the solvency framework; supervision (micro and macro); exit from the market and resolution and group supervision and supervisory co-operation and co-ordination.[2] The Financial Markets Authority (FMA) is responsible for insurance conduct and prudential supervision at both micro and macro level. The TN comments on progress in respect of the implementation of recommendations made by the 2020 FSAP and offers further recommendations to strengthen the regulatory and supervisory regime.

The insurance industry in Austria holds assets equivalent to 28 percent of GDP, positioning it as a medium size market within the European Union (EU). The Austrian insurance market is distinguished by a historically high number of composite and mutual insurers. Overall, the industry has demonstrated stability and resilience under challenging conditions, characterized by diversity in insurer size and type.

Competition within the sector is strong, with significant market concentration; as at the end of 2024 out of 32 Solvency II insurers, the top six account for 66 percent of total gross written premiums. Non-life insurance dominates the market, comprising 64 percent of gross premiums, while pure life insurance accounts for 22 percent and health business similar to life accounting for the remaining 14 percent. The non-life segment has consistently grown at an average rate of 7 percent over the past four years. Conversely, the life insurance sector has experienced variable performance, including a notable decline in 2021 due to the Covid-19 pandemic, no growth in 2023, and an average increase of 1.75 percent over the past four years (including health business similar to life).

Within non-life insurance, motor coverage remains the leading class. For life insurance, with-profit participation contracts are the largest segment, though their market share is steadily decreasing. While legacy policies offer guaranteed investment returns, only capital guarantee investment products are currently available, reflecting a regulatory cap on the prescribed maximum guaranteed rate at zero percent. The life insurance sector continues to face challenges related to growth. Nevertheless, the industry remains profitable, maintains very strong solvency ratios, and insurers typically favor conservative investment strategies.

Austria has five insurance groups, three of which are considered domestically systemically important. One is an Internationally Active Insurance Group (IAIG), another is an insurance-led

[1] This Technical Note was prepared by Suzette Vogelsang.

[2] The analysis was based on the laws, regulations and other supervisory requirements and practices in place as at the date of the mission.

financial conglomerate, and there is also a bank-led financial conglomerate in the market. Seven international insurance groups have subsidiaries in Austria. The Austrian groups have expanded abroad in recent years due to domestic market saturation, opportunities in Central, Eastern and Southeastern Europe (CESEE), and diversification needs. Since 2022, premiums from foreign operations have exceeded domestic ones, with the difference growing.

Austrian insurance sector remains exposed to persistent inflation, the impact of volatile interest rates, and rising liquidity and interconnectedness risks, alongside growing exposures to climate-related events and digitalization challenges. Inflation and interest rate shifts affect profitability, reserving, lapse behavior, and asset valuations across life and non-life insurers, while liquidity pressures have increased due to negative technical cash flows and greater exposure to less liquid assets, though overall resilience remains solid. Climate change is identified as a major emerging risk, with more frequent and severe natural catastrophes increasing claims and protection gaps, prompting intensified supervisory reviews and stress testing. Digitalization, including cyber risk and DORA implementation, is advancing but uneven.

The evolving macroeconomic landscape, emerging risks, and regulatory changes are anticipated to heighten the supervisory responsibilities of the FMA. Current macroeconomic conditions, coupled with the proliferation of new risks, necessitate an enhanced and targeted approach from the insurance supervision team. Regulatory developments such as the Solvency II Review, the Insurance Recovery and Resolution Directive (IRRD), and the Digital Operational Resilience Act (DORA) will have significant implications for both the industry and the FMA. It is essential that the FMA evaluates its resource requirements to remain operationally efficient. Collaboration between the FMA and Government should also focus on the effective implementation and administration of the Solvency II Review and IRRD.

The FMA has strengthened its supervisory framework, particularly in data and analytics, demonstrating effective risk-based oversight, but there is potential for further improvements. These include applying a structured method to review control functions in smaller, low-risk Solvency II insurers and upgrading interview tools for statutory board members and key control functions. It is also recommended that the FMA implement model drift analysis by comparing standard formula and internal model Solvency Coverage Ratio while considering setting a floor for internal models aligned with the banking sector requirements. The implementation of the regulatory changes (i.e. Solvency II Review and IRRD) and the operationalization thereof as well as an assessment of the risk management requirements for International Active Insurance Groups set out in the International Association of Insurance Supervisors, Insurance Core Principles (ICP 16 in particular) will further enhance adherence to international standards. Additional improvements include establishing protocols for sharing information with foreign supervisors of Austrian insurers with operations abroad, the publication of the new risk-based supervision framework, the introduction of quality assurance measures for risk assessments to ensure consistent and rigorous risk ratings, and broadening macroprudential reporting across the insurance sector.

Table 1. Austria: Main Recommendations on Insurance Regulation and Supervision		
Recommendations	**Timing***	**Authorities**
Establish a systematic approach for assessing staff capacity, including workload distribution and mitigating key-person dependency risks and ensure adequate budget is available when required.	MT	FMA
Continue conducting stress testing on natural catastrophes, like flooding, both at a group level and for those insurers where NaTCat risks are material (focusing on those with branches in neighboring countries).	ST	FMA
Implement European legislative changes, notably the Solvency II review and Insurance Regulatory and Recovery Directive, which will add macroprudential tools such as liquidity risk management plans and improve the resolution and recovery framework, especially for domestically systemically important insurers and groups.	ST	BMF and FMA
Continue with the in-depth assessment of control functions including smaller Solvency II insurers that are regarded as low risk. And develop a structured risk-based proportionate approach in this regard.	I	FMA
Enhance supervisory tools for interviews with statutory board members and key persons in control functions.	ST	FMA
Introduce a model drift analysis (comparison of standard formula to internal model SCR) and consider implementing a floor to internal model calculations consistent with the Basel III reforms in banking in line with European legislation (consistent with euro-area recommendations).	ST	FMA
Review the legal requirements relating to risk management for IAIGs to ensure all the ComFrame requirements are met.	ST	BMF
Conduct an external independent assessment on the appointment of FMA staff as "Deckungsstock" Trustees considering the legal obligations, the supervisory responsibilities and the internal FMA policies and guidance to conclude if there are any real or perceived conflict of interest.	ST	FMA
Establish an approach to engage and exchange information with other supervisors of Austrian insurance companies operating in foreign jurisdictions as a branch, taking into account the materiality of those branches as well as the lines of businesses conducted.	ST	FMA
Publish an overview of the new risk-based supervisory framework including the supervisory tools applied.	MT	FMA
Implement a quality assurance process to systematically review risk ratings for consistency, analytical rigor and alignment with risk profiles.	ST	FMA
Expand the regular insurance sector macroprudential reporting to include analysis of broad trends that could have short- or long-term implications for the functioning of the insurance market and related financial sectors.	I	FMA
* **I** Immediate (within 1 year); **ST** Short Term (within 1-2 years); **MT** Medium Term (within 3–5 years).		

INTRODUCTION AND BACKGROUND

A. Scope and Approach

1. **This Technical Note (TN) provides an analysis of the main elements of the regulatory and supervisory framework governing insurance companies and insurance groups in Austria.** This analysis is based on the existing regulatory framework and the supervisory practices that were in effect as of November 2025. The analysis is specifically informed by a comprehensive review of regulations, market analyses, and discussions with the Financial Markets Authority (FMA), Federal Ministry of Finance (BMF) and representatives from insurance companies, industry associations and other stakeholders.

2. **This note does not include a detailed assessment of observance of the Insurance Core Principles.** This TN refers to the Insurance Core Principles (ICPs) and Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) which were issued by the International Association of Insurance Supervisors (IAIS) in December 2024[3]. The ICPs selected for review are broadly those with financial stability relevance and with material regulatory changes. They include the ICPs on governance (fit and proper assessments, corporate governance and risk management and internal controls), solvency requirements (valuation, investments, capital adequacy and enterprise-wide risk management), supervisory approach (supervisory review, and macroprudential supervision), exit from the market and resolution, as well as group supervision and cross-border co-operation. With respect to the 12 ICPs analyzed in the note, the authorities provided a full self-assessment[4], supported by examples of actual supervisory practices and assessments. A detailed assessment of observance of the ICPs was undertaken in October 2003 and updated in December 2007[5].

3. **The 2020 FSAP identified recommendations for improvement, including the following that it suggested should receive high priority:**

- Improve targeting of entity-specific communication from senior levels to the insurance firms on strategic as well as implementation concerns, with a clear timeframe and commitments for the resolution of identified issues (FMA)
- Continue to focus stress tests on entities with identified vulnerabilities (FMA).

[3] The IAIS ICPs apply to all insurers, whether private or government controlled. Specific principles apply to the supervision of intermediaries. The Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) was adopted in November 2019. ComFrame is presented in blue boxes within the ICP Introduction and Assessment Methodology as well as within the following ICPs: 5, 7, 8, 9, 10, 12, 15, 16, 23, and 25.

[4] The following ICPs (including ComFrame) were selected for review: 5, 7, 8, 9, 12, 14, 15, 16, 17, 23, 24, and 25.

[5] The update was published as a Technical Note in July 2008; see IMF Country Report No. 08/207.

- Conduct stress testing on the segments/business lines in which future profitability is a material contributor of the own funds and imposes appropriate level of enforcement actions, such as capital add-on or other measures to address the medium-term uncertainty (FMA).

- Enhance additional information sharing with the host supervisors, as part of the annual supervisory cycle, in particular where Austrian insurers have significant local market share, regardless of the materiality at the group level (FMA).

- Develop a resolution regime in line with international standards, introducing the overarching principle that losses must be borne first by shareholders and other creditors before they affect policyholders' claims in the context of a formal recovery and resolution framework proposal (BMF).

4. The comments on progress in respect of the recommendations made in the previous assessment are included in Annex A. The FMA has implemented all the recommendations that were solely in their area. The recommendations that have not yet been fully implemented relate to the EU Level Insurance Recovery and Resolution Directive that will come into force at the end of January 2027.

5. The author is grateful to the authorities and private sector participants for their excellent co-operation. The author benefited greatly from the inputs and views expressed in meetings with the insurance regulators and supervisors, insurance companies and industry and professional organizations.

B. Institutional Framework

6. The FMA is the integrated supervisor of the insurance sector and carries out both prudential and business conduct supervision for all insurers. Its objectives are defined as contributing towards financial stability, taking actions in case of non-compliance of regulatory requirements and protecting policyholders. Regulatory requirements on the insurance sector are enacted at EU level or by the government (mostly the BMF) through laws and regulations. The main legislation is the Insurance Supervision Act (VAG). The FMA is responsible for taking actions in case of non-compliance with such requirements. It must consider the objective of financial stability throughout the European Economic Area (EEA) as well as good practices and recommendations issued by the EU's supervisory systems such as the European Insurance and Occupational Pensions Authority (EIOPA).

7. Insurance intermediaries are also subject to supervision by the FMA with involvement from the Ministry of Economy, Energy, and Tourism (MoEET). The FMA regulates the distribution of insurance products directly by insurers or banks. Independent insurance agents (who are not part of the distribution network of an insurer), and brokers are under the oversight of the MoEET. MoEET is responsible for consumer protection in the financial and insurance sectors as well as supervision of insurance brokers and agents. Supervision of insurance brokers and agents is conducted by over a hundred local supervisors at the district level. The FMA together with the MoEET and Federal State

Officers[6], following the 2020 FSAP recommendations, have put in place various coordination and cooperation arrangements.

8. **The overall macroprudential supervision, including insurance, is led by the Financial Market Stability Board (FMSB).** It is chaired by the BMF and includes representation from the Fiscal Advisory Council, Oesterreichische Nationalbank (OeNB) and the FMA. The primary responsibility of the FMSB is to address risks to financial stability, as identified by the OeNB through its monitoring activities, within a transparent framework. In fulfilling this role, the FMSB issues recommendations for action and risk warnings. Insurance sector information is reported by the FMA to the FMSB on a quarterly basis as well as making an annual contribution to the FMSB annual report.

9. **Within Austria's insurance sector, several key stakeholders play important roles in supporting or representing insurers and policyholders.** The Austrian Insurance Association (VVO) serves as the primary industry body, representing Austrian insurers, engaging in policy dialogue, coordinating industry input, and publishing relevant statistics. The Audit Oversight Authority (ABAP) oversees the audit profession, managing the approval and registration of statutory auditors and audit firms, setting standards for professional ethics and internal quality control, monitoring continuing education, and administering quality assurance as well as investigative and disciplinary systems. The Chamber of Tax Advisors and Auditors also play a central regulatory and representative role for these professions. The Austrian Financial Reporting and Auditing Committee (AFRAC) is the independent standard-setting body for financial reporting and auditing in Austria. The Austrian Actuarial Association (AVÖ), an independent private organization and member of the Actuarial Association of Europe (AAE), represents the interests of all Austrian actuaries. Policyholder interests are represented by amongst others, the Austrian Consumers' Association (VKI), which publishes product tests, provides legal advice, and initiates class actions (challenging unfair insurance practices). Additionally, the Insurance Ombudsman acts as an independent mediator for disputes between consumers and insurers, facilitating out-of-court settlements in insurance matters.

C. Insurance, Pension and Corporate Provision Companies Supervision Department (Insurance Department)

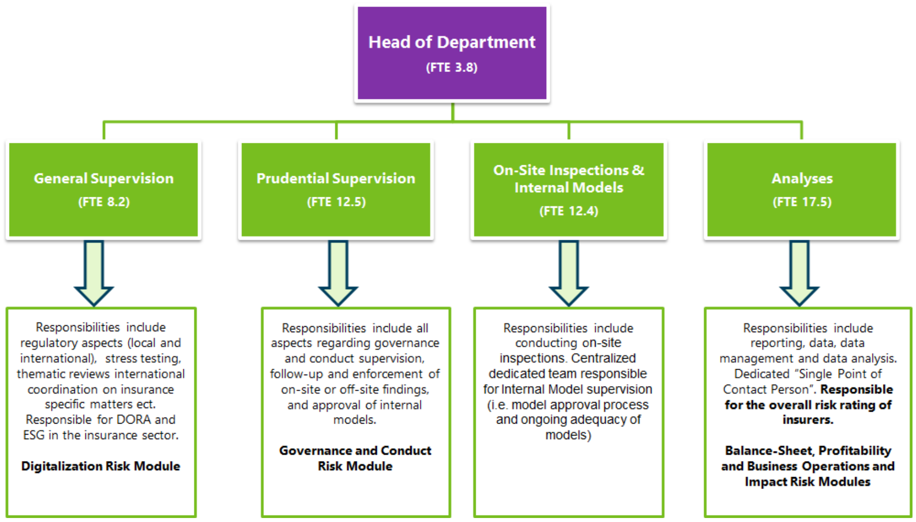
10. **The Insurance Department of the FMA consists of four divisions with a functional approach to the allocation of roles and responsibilities (see Figure 1).** To be effective the four divisions must collaborate closely. This functional approach allows for the wider spread of skills like actuaries. Total headcount allocated to insurance supervision is 59 (full time employees (FTEs), with actual staff of 58.4 FTEs (end 2024), of which 54.4 FTEs (i.e. 92.18 percent) are working in the Insurance Department and the remainder allocated to the Integrated Supervision Department within the FMA. The average age of staff members within the Insurance Department is around 44 years with 92.62 percent of the staff having specialized qualifications such as actuaries, lawyers,

[6] Composite insurers are insurers that are licensed to conduct both life and non-life insurance business on one license.

economists, accountants, asset management experts, etc. The Analyses Division has the largest staff complement.

Figure 1. Austria: Insurance Department of the FMA

Insurance Department consists of four divisions with a functional approach to supervision



A wealth of experience with the average years of experience around 13 years.

Division	FTE's average experience in FMA
General Supervision	17.3 years
Prudential Supervision	11.4 years
On-site and Internal Models	9.1 years
Analyses	14 years

Source: FMA and IMF Staff

11. The 2020 FSAP recommended the FMA assess staff expertise and resources for ongoing improvement of Solvency II, market conduct supervision, and recovery and resolution frameworks. Since 2020, the FMA has restructured tasks and launched extensive training. Staff turnover is low, and Insurance Department staffing has remained stable for over a decade. However, during this FSAP it was observed that some staff members are overstretched, and critical functions depend on a limited number of individuals.

Recommendation:

It is recommended that the FMA establish a systematic approach for assessing staff capacity, including workload distribution and mitigate key-person dependency risks and ensure adequate budget is available when required.

D. Insurance Sector

12. Insurance penetration in Europe in total has been increasing but in Austria it is still at the lower end (Figure 2). Insurance penetration[7] in Austria for the life sector (including health similar to life) is on the decline and was 1.7 percent at the end of 2024. For the non-life sector (excluding health similar to non-life), insurance penetration remained stable and was 3.1 percent at the end of 2024. In contrast, insurance density[8] is showing an increase for both the life (EUR 906, (2024)) and non-life (EUR 1 617, (2024)) sectors which can be attributable to inflation increases.

13. The Austrian insurance sector, the tenth largest in non-life and the 12th largest in life in the European Economic Area (EEA), has 72 licensed insurers as at the end of September 2025. Solvency II covers 31 of these licensed insurers, and one branch of a Swiss insurer conducting business in Austria with the remaining 40 being small mutual insurers. In addition, 23 EEA insurers are operating through branches in Austria, and 24 Austrian insurers are operating in other EEA countries through branches. The number of licensed insurers has been declining mainly due to mergers with existing licensed insurers, although the pace of mergers has reduced. No new insurers were licensed over the last few years (see Figure 2 below).

14. The Austrian market has some unique features in that it has a historical high number of composite insurers[9] and a high number of mutual insurers. For those insurers that fall under Solvency II, 16 are composites, and 6 are mutuals of which 4 are composites. At the end of 2024, 83 percent of the total gross written premium came from composite insurers whilst mutual insurers comprised of 5 percent and the composite mutual insurers underwriting 3 percent of the total gross written premium in the market.

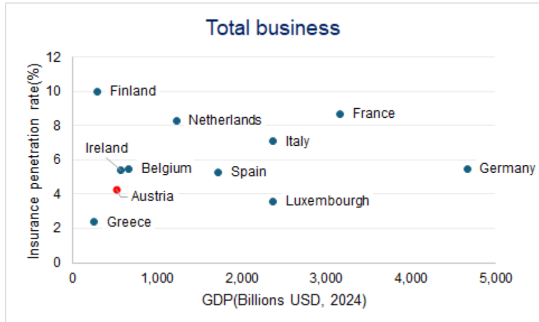
[7] Insurance penetration – ratio of premiums collected to Gross Domestic Product.

[8] Insurance density – ratio of premiums collected by insurance companies to the country's population.

[9] Composite insurers are insurers that are licensed to conduct both life and non-life insurance business on one license.

Figure 2. Austria: Insurance Coverage

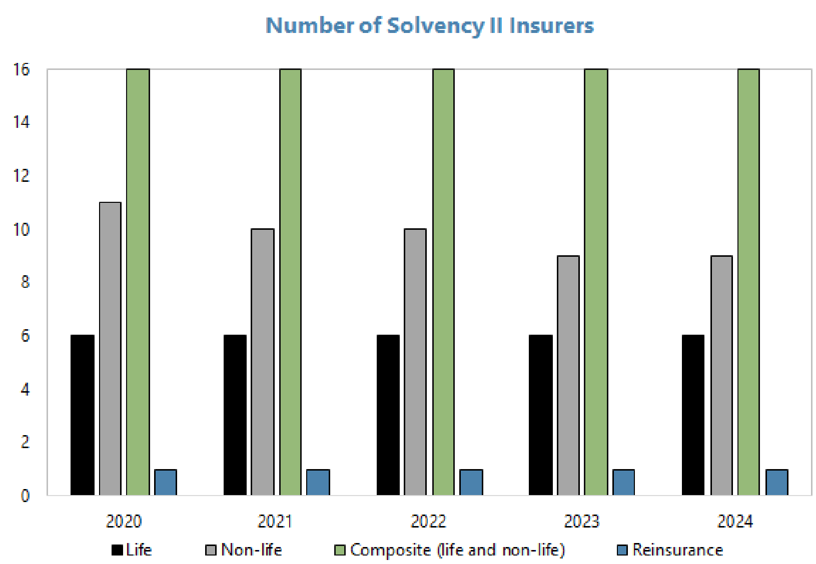
Austria's insurance penetration is on the lower end for EEA countries



Austria's penetration is stagnating

Insurance Penetration % of GDP					
	2020	**2021**	**2022**	**2023**	**2024**
Life and Health	2.0%	2.0 %	1.8 %	1.7%	1.7%
Non-life	3.0%	2.9 %	2.9 %	3.0%	3.1%
Insurance Density (Premium per Capita in EUR)					
Life and Health	874	886	881	870	906
Non-life	1 269	1 321	1 421	1 534	1 617

The number of Solvency II insurers is also not growing



Source: FMA and IMF staff calculations

15. A limited number of entities offering insurance or insurance-like products are exempt from the VAG. This includes pension companies licensed under the "Pensionskassen" Act, being separately regulated as well as personal insurance provided by corporations under public law exclusively to their members (excluding reinsurance activities), and undertakings engaged solely in funeral cost insurance with limited coverage.

16. In the last five years several court cases and rulings on insurance contracts led to settlements and legislative amendments to the Insurance Contract Act. This included policyholders' rights to withdraw from life insurance contracts due to incorrect or missing information about withdrawal rights. Additionally, certain cost and fractional premium surcharge clauses in insurance contracts were deemed invalid, emphasizing the need for transparency and advance disclosure, with some clauses found non-transparent and subject to reimbursement. The legal debate, in front of the courts, over inflation adjustment clauses in rental contracts can shape consumer protection standards for long-term contracts including life insurance contracts. The latest ruling, as well as amendments to consumer protection law, however, questioned the general application on long-term contracts.

MARKET STRUCTURE AND PERFORMANCE

A. Market Structure

17. The total assets of the insurance sector (including index and unit-linked life business (unit linked) as a percentage of nominal Gross Domestic Product (GDP) are declining. More than two thirds of the decline since 2016 are related to the fall in bond prices due to the sudden steep rise in Euro interest rates in 2022. Furthermore and since then, inflation is persistently higher in Austria than the Euro area average which contributes to the rise in nominal GDP. The total assets are around 27 percent of GDP, around 13 percent of the total assets of the banking sector. If total assets of the pension and corporate provision funds are included the total assets of these three sectors will be around 37 percent of GDP. Austria's total insurance assets as a percentage of GDP are in line with that of Finland but much lower than what is seen in France (around 100 percent), Germany (around 60 percent) and Italy (just under 50 percent). The low percentage of total insurance assets to GDP in Austria reflects the social system in place creating limited demand for private pension and health products apart from supplementary health products.

18. The insurance sector is concentrated and competitive. Over 60 percent of the gross written life and health premiums[10] are collected by 3 insurers, and the top 10 insurers collect 88 percent of the total gross written life premiums. The non-life insurance[11] sector is somewhat less concentrated but is becoming notably more so. In 2024, around 46 percent of gross written premiums were collected by 3 insurers with 10 insurers collecting 81 percent of the total gross

[10] In this report life insurance business will always include life health business unless stated otherwise.

[11] In this report, non-life insurance business will always include non-life health business unless stated otherwise.

written premium. Of the total 32 Solvency II insurers (2024) the top 6 insurers collect 66 percent of the total gross written premiums (end 2024).

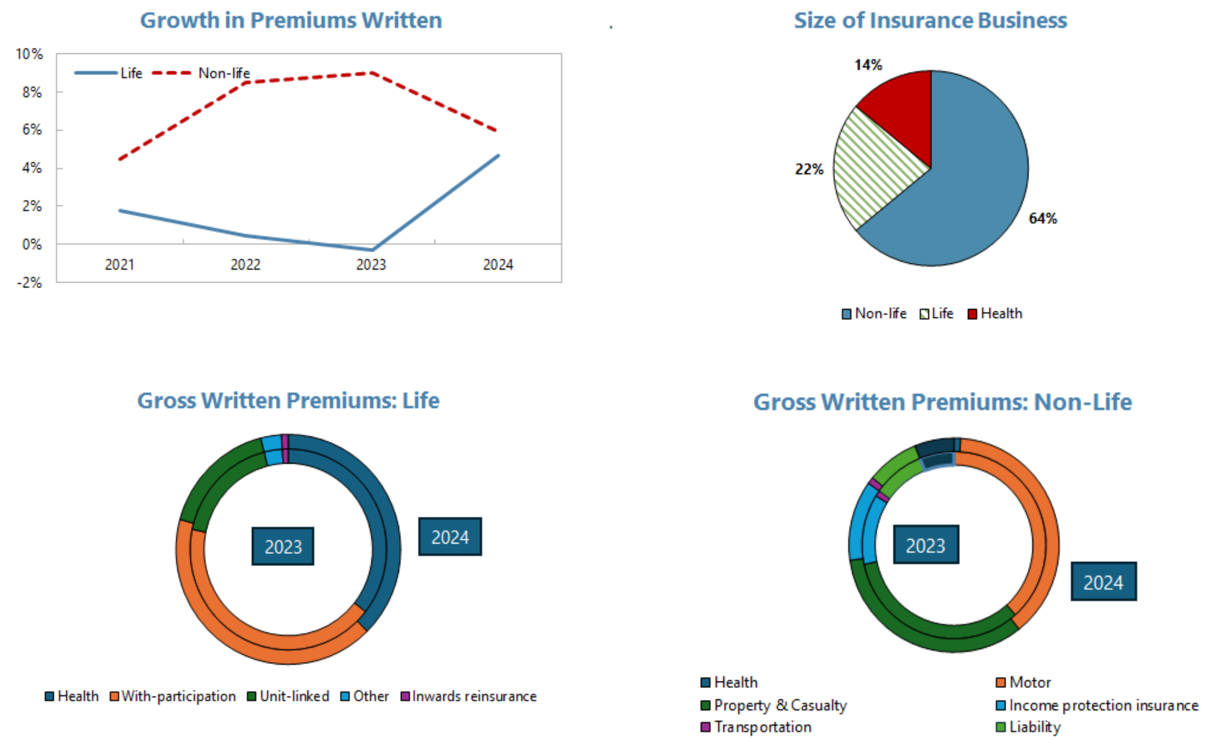
19. The insurance market is dominated by non-life insurance business. Non-life insurance comprises 64 percent of the total gross premiums whilst life and health business comprises 36 percent (Figure 3). Non-life insurance has seen steady growth on average of 7 percent over the last four years. This growth in non-life insurance can in large be attributed to automatic inflation indexation that is built into the insurance contracts but also an increase in motor vehicle sales. The life and health insurance business had mixed results with a significant decrease in 2021 mainly attributable to the Covid-19 pandemic and no growth in 2023 and on average growth of 1.75 percent over the last four years.

20. The non-life insurance business is dominated by the motor class of business (Figure 3). The Motor Vehicle Liability Insurance Act of 1994 stipulates that motor vehicle liability insurance shall be required for all registered vehicles. The three largest classes of business namely, motor, property and casualty, and fire and other damage to property insurance products make up 71 percent of the total non-life gross written premiums (end 2024). There is also a compulsory requirement for third-party liability insurance cover for certain professions like lawyers, tax advisors, architects, and doctors. In the last few years, mainly driven by external factors, some notable changes were made to certain non-life contracts which include longer travel insurance coverage and inclusion of COVID-19 as a valid reason for trip cancellation as well as limited sum assured for natural catastrophe events like floods.

21. With-profit participation contracts represent the largest segment of life insurance in Austria, though their prevalence is declining (Figure 3). These traditional endowment policies typically span 10 to 30 years and offer either guaranteed capital or a defined sum assured. Returns comprise a guaranteed interest rate, currently capped at zero percent by the FMA's Regulation on the Maximum Interest Rate for Insurance Undertakings (VU-HZV), 2015 and a variable profit component, which is contingent on the insurer's performance and not guaranteed. While legacy portfolios may feature higher guaranteed rates, early surrender of these policies, like all with-profit participation contracts, incurs penalties or reduced benefits. Premiums are flexible, payable monthly, annually, or as a single payment, and the contracts include a death benefit.

22. Health business similar to life insurance business is the second largest insurance class and the class of business that is showing the most growth. These health policies offer additional services on top of the social security health insurance scheme and include selective doctor's insurance or dental coverage. Unit-linked policies are the third largest class of life insurance business. The trend since 2020 shows a decrease in with-profit participation policies' net written premiums of (7) percent in contrast to an increase in net written premiums of unit-linked policies of 2 percent, an indication that policyholders are moving away from with-profit participation contracts in favor of unit-linked contracts (also see Figure 3).

Figure 3. Austria: Insurance Business



Source: FMA and IMF staff calculations

23. A unique life insurance product in the market is a state subsidized retirement savings plan called "Prämienbegünstigte Zukunftsvorsorge" (PZV)[12]. PZV, a minimum 10-year contract, can be offered through an insurance policy or through a pension investment fund (via Kapitalanlagegesellschaften). Access to capital is not possible during the minimum 10-year contract period and afterwards only at specific times with some deductions. Currently this product is only sold by four insurers and half of the premiums are collected by one insurance group. At the end of 2024 there were 782,000 active policies, half the number it was in 2012. New policies are still sold but the new business is less than the policies that expired or were terminated. The objective of this state subsidized product is to promote private retirement provision.

24. Government backing for the PZV has gradually declined. In 2003 the state subsidized premium was 9.5 percent for a premium payment up to EUR1,850. The state's contribution declined in 2012 with a range between 4.25 and 6.75 percent currently at 4.25 percent. Contributions towards the PZV can be made in unlimited amounts but the government subsidy is limited (EUR 3, 337 for 2024 and EUR 3, 552 for 2025). This product also has investment return guarantees with a fixed bonus of 2.75 percent, plus a variable portion ranging from 1.5 percent to 4 percent. The maximum

[12] https://www.fma.gv.at/publikationen/studie-praemienbeguenstigte-zukunftsvorsorge/

possible government bonus therefore amounts to about EUR 141 for the year 2024 and EUR 150 for the year 2025. Tax exemptions apply and annuity payments under these contracts are tax-free.

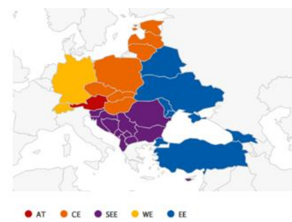
25. Distribution of non-life insurance business remained stable and in-house agents still account for the largest portion of business distributed. In 2024, for life insurance business 49 percent (61 percent in 2023) and for non-life 58 percent (58 percent in 2023) of insurance businesses are sold via in-house agents. A major shift can be observed with the increase in sales via banks in life business to 22.1 percent up from 17 percent in 2023. The selling through other sales channels, dominated by brokers, also increased for life insurance business in 2024 to 28.2 percent (22 percent in 2023). As regards online sales channels, they are still a minor source of business.

26. There are five Austrian-based insurance groups, three of which are regarded as being domestically systemically important. One of these insurance groups has also been designated as an IAIG and another one is an insurance-led financial conglomerate. The Austrian market also has a bank-led financial conglomerate. Furthermore, there are seven international active insurance groups who has subsidiaries operating in the Austrian market.

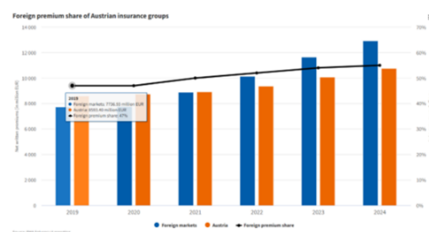
Box 1. Austria: Foreign Insurance Business – Austrian Insurance Groups (2024)

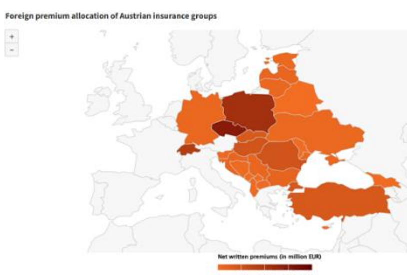
Austrian insurance groups have expanded internationally in recent decades due to saturated domestic markets, opportunities in CESEE countries, and a need for diversification. The FMA annually conducts an analysis of Austrian insurance groups' foreign business activities and publishes an annual Foreign Insurance Business Report[13]. The following are some highlights from the report.

Austrian insurance groups have no more operations in Russia. The insurance groups are currently active in 26 other countries (excluding Austria). The total number of insurers and reinsurers within these five insurance groups are 98 with 93 insurers (9 of which operate in Austria) and 5 reinsurers (of which one operates in Austria). There has been a decrease in the number of entities with the exit from Russia and mergers in Poland and North Macedonia, but a new insurer was acquired in Albania.



By the end of 2024, Austrian insurance groups reported aggregated net written premiums of EUR 23,671 million, up 8.8 percent (EUR 1,920 million) from the previous year. Of this, EUR 21,330 million came from insurers and EUR 2,341 million from reinsurers. Foreign markets contributed EUR 12,919 million, continuing to surpass domestic premiums since 2022, with the gap steadily widening.





The FMA defines key markets as those contributing over 5 percent to foreign premium volume. In 2024, six countries (excluding Switzerland) met this threshold, representing 66.7 percent of total foreign insurance premiums. Czechia (23.2 percent) and Poland (17.3 percent) are the largest for Austrian insurers, followed by Romania (7.4 percent), Hungary (7.1 percent), Türkiye (5.9 percent), and Slovakia (5.7 percent). The Baltic countries collectively add another 5.1 percent.

Three countries have aggregated Austrian insurance group market shares above 30 percent: Czechia (42.92 percent), Slovakia (40.39 percent), and Latvia (36.38 percent). For single insurance groups within the EEA, Slovakia leads with 37.11 percent, followed by Latvia at 36.38 percent and Czechia at 33.48 percent. Comprehensive data for non-EEA markets is limited, but Austrian insurers lead the life insurance sector in Albania and hold top five positions in Bosnia and Herzegovina, Bulgaria, Montenegro, North Macedonia, Turkey, and Ukraine. They are also strong in non-life insurance in several non-EEA countries and are ranked second and third overall in Kosovo and Serbia, respectively.

In total, Austrian insurance groups achieved an aggregated net profit of EUR 2,345 million in 2024. This means an increase of 8 percent compared to the previous year. Significant differences in the profit-premium-margins[14] can be observed between the foreign and the domestic business of the various insurance groups. At year-end 2024, solvency ratios of all Austrian insurance groups were above 200 percent.
The FMA further analyses macro-economic indicators (GDP growth, inflation and unemployment trends), insurance penetration and density to identify risks and vulnerabilities.

Source: FMA

[13] FOREIGN INSURANCE BUSINESS REPORT 2025

[14] "Profit-Premium-Margin" (PPM) approximates "Return on Premiums", based on the relation between profit and net written premiums.

B. Profitability

27. Solvency II reporting includes limited information on the income statement of insurers. Australian insurers are also required to report under Australian General Accepted Accounting Principles (AGAAP) which supports the FMA's assessment of insurers' earnings. AGAAP has a different valuation basis than Solvency II as it is mainly based on amortized cost with prudence for liabilities and at cost (less depreciation or impairments) for assets except for financial instruments where those are valued at the lowest of cost and fair value.

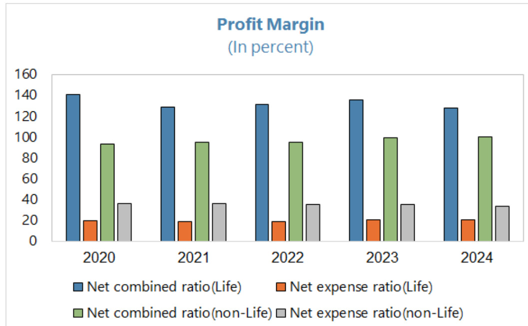
28. Life insurance business is making underwriting losses (excluding investment results) as it is relying on investment income to achieve overall profitability. This reliance on investment returns is embedded in the business model and reflected in the pricing and actuarial calculations. Non-life insurers had a combined ratio of 100 percent mainly because of higher claims due to the floods in September 2024. There is an improvement in the combined ratio of non-life insurers in Q2 2025 to 92.3 percent with the cost ratio remaining stable at 34 percent. No changes in the net retention rate of non-life insurers were observed, and it remains at 74% percent.

29. The various types of insurers (life, non-life and composite) all showed positive returns on equity ratios (RoEs) but with a slight decrease in 2024. Composite insurers are earning the highest RoE where non-life insurers had a slight decrease in their RoE ratio for 2024, again evidence of the higher claims experienced in 2024 due to the floods (Figure 4).

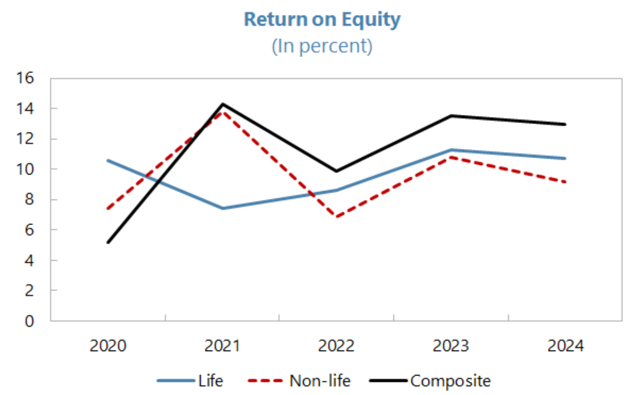
30. Investment yields for the various types of insurers are also positive, although composite insurers, shows a slight decrease in 2024 from 2023. Investment yields ranging from 1.5 percent for life insurers to 2.5 percent composite insurers to 3.5 percent for non-life insurers. These investment yields are reflective of the investment portfolios held by the different types of insurers.

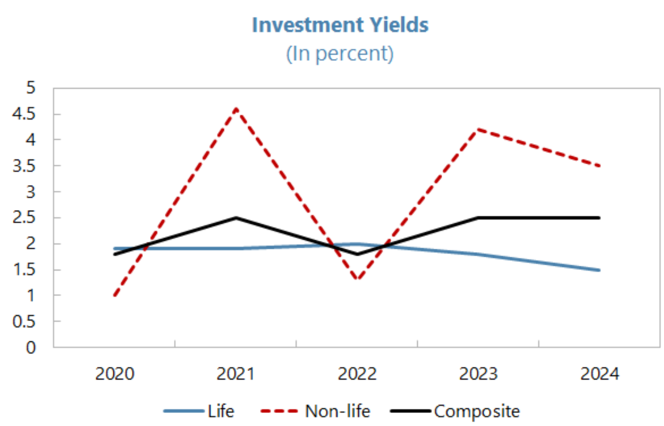
Figure 4. Austria: Profitability Indicators

Austrian insurers are struggling to make underwriting profits…



RoE is declining after it improved in 2023…





Source: IMF staff calculations

C. Assets

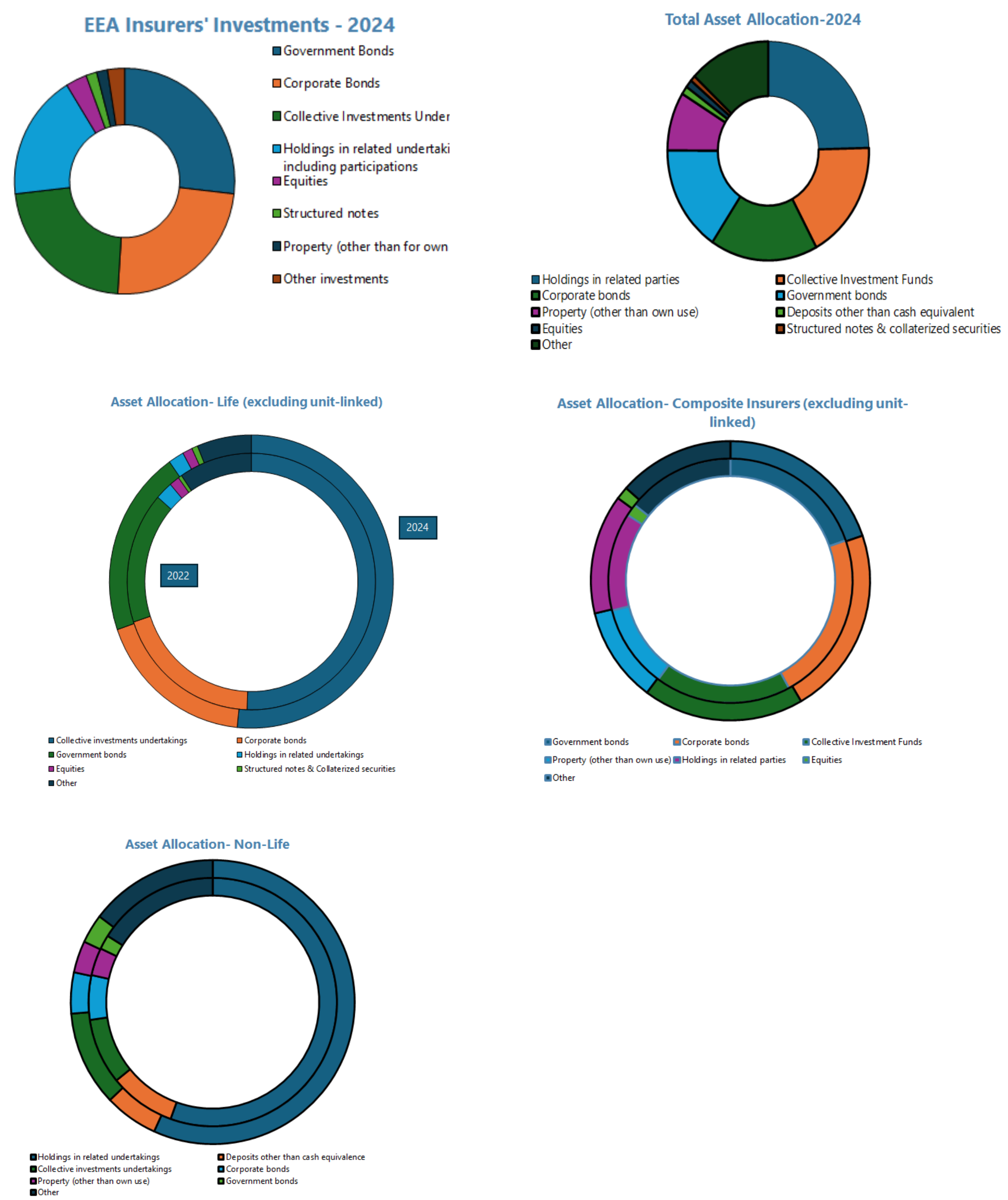
31. The composition of the total assets of Austria insurers, at the end of 2024, is quite different than that of the total investments of EEA insurers. The largest category of assets for Austria insurers is holdings in related parties of 28 percent (EEA: 18 percent), followed by investments in Collective Investment Schemes (CIS) at 20 percent (EEA: 22 percent) and then corporate bonds 21 percent and government bonds 18 percent (EEA: 24 percent and 27 percent respectively).

32. The asset mix of the different types of insurers within Austria is also diverse but reflective of the different risks underwritten (Figure 5). Life insurers have significant investments in CIS of 55 percent of total assets (end 2024) backing the large portion of investment policies on the books. Composite insurers, who have diversified business models also reflect a more diversified composition of assets with exposures mainly in corporate bonds (25 percent), government bonds (23 percent), CIS (21 percent) as well as larger exposures to real estate (13percent) and holdings in related parties (16 percent) than life insurers. Non-life insurers have more than half of the total assets exposed to holdings in related parties (68 percent in 2024)[15] with much smaller exposures to government and corporate bonds (4 and 6 percent in 2024, respectively). Real estate exposure is also smaller with non-life insurers at 4 percent with larger deposits held at banks and reinsurance recoverables.

[15] Mainly attributable to one large insurance group with participation with large value.

Figure 5. Austria: Assets

Investments by EEA insurers | *Composition of assets - Austrian insurers*



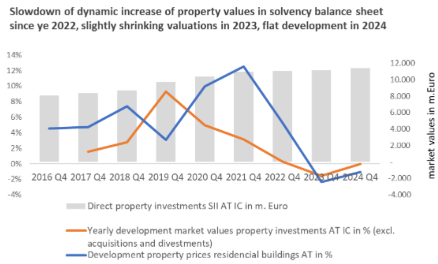
Source: FMA and IMF staff calculations

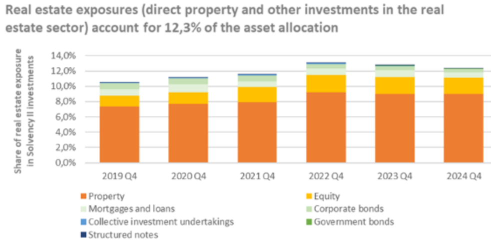
33. **The total real estate exposure by Austrian insurers (excluding unit linked business) is among the highest in the EU at around 10 percent of total assets.** The biggest portion of the total real estate exposure is held by composite insurers (91 percent in 2024) followed by non-life insurers (7 percent). 98 percent of real estate exposure is held directly (i.e. direct investments in

property rather than through other forms) and almost evenly split between commercial real estate (CRE) and retail real estate (RRE). CRE also includes commercial residential construction. Other forms of investments in real estate can include debt and equity financing. The life sector's total real estate exposure is different and is weighed more towards real estate investment funds (also known as collective investments) (61 percent).

Box 2. Austria: Insurer's Real Estate Exposure

Austrian insurance companies mainly invest directly in real estate or through property company holdings, with minimal investment via funds, bonds, or loans.





Since 2022, although rental income increased, real estate values in the Austrian insurance market have mostly stagnated. In 2023, values declined but showed improvement in 2024.

Within the insurer's balance sheet, including cover pool assets (refer to paragraphs 102 and 103 below), real estate investments serve as a stabilizing component. The implementation of a buy-and-hold approach alongside amortized cost accounting under AGAAP consistently generates unrealized profits which enhances the stability *of* insurers' balance sheet and ensure compliance with the cover pool requirements ("Deckungsstock") (see article 149 of VAG).

The directly owned real estate assets are mainly concentrated in specific locations. Nearly two-thirds of the total market value comes from properties within districts inside Vienna, while the remaining (around 20 percent) is in provincial capitals across Austria. Of these assets, 43 percent are used mainly as residential properties, 34 percent serve as office space, and about 10 percent function as retail. Insurers themselves occupy 12 percent of the market value of the directly held real estate properties. Other uses, such as industrial purposes or project developments, make up only a small portion of Austrian insurers' direct property holdings.

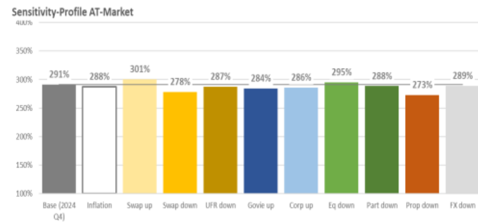
Insurers might face medium-term depreciation potential for real estate market values on their balance sheets. The average rental yield on the market value of Austrian insurance companies' real estate portfolios remained stable at approximately 2.85 percent during the first half of 2025, consistent with prior years. Following the significant increase in interest rates in 2022, government bond yields have reached comparable levels. Consequently, rental yields on a substantial portion of insurers' real estate holdings are now considerably lower than those available from risk-free investments. The FMA suggests that this disparity potentially may result in a downward adjustment to the market values of these properties.

The FMA also observed that throughout 2024 and the first half of 2025, some Austrian insurance groups showed heightened activity in selling directly held real estate, marking a departure from the traditional buy-and-hold strategies. The sales proceeds from properties sold in 2024 were below their reported market values on the Solvency II balance sheet, whereas, in 2025, proceeds exceeded the market value of sold properties. The strategic rationale for these sales is to keep the share of illiquid assets in the asset allocation of cover pool assets stable or reduced. Despite their prime locations in Vienna's city centre, the sold properties generated relatively low monthly rental income in relation to their usable floor space, indicating a relatively high proportion of long-standing tenants. Due to the generally low rental income levels, the sales proceeds relative to the usable floor space of the sold properties are also considered rather low.

Pending legal case relating to the adjustment of rent for inflation clauses is relevant and the FMA is keeping track of it. Certain court rulings took place, questioning the clauses in rental contracts for inflation adjustments, considering them invalid and all prior adjustments performed as against the law. However, the latest rulings in July 2025, are more landlord friendly as they question the general application of those consumer regulations on long-term contracts.

Box 2. Austria: Insurer's Real Estate Exposure (Concluded)

FMA is requesting additional data on insurers' real estate exposures (e.g., precise location information, area and type of use) to enhance the quality of its data analysis. Regular cross-market analyses are also conducted as well as cross-sectoral analysis. The outcome of these analyses is discussed with the FMA's Management Board, as well as shared within supervisory colleges. In addition, the FMA also monitors the possible effects on the solvency ratio of insurers resulting from a major reduction of real estate values. From a Base Case perspective (Q4 2024) a 25 percent market correction would lead to a 24-basis point drop in the SCR ratio with no insurers having a solvency ratio below 140 percent.



Source: FMA

34. The exposure to banks[16] by Austrian insurers (excluding unit-linked business) is limited and represents 13 percent of total assets [17]. For both life and composite insurers (88 percent of the total bank exposure), the exposure to banks are around 15 percent of total assets and both holding less than 40 percent of their bank exposures in Austrian banks. Non-life insurers investment in banks is more weighted towards Austrian banks 68 percent at the end of 2024.

35. Most of the assets (excluding unit-linked) are invested in Austria. Domestic assets include funds managed by Austrian investment managers with such funds permitted to invest in both, domestic and international markets. The quality of credit exposure is high (Figure 6). Apart from insurers' investments in Austria, life and composite insurers other top countries' investments are made in France and Germany whilst for non-life insurers Czechia and not France has some of its top investments. Therefore, the largest exposure by currency is EUR.

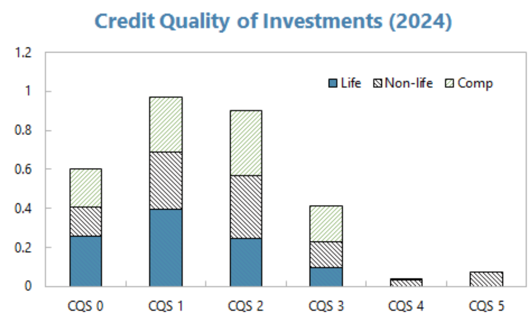
36. The weighted average of the years to maturity of investments reflects the macroeconomic conditions as insurers rebalance their portfolios for asset liability management or in a search for yield. Life insurers and composite insurers have increased their weighted average years to maturity of investments from 2022 to 2024 whilst non-life insurers have reduced theirs (Figure 6). Limited use of derivatives is observed.

[16] Includes deposits, equity investments, fund investments and other investments.

[17] As per NACE (Nomenclature of Economic Activities) the EU's standard classification system for economic activities, used for regulatory, statistical, and reporting purposes across Europe.

Figure 6. Austria: Quality and Years to Maturity of Assets

High quality rated investments and composite insurers' investments



Increasing weighted average[1] in years to maturity for life

	2020 Years	2022 Years	2024 Years
Life	11.41	11.4	14.57
Non-life	11.62	15.21	7.88
Composite	11.97	10.97	13.92

Source: FMA and IMF staff calculations

[1]Weighted average in years to maturity represents the average length of time until the securities in a portfolio mature.

D. Liabilities

37. Technical provisions are by far the largest component of the total liabilities for EEA insurers. This is also reflected by Austrian insurers as life business has longer contract boundaries than non-life business[18] (Figure 7). Unit-linked business in Austria is a bit smaller than the aggregated EEA insurers again supporting the large portion of with-profit business sold in Austria.

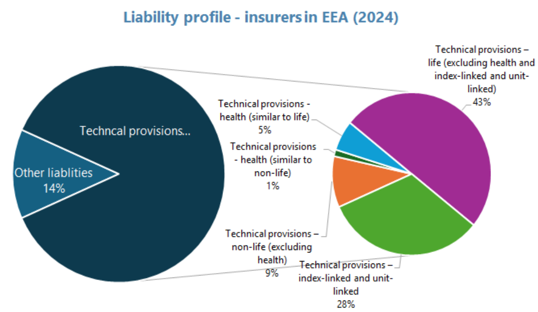
38. Life and health insurers are clearly reflecting a shift in the duration of their in-force business towards shorter-term contracts[19]. This can be due to the maturity of the legacy book of life business as well as the increase in the health life business It is also a reflection of the slow growth in the life insurance sector. Non-life insurers have notably moved to annual or longer-term contracts, which can reflect the growth in the short-term health business. Composite insurers reflect a more diversified set of contract terms reflective of their business models. Composite insurers do have a significant portion of their contracts having a maturity of 20 years of longer, which is reflective of the significant proportion of the "PZV" products (see paragraph 23 above) and health products that are sold by these composite insurers. The matching of maturity between assets and liabilities appears to be well managed for the life and the non-life insurers (Figure 7). Composite insurers are reflecting a mismatch, if the weighted average to maturity of assets are compared with the weighted average to maturity of liabilities, but it was observed that composite insurers are increasing their weighted average term on assets (Figure 7) over the last few years.

[18] For Austria insurers the liability composition does split out the health business in the life and non-life sector.

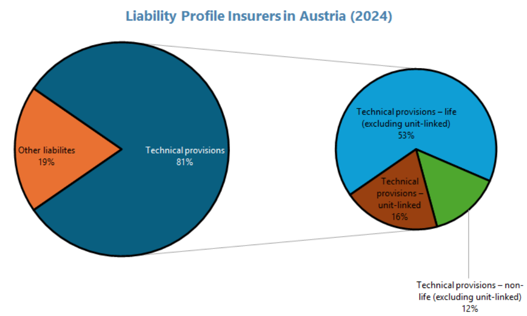
[19] Based on undiscounted expected cash flows

Figure 7. Austria: Liability Profile

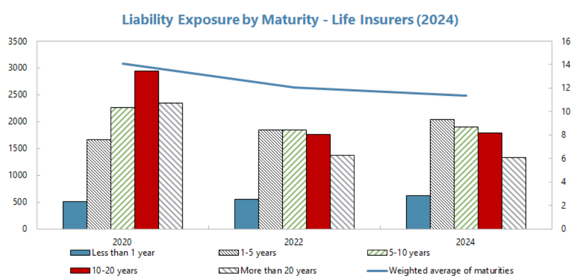
Life insurance is the largest component……



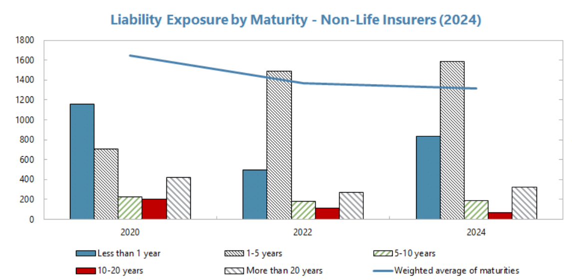
Similar to EEA insurers….



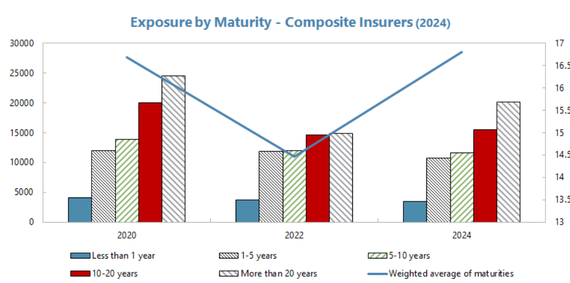
The in-force business for life insurers is getting shorter on average….



Non-life insurers has notably moved to annual or longer term contracts….



Composite insurers have a diverse set on maturities but more weighted towards long-term contracts …



Composite insurers reflecting a mismatch ….

	Weighted average to maturity - assets	*Weighted average to maturity - liabilities*
Life	14.57 years	11.34 years
Non-life	7.88 years	6.59 years
Composite	13.92 years	16.8 years

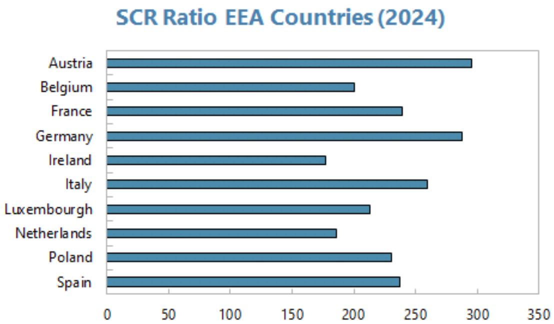
Source: FMA and IMF Staff calculations

E. Solvency

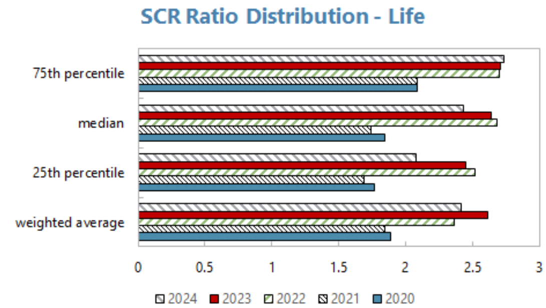
39. **Austrian insurance companies continue to have higher solvency ratios compared to other European countries**. At end-2024, the median solvency ratio was 253 percent, rising to 264 percent by end- June 2025. This is higher than the European industry medians for both life (216 percent) and non-life (214 percent) insurers. All Austrian insurers meet the required solvency ratio, with 24 holding more than double. Austrian insurance groups also exceed the European group median of 182 percent.

Figure 8. Austria: Solvency Ratios

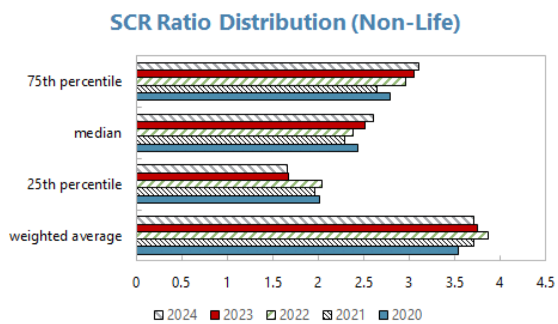
SCR ratio of Austrian insurers is amongst the largest....



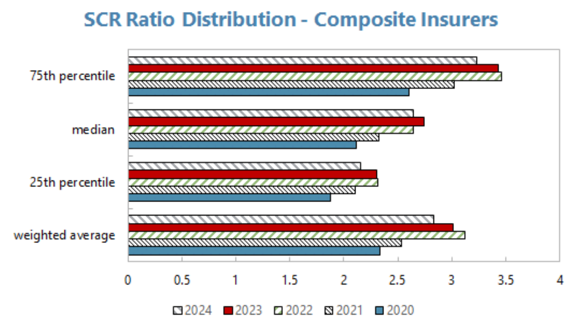
Life insurers are also well capitalized....



Non-life insurers showing the highest weighted SCR ratios...



Composite insurers are also very well capitalized....



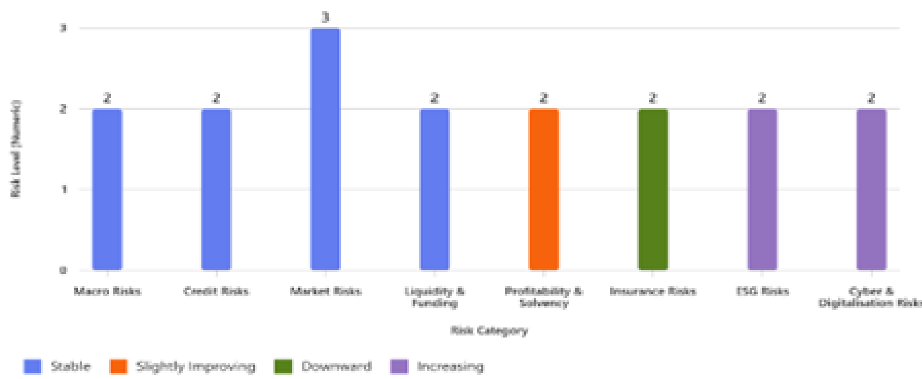
Source: FMA and IMF staff calculations

RISKS AND VULNERABILITIES

40. EIOPA's published Insurance Risk Dashboard (October 2025), based on Solvency II data, summarizes the main risks and vulnerabilities in the European Union's insurance sector through a set of risk indicators (Figure 8). The data is based on financial stability and prudential reporting collected from insurance groups and solo insurance undertakings and responses received from 23 national competent authorities (NCAs). The FMA's assessment of the major sources of risks impacting the Austrian insurance sector aligns with that of EIOPA.

Figure 9. Austria: EIOPA's Insurance Risk Dashboard (October 2025)

Market risk remains the top risk for EU insurers....



Source: EIOPA

A. Inflation

41. Austrian insurance companies continue to operate in an environment with inflation above the European Central Bank's (ECB) target. Austria expects inflation of 2.9 percent in 2025, while the forecast for the eurozone inflation is 2.1 percent. In general inflation can lower household income and consequently reduce premium growth or increase policy cancellations. In life insurance higher interest rates can make other type of investments more appealing and affordable, leading to more policy lapses and surrenders.

42. The effects of inflation vary depending on the type of insurance involved. Inflation also raises claims costs for non-life insurers, which could lead to insufficient reserves, inadequate premiums and insufficient reserves. Both life and non-life sectors face increased operating expenses from inflation, potentially reducing profitability. Health insurance is especially affected by medical inflation, which tends to outpace general inflation, resulting in significant premium hikes that may become unaffordable. Most non-life and health insurance policies include an automatic inflation adjustment clause, known as inflation indexation, which helps to stabilize profitability.

43. After Austria experienced a sharp rise in inflation (11.60 percent in January 2023), the FMA implemented a top-down stress test that combined increases in claims, costs, and interest rates. The findings indicate that Austria's non-life insurers remain resilient. Furthermore, the FMA carried out various sensitivity analyses related to interest rates and inflation and introduced an extensive new reporting system on inflation and profitability analysis of life business was introduced. The FMA concluded from its work that the insurance industry overall remains stable.

B. Interest Rates

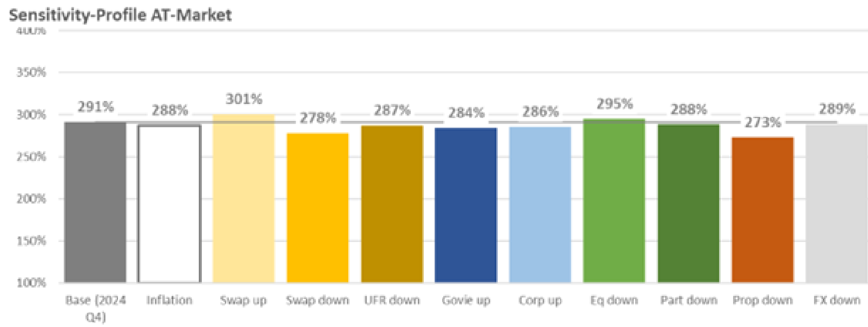
44. The sharp increase in interest rates during 2022–2023 put pressure on insurers' AGAAP results, mainly due to their exposure to long-term government bonds and the valuation rules applied under AGAAP. This rise also caused a slight uptick in lapse rates, which has since stabilized (5.5 percent in 2024 down from 5.9 percent in 2023 based on volume). In response, the FMA requested additional data, engaged with insurers, and continued to monitor developments.

45. Insurers are affected by macroeconomic risks mainly through interest rates in that higher rates reduce balance-sheet liabilities (especially for life insurance) but may also decrease new business and increase cancellations. When interest rates rise, insurers often face unrealized investment losses, complicating asset sales and this is particularly relevant with AGAAP valuation. Short-term rates matter most to non-life insurers due to their investment profiles. Interest rate cuts raise technical provisions and lower investment returns, affecting all insurers. For non-life insurers, reduced returns heighten reliance on underwriting, which can be eroded by increased claims. Life insurers may struggle to support guarantees due to lower investment returns.

46. The FMA uses tools like "VUSA" to monitor insurers' solvency ratios against key market risks such as interest rates (Figure 10). "VUSA" provides daily solvency estimates and identifies vulnerabilities at both the company and sector level. While Austrian insurers generally have strong solvency, composite insurers remain sensitive to sudden rate hikes. The FMA also conducts thematic reviews and is improving its analysis methods; current findings show that in 2025, bond portfolios (excluding unit-linked contracts) had a modified duration of 9.10 years, meaning a 1 percent rate increase would reduce their value by less than 10 percentage points. In 2025, insurers increased their positions in short-term interest-rate swaps to also hedge their interest rate risks.

Figure 10. Austria: FMA's "VUSA" Tool

Outcome of the "VUSA" tool's daily assessment……



Source: FMA

C. Liquidity Risk

47. Insurers' liquid assets ratios[20] remained solid and stable throughout the years but did vary considerably across EEA countries. The median value at the end of 2024 was around 44 percent. The FMA has been doing liquidity monitoring since 2020, with Austria's three largest insurers reporting for the EIOPA monitoring exercise premium, claims, surrender, investments and intra-group cash flows among others.

48. Insurers' liquidity, under normal circumstances, comes from their premium income and investment returns as well as active asset liability matching. But during extreme events, insurers can experience liquidity strain due to policy surrenders, certain types of reinsurance arrangements, material exposure to illiquid assets, large insurance claims (i.e. natural catastrophe events) as well as financial market volatility and macroeconomic stress.

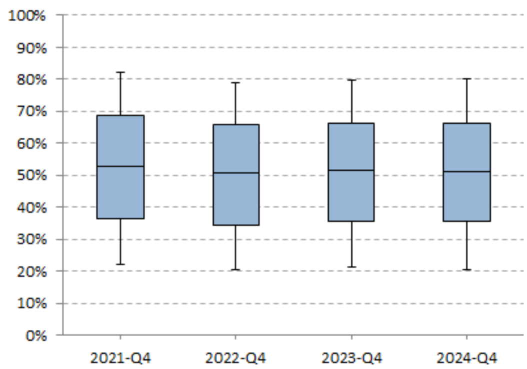
49. Austrian insurers maintain a slightly lower proportion of liquid assets compared to their European counterparts (Figure 11). Liquidity requirements for life and composite insurers has become a significantly more important topic for life and composite insurers as the number of entities experiencing negative technical cash flows (without taking into consideration investment income) has been rising from 40 percent to over 90 percent since 2023. The median allocation to alternative investment funds including real estate, alternatives, private equity, infrastructure, and other funds, grew from less than 1 percent in 2017 to 4.2 percent in 2022 but has recently declined to 3.8 percent as of 2024. Since 2016, the FMA has assessed allocations to less liquid assets based on individual investment holdings. In 2025, the FMA conducted a survey specifically concerning reinsurance and found that, currently, there are no asset-intensive reinsurance contracts in place, with arrangements primarily focused on natural catastrophe risks and guarantees for life business. Surrender payments as a percentage of Gross written premium of life policies in Austria have

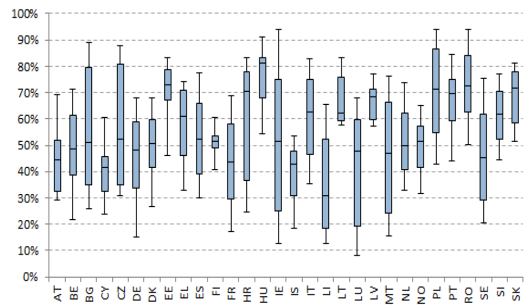
[20] The proportion of liquidity-weighted assets relative to total assets.

decreased from 39 percent in 2023 to 29 percent in 2024. The 2024 floods in Austria demonstrated that non-life insurers maintained adequate liquidity positions, supported by robust capitalization.

Figure 11. Austria: Liquidity Measures

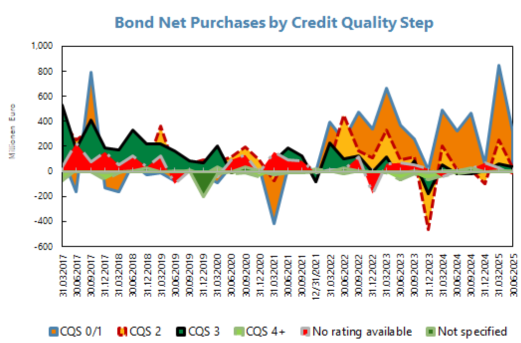
Distribution of liquidity asset ratios amongst EEA insurers....



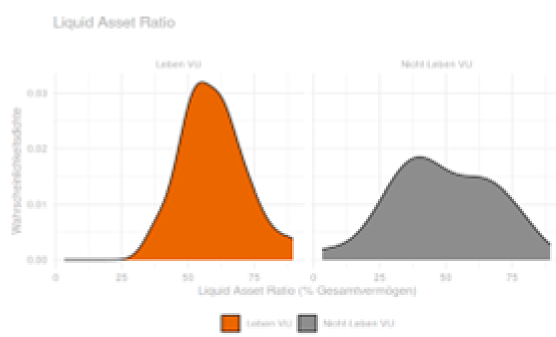


Source: EIOPA

Bond net purchases by Austrian insurers per credit quality...



Austrian life and non-life insurers liquidity asset ratio....



Source: FMA

50. Solvency II Review provides cash flow forecasts and liquidity risk indicators. As from January 2027 insurers will need to disclose granular information on the use of liquidity (e.g. dividends) and sources of liquidity (e.g. intra-group cash flows) and develop and keep up to date a set of liquidity risk indicators, for example the central buffer of liquid assets (after discounts for illiquidity), i.e., the liquid asset ratio before and after a selected stress scenario.

D. Interconnectedness

51. The interconnectedness of the insurance sector in Austria with the rest of the financial sector was also highlighted in the 2020 Austria FSAP (see Box 1)[21]. By examining how financial entities are linked, supervisors can identify potential channels through which shocks may propagate across the sector. This assessment is crucial for anticipating and mitigating risks that could threaten the overall stability of the financial system.

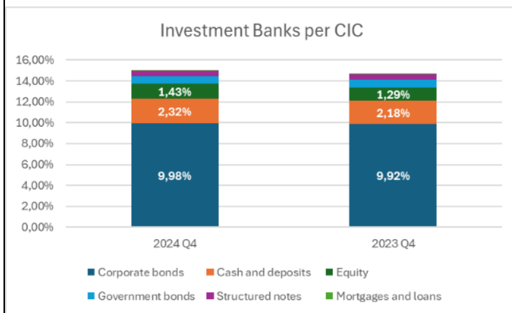
52. Austria has two financial conglomerates headquartered in Austria as well as insurance subsidiaries of other EU financial conglomerates. Insurers' total exposure to the financial sector amounts to slightly above 40 percent of total assets. Exposures to banks are also based on bancassurance business models with some asset management arrangements rather than direct investments. Direct investment exposures (see paragraph 33) are mostly bonds, equity shares, and intragroup loans to banks which have remained unchanged since the 2020 FSAP.

53. No significant asset or liability transfers have occurred between insurers and other financial institutions over the last five years. The FMA noted a rise in security lending programs, mainly involving government bonds held to maturity. Few insurers borrow securities to meet regulations or hedge market risks, but these exposures remain below 10 percent of total assets. Indirect securities lending also occurs via investment funds. The FMA regulates and monitors these activities through periodic data requests and has issued guidance on the use and reporting of these activities. Insurers' exposure to bail-in able securities is minimal, currently under 5 percent of investments as of Quarter 2 2025.

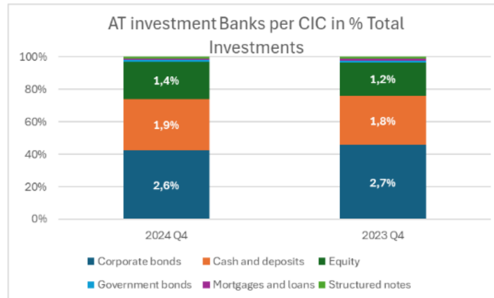
[21] Austria: Publication of Financial Sector Assessment Program Documentation-Technical Note on Insurance Sector—Regulation, Supervision, Recovery, and Resolution Regime Prospects; IMF Country Report No. 20/63; February 20, 2020

Figure 12. Austria: Insurers' Exposures to Banks (Excluding Index- and Unit-linked Assets)

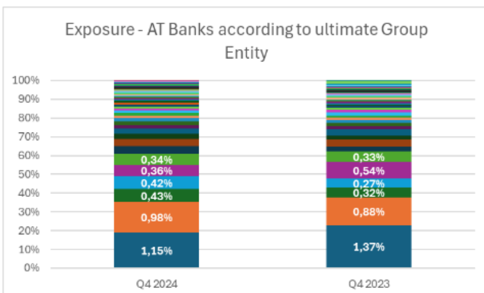
[1]6 percent of total assets is invested within Austria….



Approximately 2 percent consist of cash/liquidity



Top 5 counterparts Austrian exposure…



Source: FMA

[1] CIC refers to "Complimentary Identification Code" used in the Solvency II Quantitative Reporting Templates to classify and report insurance assets.

54. In Austria, intra-group transactions of insurers are subject to regulatory oversight. FMA assesses the intra-group transactions in the yearly risk assessment for insurance groups and financial conglomerates. There, the major transactions are reviewed to identify potential risks of concentration or contagion within the group. Recently, FMA developed a network tool to visualize and analyze the degree of inter-connectedness within insurance groups and financial conglomerates. The highest transaction volume is observed between composite insurers (as issuers) and non-life undertakings (as investors), with equity being the highest by volume. Off-balance sheet transactions include insurance to reinsurance transactions, but within financial conglomerates these are immaterial.

E. Emerging Risks: Climate

55. Austria is seeing a rise in insurance claims linked to extreme weather events affecting property, agriculture, life, and health insurance. Providing affordable Natural Catastrophe (NaTCat) insurance requires scale and diversification across regions and risks. Many small and medium insurers in Austria depend on reinsurance due to their limited size. The country faces increasing frequency and severity of events like floods and droughts; for example, storm damage loss ratios after reinsurance rose from 100.4 percent in 2022 to 144.4 percent in 2024. Higher-value exposures, driven by population growth, economic development, and urbanization are increasingly located in high-risk areas, challenging the insurability of certain risks.

56. The FMA actively supervises climate-related risks. Since 2019, the FMA has been carrying out various thematic reviews on insurers' Environmental, Social and Governance (ESG) strategies, sustainability risk management, impact underwriting, protection gap estimation, ESG-risk profiles[22], regular climate stress tests, analysis of climate-related assets exposures, screenings of ESG-assets regarding biodiversity as well as greenwashing screenings. The FMA also maintains ongoing engagement with insurers on sustainable finance at both management and technical levels.

57. Climate-related events' impact on insurers' solvency is analyzed by the FMA through various ways. Large insurers using internal NaTCat risk models undergo thorough reviews, including FMA's on-site inspections after the 2024 flood event, with a focus on flood risks. Since 2019 the FMA also uses quantitative tools to supervise transition risks in insurers' investments, mainly by identifying exposure to climate-relevant sectors and assessing value loss. The climate-relevant share of insurers' assets accounts for about a quarter of the portfolio and consists mainly of investments in the energy generation and real estate sectors. Stress test results are published in annual industry reports and discussed with insurers in dedicated meetings.

58. The FMA encounters some obstacles when supervising climate-related risks. These include limitations on both the availability and quality of relevant data in general but also security-level data, needed for stress testing. Furthermore, external scenarios may quickly become outdated and are sometimes not appropriate Insurers face their own difficulties, including the complexity of natural catastrophe models and the reliance on ESG rating systems for evaluating assets.

[22] ESG Risk Profile is determined for each insurer which provides a consolidated view of key indicators (i.e. ESG exposures, loss potential, products, ESG strategy and disclosure) relevant to the ESG risk profile

Box 3. Austria: Storm Boris

<u>Flooding event</u>

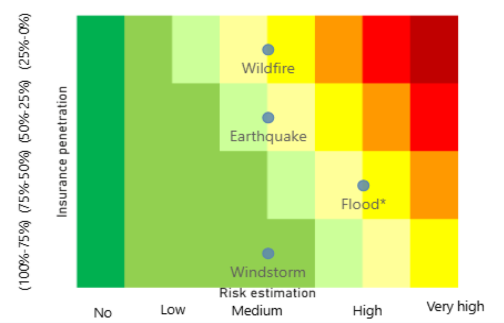
"Storm Boris" hit Central and Eastern Europe, including Austria, between September 14–21, 2024, causing severe flooding, infrastructure damage, and at least 28 deaths (5 in Austria). The storm affected Austria, Czech Republic, Germany, Hungary, Poland, Moldova, Romania, and Slovakia. In some areas, rainfall nearly doubled previous records, with over three months' worth falling in eastern Austria and near the Czechia-Poland border. Damages exceeded €4.2 billion, of which €1.9 billion were insured. Lower Austria—particularly near the Danube, Kamp, and Traisen rivers—was most impacted. In Vienna, the Wien River overflowed, leading to evacuations and metro disruptions. Effective flood controls managed the Danube River, but Sankt Pölten suffered dam failure, leaving 1,500 people without sewer access. Heavy rain in Alpine regions led to early snow and avalanches, complicating rescue operations.

<u>Insurance</u>

NaTCat protection is available through several types of insurance products. In Austria, these typically include home or building insurance, though coverage for NaTCat events is often limited. Coverage amounts in Austria generally range from EUR 5,000 to 15,000, with an average annual cap on insured losses set at EUR 1 billion. The insured losses from Storm Boris reached EUR 700 million. Risks continue to be significantly underestimated by policyholders, resulting in many individuals being either underinsured or lacking insurance altogether.

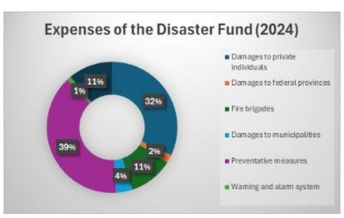
Farmers can insure themselves against damage by hail, frost, drought, storms and floods to agricultural crops with Österreichische Hagelversicherung. The federal and state governments each subsidize the insurance premiums which can cover up to 55 percent.

EIOPA has developed, in cooperation with the national supervisory authorities, a dashboard to present the drivers of a climate-related insurance protection gap. The dashboard (Figure XX) provides information on potential insurance gaps for specific natural catastrophic risks in Austria. Austria's insurance penetration for flooding cover is high but as mentioned above the insured amount is capped.



Source: EIOPA

<u>Risk Mitigations</u>



Austria's Disaster Relief Fund (Katastrophenfondsgesetz, 1996) finances preventive actions and covers losses from natural disasters, mainly supporting flood, torrent, and avalanche protection as well as reconstruction for federal states and municipalities. The fund is financed by a portion of income, wage, capital gains, and corporation taxes. Private individuals with disaster-related asset damage can apply for aid at their local municipality, with amounts determined by provincial guidelines and insurance considerations.

VVO and the Federal Ministry of Agriculture, Forestry, Regions and Water Management jointly launched the online platform "HORA" as a Public Private Partnership (PPP) to inform the public about natural hazard risks. "HORA" allows users to view three-dimensional risk maps by entering an address or selecting a location, providing detailed data on threats like flooding, including water depths and flow velocities for specific properties.

Source: FMA and IMF Staff Calculations

F. Emerging Risks: Digitalization (Including Cyber)

59. The Austrian insurance sector is rapidly embracing digitalization, with cloud services, artificial intelligence, and robotic process automation now widely adopted to improve efficiency, customer engagement, and risk management. Despite these advances, challenges, especially around data protection and Information and Communications Technology (ICT) security, remain significant obstacles, and the implementation of DORA is a major ongoing effort. Automated advice and digital distribution platforms are expanding, but most insurance contracts are still concluded through traditional channels, with comparison portals serving mainly as pre-sales tools. After a strong initial interest compared to other sectors, the level of cooperation between insurers and InsurTech/FinTech undertakings has plateaued since about 2021. About 40 per cent of insurance companies actively cooperate with at least one InsurTech/FinTech.

60. Cyber insurance is gaining traction, with premiums and coverage steadily rising, though it still represents a small fraction of the overall insurance market. The sector is highly aware of cyber risks, and most companies have taken key steps toward DORA compliance, particularly in ICT risk management and incident response. However, third-party risk management and the establishment of comprehensive ICT service provider registers remain areas needing improvement.

61. In mid-2024, the FMA assessed Austria's digital finance sector and its preparation for the 2025 DORA requirements[23]. Over half of insurers now use digital portals, yet the adoption of more advanced technologies remains uneven. While blockchain applications are still rare, the use of artificial intelligence is steadily increasing across multiple business areas. Operational resilience testing and technical protection measures are largely in place; however, the FMA's analysis indicates that further improvements are needed in ICT risk management, particularly regarding governance and third-party risk management. Most insurers have already met many DORA standards before the legal basis entered into force.

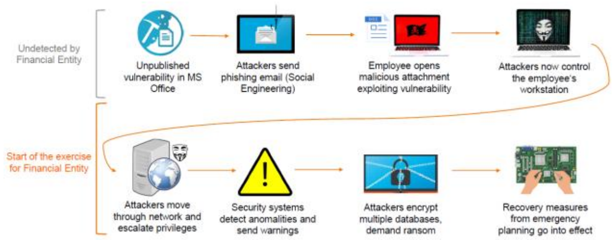
62. The FMA has a comprehensive set of supervisory tools it uses in assessing digital risks. This toolbox includes surveys or reviews, real time exercises and several tools to assess things like cyber, cloud and blackout maturity levels and assessments on mitigation measures. The output of all these results in a digital risk profile assigned to each insurer which feeds into the overall risk score of an insurer (Figure 15). An insurer's digital risk profile is based on its current and planned technology use, ICT risk management, reported incidents, and threats linked to its business model and products. The overall risk rating combines weighted scores from each sub-module and supervisory judgement.

[23] Austrian Digital Finance Landscape 2024 - FMA Österreich

Box 4. Austria: Cyber Simulation Exercise

In a real cyber-attack, quick action is crucial to limit damage. Responding is difficult under time pressure and limited information. While insurers use BCM and crisis handbooks, FMA aimed for a practical exercise that went beyond compliance, simulating real scenarios without accessing ICT systems.

The cyber-attack scenario was built based on the MITRE ATT & CK framework using MITRA database on historical attacks as well as the FMA's own supervisory experience. The scenario was a ransomware attack, following a successful phishing, with a malicious attachment exploiting a zero-day vulnerability in MS office.



The selected insurer's crisis team participated in a three-hour exercise, reacting in real time to a simulated attack. The exercise involved information sent to the crisis team bit by bit in the form of emails, system alerts and log extracts ect. The crisis team had to interpret, prioritize and draft reaction measures to these within a time limit. Depending on the crisis team's reaction, future information provided could change. The FMA did pre-define the expected minimum reactions to certain critical information bits before conducting the exercise.

Two exercise runs with six insurers were conducted. Each entity received feedback on their response to the simulated attack, followed by a group feedback session. Results were very positive. While the exercise was well received, high FMA resource demands prevented wider rollout. The FMA is considering alternatives like future AI-based simulations.

Source: FMA

63. **FMA launched its Regulatory Sandbox on September 1, 2020**. The sandbox is there to support innovative FinTech companies and incumbent players developing new financial technology models. The sandbox provides a controlled environment for testing business models under real-market conditions, with targeted support and close supervision, without lowering regulatory standards. Companies can operate with a temporary license during the test phase, and if successful, transition to regular supervision. This process helps both startups and established entities to gain regulatory clarity and insights into risks and requirements early on, facilitating a smoother path to full licensing.

64. **The sandbox ecosystem is complemented by the FinTech Navigator, regulatory helpline and guidance portal that was introduced in 2016.** It offers advice on licensing, compliance, Anti-Money Laundering/Combating Terrorist Financing, and other legal matters. These initiatives form part of the FMA's Innovation Hub and supports innovation across banks, payments, crypto assets, InsurTech and RegTech. The sandbox is supported by government funding.

65. **The FMA's innovation lab, focused on internal digital transformation using RegTech, and SupTech.** In the last year or so the Insurance Department prioritized integrating AI and large language models (LLM) into its supervisory processes and engaged in outreach initiatives with other supervisory bodies about new tools. Analyses such as SFCR reviews, ORSA liability assessments, and International Financial Reporting Standards-based evaluations were completed in partnership with the Innovation Lab. During this year Copilot 365 was introduced to facilitate safe LLM use in daily work.

Recommendation:

It is recommended that the FMA continue conducting stress testing on natural catastrophes, like flooding, including at a group level and in relation to those insurers where NaTCat risks are material focusing on those with branches in neighboring countries.

REGULATION AND SUPERVISORY OVERSIGHT

A. Regulatory Framework

66. Insurance supervision in the EU is managed nationally, with Austria implementing the Solvency II framework through the Austrian VAG. The FMA strengthens its regulatory framework by issuing Regulations and Circulars. The objective of Circulars is to clarify the FMA's legal interpretations on supervisory matters. In line with Article 16(3) of the EIOPA Regulation, the FMA incorporates EIOPA Guidelines and Recommendations into its regulatory practices.

67. DORA became effective January 2025. DORA harmonizes the rules concerning ICT risk management and resilience for 21 different types of financial entities which include insurers. DORA introduces six main elements of ICT risk supervision among EU financial entities: (i) harmonized cross-sectoral requirements; (ii) a level playing field among all competent authorities with respect to measures to supervise ICT risk supervisory powers; (iii) a definition of the concept of ICT third party service provider in a much broader sense than ICT outsourcing; (iv) an oversight framework for the critical ICT third-party service providers at EU level; (v) mandatory threat led penetration testing at EU level; and (vi) legal precedence for DORA for financial entities (so called *lex specialis*) over the generally applicable requirements of the Network for Information Systems Directive and Critical Entities Resilience Directive. It creates a digital operational resilience rulebook for financial entities covering amongst others ICT Risk Management, Incident Reporting, Operational Resilience Testing, Third-Party Risk Management, Oversight of CTTPs[24] and Information Sharing.

68. Since 2020 FSAP various key regulatory changes made at the EU level, and are in the process of being transposed into national legislation. These include amongst others the Solvency II review (enacted January 2025 and applicable from January 30, 2027), Insurance Recovery and Resolution Directive (IRRD) (enacted January 2025; applicable from January 30, 2027), the EU Artificial Intelligence Act (enacted August 2024; gradual implementation until August 2, 2027) and the Corporate Sustainability Reporting Directive (enacted January 2023 with gradual implementation until January 1, 2028).

69. The Solvency II review brought about significant changes which can have a material impact on the solvency position of insurers. These changes include amongst others (i) improvements made to the so-called "long-term guarantee measures" to ensure that risks in low-

[24] DORA designates "critical ICT third-party service providers" (CTTPs, e.g., major cloud services) to be overseen by the ESAs (EIOPA, ESMA and ECB).

interest rate environments are adequately addressed, while also preventing undue volatility in capital requirements (ii) a substantially revised Volatility Adjustment (VA)[25] with a supervisory approval requirement for new VA users, (iii) the cost-of-capital rate now set at 4.75 percent for the risk margin (down from 6 percent currently) and the introduction of an exponential, time-dependent element, known as the "lambda factor," to account for the time dependency of risks and reduce the risk margin. Other elements within the Solvency II review include a new proportionality framework, a macroprudential toolkit, technical changes to the extrapolation of the risk-free yield curve and provisions related to equity investments. For more detailed information please refer to the 2025 Euro Area FSAP – Technical Note on Insurance Micro and Macroprudential Supervision[26]

70. IRRD implementation will enhance adherence to international standards. The IRRD requires member states to appoint and authorize one or more authorities to implement resolution tools and conditions before resolution can be activated as well as the requirement to develop, where deemed necessary, resolution plans[27]. The resolution tools and powers include solvent run-off, an asset and liability tool, sale of business tool, bridge undertaking tool (transfer shares or other ownership instruments, or any assets, rights, or liabilities of one or more undertakings under resolution, to a bridge undertaking[28]) and a write-down or conversion tool. A requirement for pre-emptive recovery plans is also introduced, and it is expected that at least 60 percent of a member state's life and non-life insurance market[29] respectively is subject to pre-emptive recovery planning (to be carried out at the group level where applicable). Supervisory and resolution authorities may also opt to implement simplified obligations for certain undertakings. Lastly the IRRD also provides for financial arrangements to be implemented to ensure that the resolution authority has adequate funds at its own disposal to, at least, pay any 'No Creditor Worse-Off' claims through ex-ante or ex post contributions, or a mix thereof, from the country's insurers. For more detailed information please refer to the 2025 Euro Area FSAP – Technical Note on Insurance Micro and Macroprudential Supervision

71. The FMA is well placed to introduce the new regulatory requirements into their national legislation and supervisory functions. Supervision under DORA has commenced through several supervisory activities. A detailed project plan has been developed for the implementation of the Solvency II review and the IRRD. Work has already started with the drafting of the legislation as well as internally within the FMA. While waiting for final technical details from

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[25] The VA in Solvency II is a mechanism that allows insurers to adjust the discount rate used to value their liabilities, mitigating the impact of short-term market volatility on their balance sheets and provides a spread over the risk-free rate reflecting a percentage of the risk-corrected spread on a reference portfolio.

[26] Euro Area: Publication of Financial Sector Assessment Program Documentation-Technical Note on Insurance Micro and Macroprudential Supervision; IMF Country Report No. 25/208; July 2025

[27] These undertakings should account for at least 40 percent of a MS's life and non-life insurance market respectively using the same basis of calculation as for the threshold for pre-emptive recovery plans.

[28] A bridge undertaking is an entity that is wholly or partially owned by public authorities or an IGS and is established to fulfill the resolution objectives outlined in the IRRD

[29] Market share is calculated based on gross technical provisions for life insurance and gross written premiums for non-life business.

EIOPA, the FMA also done a top-down analysis of the impact of the Solvency II review, and its preliminary findings are that, in aggregate, the Austrian insurers', on a net basis, solvency positions will not be materially impacted.

Recommendation:

It is recommended that FMA and Government, as planned, implement these regulatory changes and the operationalization thereof to ensure that all the requirements of the relevant ICPs are met.

B. Supervisory Oversight

Governance Requirements[30]

72. The VAG contains clear and detailed requirements regarding corporate governance, risk management and internal controls. These are supplemented by requirements deducted from corporate law or other requirements like those applicable to listed companies (e.g. corporate governance code). There is an extensive framework of requirements covering supervisory board, the management board as well as key persons in control functions. Requirements apply at both group and insurer levels. No specific requirements have been prescribed for the IAIG.

73. In Austria, both insurance companies and mutual insurers operate under a two-tier board system. This structure comprises a management board, which collectively oversees the day-to-day operations of the insurer, and a supervisory board, which monitors and supports the management board. Responsibilities within the management board are typically divided among its members. The supervisory board is tasked with appointing and, if necessary, dismissing members of the management board, as well as establishing the company's remuneration policy for the management board. Additionally, the management board is required to regularly provide the supervisory board with comprehensive updates on all significant matters, including risk assessments, the insurer's financial status, and progress toward strategic objectives agreed upon with the supervisory board.

74. The FMA conducts thorough fit and proper assessments for members of the supervisory and management boards, as well as key function holders including the heads of the four control functions (compliance, internal audit, actuarial, and risk management). These assessments include an oral examination for all board members and the chair of the supervisory board. For control functions oral examinations are included on a case-by-case basis. The fit and proper requirements must be met continuously. Actuaries are subject to additional requirements outlined in FMA Circular 2/2004 regarding professional qualifications. Insurers must notify the FMA at least 30 days before appointing supervisory or managing board members; other appointments require immediate notification after they occur. All individuals subject to assessment must provide

[30] The evaluation was made considering ICPs 5, 7 and 8.

prescribed information and pass the oral exam. The law also sets requirements for board members related to experience, waiting periods, conflicts of interest, and outside activities. If the FMA identifies someone as unsuitable, industry practice has been for insurers to remove the individual voluntarily. While the FMA cannot legally remove unfit people directly, it can request their removal, reassignment, or a reduction in their mandate. If necessary, the FMA can also enforce such requests by restricting the insurer from conducting new business.

75. The FMA also conducts detailed fit and proper assessments of an insurer's shareholders or significant owners that hold a qualifying holding. The VAG defines a qualifying holding as a direct or indirect holding in an insurer which represents 10 percent or more of the voting rights or of the capital or any other form that would allow the holder to exercise a significant influence over the management of that insurer. Where the FMA is of the view that a significant owner is unfit, it may prohibit the acquisition. If a qualified holding is already existing and a shareholder becomes unfit, FMA can apply to the court for the suspension of the voting rights of such significant owner. The court shall simultaneously, with such a suspension, also appoint a Trustee to whom the voting rights are transferred. The suspension shall stand until the significant owner is no longer deemed unfit, or the shareholding has been disposed of to another party that the FMA deemed fit and proper.

76. Insurers must inform the FMA of their statutory auditor's firm and responsible audit partner; the FMA may apply to the court for the appointment of a different statutory auditor.". The VAG outlines audit obligations, and mandatory rotation is mainly regulated by the EU Regulation 537/2014/EEC: ten years for firms, seven years for the responsible partner and a gradual rotation mechanism for the most senior personnel, with grandfathering until 2037. Statutory auditors may perform non-audit services, such as tax and valuation work, if not related to audits, without conflicts of interest, and fee caps limit non-audit services to 70 percent of audit fees.

77. Outsourcing arrangements in the Austrian insurance industry have become increasingly common as insurers seek to enhance efficiency, reduce costs and focus on core competencies. All Austrian insurance companies have at least one outsourcing agreement, and over half report outsourcing ITC services, especially sub-outsourcing and partial ITC work to external providers. Almost half of Austrian insurance undertakings have outsourced part of their asset management, with intra-group outsourcing accounting for a majority. The FMA must be notified in advance and is required to review the outsourcing arrangements and approve them if the service provide is not an EEA insurance company The FMA can request the termination of the outsourcing agreement if the legal requirements are not met. The VAG specifies the circumstances under which outsourcing is not allowed and includes where the outsourcing arrangement materially impairs the quality of governance, unduly increases the operational risk, impairs the ability of the FMA to monitor the compliance with outsourcing or if it is a risk to continuous service provision.

78. The FMA applies multiple supervisory tools across its insurance divisions for extensive governance, risk management and internal controls oversight. The supervisory activities include surveys, thematic reviews, on-site inspections (governance focused or where governance is included) as well as off-site analysis (e.g. review of reports or management or technical meetings etc.). For example, the FMA has conducted an industry-wide survey focusing on the interaction between the supervisory board and the statutory auditor (2025) and targeted thematic reviews focusing on the role of the supervisory board in governance structures (2021), Implementation of Fit & Proper Requirements (2022), Conflict of interest (2023) and Interaction of the Management Board with Compliance Function (2025). It was, however, found that the FMA has very limited interaction with the supervisory boards of insurance companies. It was also found that a more structured risk-based and proportionate approach to the assessment of the governance structures within the smaller Solvency II insurers can be developed for those insurers that are seen as low risk.

Recommendations:

It is recommended that the FMA continues the in-depth assessment of control functions including smaller Solvency II insurers that are regarded as low risk and develops a structured risk-based and proportionate approach.

It is recommended that the FMA further enhance supervisory tools for interviews with statutory board members and key persons in control functions.

Solvency Requirements[31]

Valuation for Solvency Purposes (ICP 14)

79. The regulatory framework for the valuation of assets and liabilities set out in the Solvency II framework and applied to close to 99.9 percent (percentage of total assets) of the insurers in the market, is robust and aligned with the principles set out in the ICP standards. A simpler regime applies to 40 very small non-life mutual insurers.

80. Insurers are required to apply different valuation basis for different reporting requirements. Insurers are required to prepare their annual financial statements on the local valuation basis, AGAAP. The common rule of AGAAP is historical cost except for the valuation of financial instruments where it should be the lower of either cost or fair value. Very limited application of discounting and therefore insurance liabilities are valued more conservatively in terms of AGAAP. This remains an important measurement, particularly for dividends to shareholders and policyholders as well as for insolvency, and tax purposes. As Solvency II reporting does not include an income statement, AGAAP reporting supports the FMA's assessment of insurers' earnings. For consolidation purposes, listed insurers are required to prepare their published annual financial statements according to IFRS[32]. There are 2 insurance undertakings that this will apply to. The one IAIG has not participated in the 5-year monitoring period of the IAIS. The FMA considers all the results of the AGAAP, and IFRS valuations for the relevant insurers, but such valuations are not the basis for solvency assessments and supervisory intervention. Therefore, this TN does not specifically

[31] The evaluation was made considering ICPs 14, 15, 16 and 17

[32] The new accounting standard applicable to insurance contracts came into effect on 1 January 2023.

address the accounting frameworks and only focuses on Solvency II. The FMA together with Government, in future, may consider reducing the reporting obligations of insurers and adopt IFRS for all insurers for financial reporting purposes which is more aligned with the Solvency II framework.

81. Solvency II requires assets and liabilities to be valued on a market-consistent basis. Assets are valued at market-consistent fair value—that is, the amount for which they could be exchanged between knowledgeable, willing parties in an arm's-length transaction at the valuation date. Insurance liability valuations must reflect risk-adjusted present values of cash flows, without considering the insurer's credit standing. The Solvency II best estimate liabilities (BEL) are the probability-weighted average of future insurance liability cash flows, discounted by a prescribed risk-free yield curve. EIOPA regularly publishes these yield curves as per regulation. Cash flow projections factors in all payments and expenses, inflation, and discretionary bonuses over the policy's lifetime. An explicit risk margin, calculated using the cost of capital approach, is added to the BEL to determine the technical provisions.

82. For statutory reporting under AGAAP, the FMA requires insurers offering guaranteed interest rates to create an additional interest provision for offering guaranteed interest rates. The additional interest provision also known as "ZZR" is calculated and established in accordance with the FMA's Regulation – Determining a maximum interest rate for the calculation of the technical provisions in life insurance (VU-HZV). This regulation has been in place since 2013 with the minimum requirement increase in 2015 together with shortening of the period for the full build-up of the provision. This provision basically corresponds to the absolute amount of a one-year guarantee. With the sudden changes in the interest rates during 2022, part of the ZZR was released for the first time. In the last three years EUR 245 million have been released and at the end of 2024 the ZZR was EUR 1,2 billion.

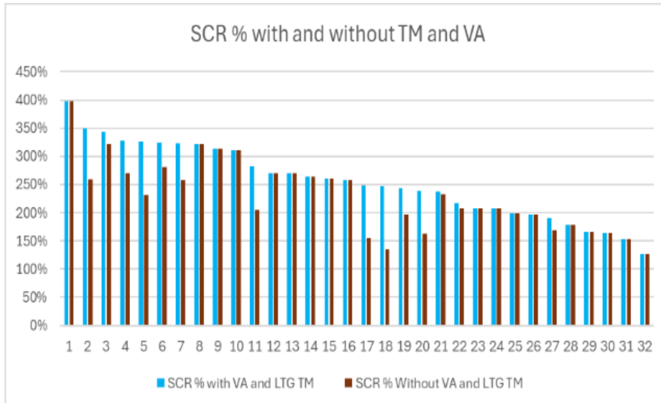
83. In Austria no insurer applies the Matching Adjustment[33]. At the end of 2024 13 insurers (representing 70 percent of the total assets) use the Volatility Adjustment (VA)[34]. FMA is closely monitoring the use of volatility adjustment. The FMA has also approved the use of transitional measures on technical provisions (TP) for 8 insurers. All these insurers would still meet the SCR ratio without using these measures. The FMA in its risk assessment methodology considers the SCR ratio without these measures to determine its risk rating for an insurer. In addition, the FMA also expects insurers, within the ORSA Reports and insurer's risk appetite, to take into consideration the SCR ratio without these measures. The impact of the TP is declining yearly and will be applicable up to 2032.

[33] Matching adjustment (MA) in the yield curves for the valuation of predictable liabilities which are cash-flow matched using fixed income assets.

[34] Volatility adjustment (VA), which aims to avoid pro-cyclical investment behavior of insurers when bond prices deteriorate owing to low liquidity of bond markets or exceptional expansion of credit spreads.

Figure 13. Austria: Adjustments to SCR

Austrian insurers remain well capitalized even without any adjustments



Source: FMA

Investments (ICP 15)

84. The requirements of Solvency II are based on the Prudent Person Principle and do not prescribe quantitative limits on investments. Insurers can only invest in assets and instruments for which the insurer can properly identify, measure, monitor, manage, control, and report the underlying risks. Solvency II further requires that all assets, including those covering the Minimum Capital Requirement (MCR) and the Solvency Capital Requirement (SCR), shall be invested in such a way as to ensure the safety, quality, liquidity, yield and consistency of the portfolio. In addition, the assets should be freely available and without encumbrance. The assets covering the technical provisions are also invested in a manner that is consistent with the nature and duration of the insurer's obligations.

85. The FMA is doing extensive work analyzing and supervising investments and the risks associated with these. Its activities include detailed off-site analysis on individual insurers but also horizontal reviews across the insurance sector. For example, horizontal analysis included a sensitivity analysis at individual asset level (since 2023) as well as a review on Commercial real estate (2023). The work done by the FMA is also published in a comprehensive report on the Austria Insurance Sector[35].

86. The 2020 FSAP at risk-analysis highlighted that house prices growth in Austria was susceptible to macro financial shocks, and that the likelihood of a price correction has increased. Accordingly, the FMA decided to request additional information on real estate to enhance the quality and granularity of the data (Box 2). Regular cross-market analyses are conducted, examining the portfolio from various perspectives, i.e. recent valuation effects due to market corrections. The Insurance Department also actively participates in the FMA Workstream

[35] State of the Austrian Insurance Industry - FMA Österreich

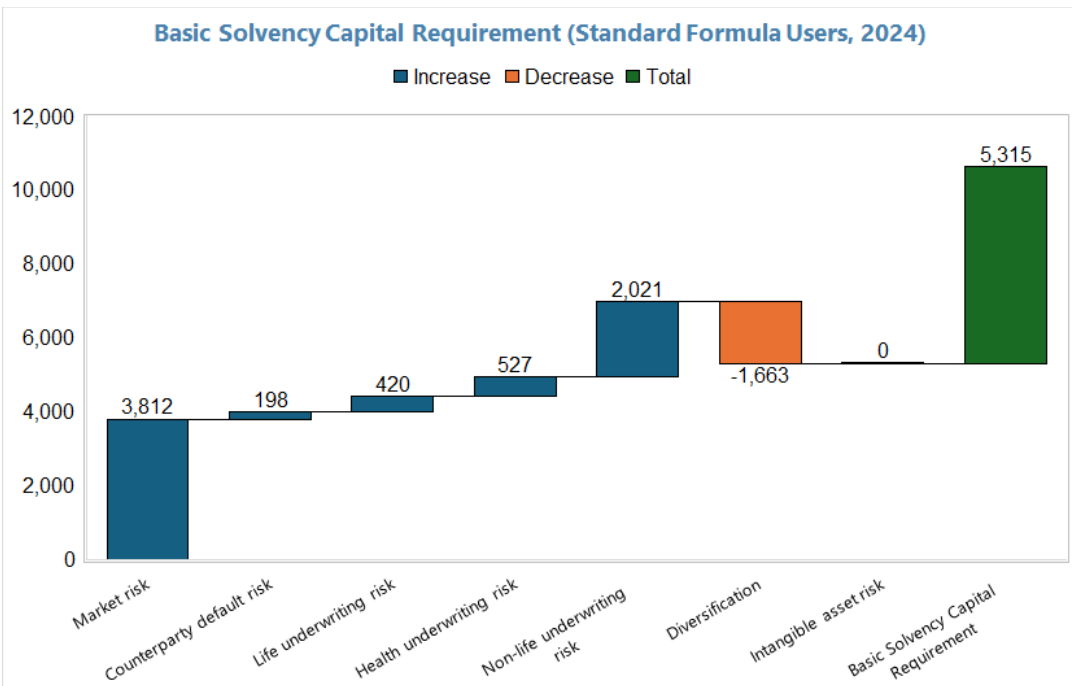
"Real Estate Network" where cross sectoral analysis is performed and shared with the FMA´s board on a regular basis. The outcome of the real estate portfolio analysis is also shared within the supervisory colleges.

Capital Adequacy (ICP 17)

87. The capital requirements of Austrian insurers are calculated in line with Solvency II. The largest component of the capital requirements is market risk (Figure 14). Austrian insurers benefit a lot from diversification in their capital requirements, a reflection of the large number of composite insurers operating in the market.

Figure 14. Austria: Building Blocks of Capital Requirement

Market risk the largest……



Source: FMA and IMF calculation

88. By the end of 2024, four solo insurers (from two insurance groups) used full internal models. Two Austria-based groups with five solo insurers applied approved partial internal models for Solvency Capital Requirements. The four solo insurers using full models, accounting for 17.3% of total insurance assets, are subsidiaries of foreign groups. Groups with partial models represent 53.5% of assets, applying them to non-life and health underwriting risks, market risk, or property risk within the market module. No insurer uses undertaking specific parameters for SCR calculations.

89. The approval process for internal or partial internal models is conducted in accordance with the Solvency Framework as implemented within the VAG. Prior to model application, a pre-application phase is initiated. During this stage both on-site and off-site reviews are performed. Upon completion, the pre-application phase yields an informed assessment from the FMA regarding the model's compliance with legal requirements, specifically its "approvability." The supervisor's opinion is shared with the insurer, and, in practice, only models considered approvable proceed to formal application. An additional requirement stipulated by the VAG pertains to market risk models whereby the FMA must seek an expert opinion from the OeNB and incorporate it into its final decision. In practice, model evaluations for market risk are carried out by the national bank, accompanied by FMA staff during on-site visits.

90. Model changes are validated as part of the model change process and in accordance with Solvency II Framework requirements. The FMA has established procedures for reporting, approving, and documenting both model changes and results. The approval process for major model changes mirrors the initial model approval but focuses only on the modified sections and once approved, the updated model can be utilized. Typically, major changes are submitted annually by model users which allows a six-month period for approval. Between 2022 and 2024 the FMA has considered and approved four model changes for those using full internal models and three model changes have been considered and approved for those using partial internal models.

91. Ongoing supervision of internal models is managed by all four Insurance Department divisions, with the on-site division playing a leading role. Its dedicated team reviews model appropriateness and calculation results, averaging eight on-site assessments focused on model changes or general reviews from 2022 to 2025. Although significant supervision occurs, the FMA does not formally collect extra data to compare SCRs calculated with internal models to those calculated with the standard formula for the same insurers.

Capital Resources

92. Austrian insurers have high-quality capital resources, with 99 percent classified as Tier 1. The reconciliation reserve, primarily comprising the excess of assets over liabilities, is the main component (Figure 15). Expected profits in future premiums (EPIFP)[36] make up about 30 per cent of the total own funds, with 70 per cent from life business and 30 per cent from non-life, mainly due to health insurance activities.

93. The 2020 FSAP recommended that the FMA should conduct stress testing on the segments/business lines in which future profitability is a material contributor of the own funds and impose appropriate level of enforcement actions, such as capital add-on or other measures to address the medium-term uncertainty. This recommendation was implemented and the FMA continues to focus on business lines with material future profitability within its stress-testing framework and follows-up with appropriate actions. In 2024 the FMA conducted a bottom-

[36] Included under Tier 1.

up-stress test which included a sudden increase in interest rates and inflation with simultaneous mass lapses: this stress test comprises a joint solvency and liquidity assessment. The FMA also regularly calculates a simplified top-down solvency stress tests for all solo undertakings. The outcomes of these exercises are also published[37].

[37] Please refer to Stress Tests - Insurance Companies - FMA Österreich as well Report on the State of the Austrian Insurance Industry.

Figure 15. Austria: Capital Resources

High quantity and quality of Tier 1 capital resources…

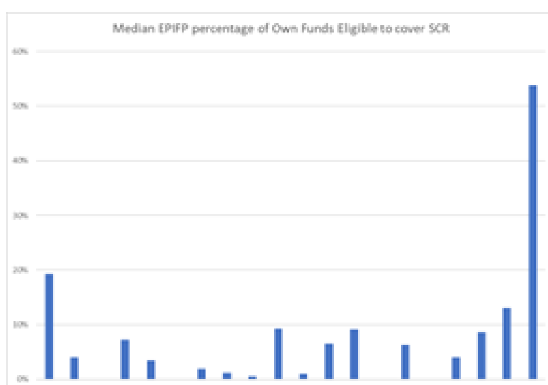
	2021 %	2022 %	2023 %	2024 %
Share capital and capital reserves	12	12	11	11
Surplus funds	2	1	2	2
Preference shares and preference shares capital reserve	0	0	0	0
Reconciliation reserve	74	76	78	79
Subordinated liabilities	10	7	7	7
Deferred tax assets	0	0	0	0
Basic own funds	**99**	**99**	**99**	**99**
Ancillary own funds	1	1	1	1

Expected profit in future premium (EPIFP) steadily increasing as a percentage of own funds….

Years	%
2020	20
2021	20
2022	24
2023	27
2024	29

Source: FMA and IMF Staff calculations

Austrian insurers have one of the larger EPIFP capital resources…….



Source: EIOPA

94. The FMA has in place a comprehensive approval process for the use of ancillary own funds. The types of ancillary own funds that are allows in set out in article 172 of VAG and includes subscribed capital or initial funds not being paid on or called up, letters of credit or guarantees any other legally binding payment obligations of third parties towards an (re)insurance undertaking future obligations of mutuals (only if foreseen by statutes). To date the FMA has approved a capital commitment and guarantees issued by parent companies.

Recommendation:

It is recommended that the FMA introduces a model drift analysis (comparison of standard formula to internal model SCR) and consider implementing a floor to internal model calculations in line with European legislation and consistent with the Basel III reforms in banking.

Enterprise Risk Management (ICP 16)

95. **The enterprise risk management (ERM) activities of insurers and groups, including ORSAs, are subject to extensive regulation and guidance.** The regulation and guidance cover matters like a sound, modern and extensive risk management system. This includes a Risk Appetite Framework, ORSA, containing scenario analysis and stress testing and specifications on liquidity risk.

96. **Most of the ICP standards are addressed through the comprehensive framework that is in place and the FMA effectively applies various of its supervisory tools to the ORSAs**. The FMA already assesses liquidity risks, but implementation of the Solvency II review will enhance liquidity monitoring and supervision through a new requirement for liquidity risk management plans. ICP 16 has extensive ComFrame standards applying to IAIGs. The Solvency II regime is principle-based and does not explicitly address all the standards applying to IAIGs. The shortcomings can easily be addressed through further guidance.

97. **Currently there is no requirement in place for recovery plans from insurers.** The implementation of the IRRD will address this shortcoming. The previous FSAP recommended that the FMA and the BMF enhance crisis management preparedness by including pre-emptive recovery planning for insurers, adequately scoped and based on micro prudential and macroprudential considerations, and with due consideration to the proportionality principle. This recommendation has not been implemented and the implementation of the IRRD will address this.

Recommendation

It is recommended that the BMF reviews the legal requirements relating to risk management for IAIGs to ensure all the ComFrame requirements are met.

Exit from the Market and Resolution (ICP 12)

98. **An insurer may voluntarily exit the market if it does not start underwriting within a year of licensing, ceases new business for over six months, chooses to stop operations, or transfers all portfolios.** No new contracts can be issued, and existing ones must end promptly. The FMA protects policyholders by limiting asset disposal (subject to approval and public notice) and

maintaining oversight until all contracts close, possibly requiring deposits or additional restrictions. The last run-off insurer was in 2014.

99. The FMA has further measures for distressed insurers beyond insolvency, as detailed in article 284 of VAG. These include prohibiting management from operating the insurer, appointing a government commissioner, halting new business, or requesting a portfolio transfer. If insolvency conditions are met but avoiding it benefits some policyholders, the FMA can restrict payments—including insurance benefits—and, for life insurers, temporarily suspend surrender payments or reduce obligations according to available assets.

100. Under Article 1 of the Finanzmarktstabilitätsgesetz (FinStaG), the Government may recapitalize a troubled insurer if its failure threatens financial stability. Available recapitalization tools include assuming liabilities (such as guarantees, sureties, and debt), granting loans or capital, and acquiring shares or convertible bonds through new or existing issuances.

101. Insolvency of an insurer occurs when it is either illiquid (inability to pay debts as they fall due) or it is over-indebted as determined on its financial position under AGAAP. Only the FMA can lodge an application for insolvency. In the case of life insurance all insurance contracts will come to an end with a liquidation order and all other contracts will terminate one month after the liquidation order has been granted. The FMA's supervisory responsibilities end the case of liquidation as the liquidation is governed by the Austrian Insolvency Code (IO). The appointed insolvency administrator and the Insolvency court are responsible for the proper functioning of the insolvency proceeding.

102. In Austria, the insurance sector is distinguished by the Deckungsstocksystem (article 300 of VAG), a safety mechanism for life, health, and accident insurance (similar to life insurance business). Insurers must maintain a separate "Deckungsstock" fund, prioritizing claim settlements in bankruptcy or insolvency. Austria does not currently have an insurance guarantee scheme.

103. Assets in the "Deckungsstock" must cover technical provisions and be recorded in a dedicated register ("Deckungsstockverzeichnis"). The appointed actuary ensures these provisions are adequate. A trustee (Treuhänder), currently always from the FMA, monitors the register and reports quarterly and annually to the FMA, alerting them immediately of any compliance concerns (per article 305(1) of VAG). Asset disposals require the trustee's written approval. The FMA oversees the "Deckungsstock" via inspections and report analyses.

104. Policyholders receive preferential treatment during liquidation. According to Article 314 of VAG, claims are ranked as follows: Deckungsstock-covered policyholders are settled first, followed by outstanding claims from insured events, and then other insurance contract claims take precedence over other creditors.

105. **Austria's last insurer insolvency happened in 1936.** In 2023, the FMA conducted a mock exercise to prepare for future cases, developing and revising a supervisory handbook that outlines steps for monitoring insurers' financial health and requirements for filing liquidation applications.

106. **The current requirements do not cover resolution planning, and not all the resolution tools are in place.** The 2020 FSAP recommended that the BMF develop a resolution regime in line with international standards, introducing the overarching principle that losses must be borne first by shareholders and other creditors before they affect policyholders' claims in the context of a formal recovery and resolution framework proposal. This recommendation has not been implemented, but this will be addressed via the implementation of the IRRD.

Recommendation:

It is recommended that the FMA conducts an external independent assessment on the appointment of FMA staff as "Deckungsstock" Trustees considering the legal obligations, the supervisory responsibilities and the internal FMA policies and guidance to conclude if there are any real or perceived conflict of interest.

Group Supervision and Supervisory Cooperation and Coordination[38]

107. **Insurance groups in Austria have been scoped and are annually reviewed.** No entities have been excluded from the scope of the group, and no entity has been included in the scope of an insurance group due to it been regarded as having significant influence or there is financial and operational dependence. Three insurers that are part of a group of companies in Austria have not been scoped as insurance groups as it was determined that applying group supervision would not add any additional insight. The Austrian IAIG was notified of its designation as an insurance group together with confirmation that the group fulfilled the criteria. The notification also highlighted the consequences of designation, in particular, the contribution to IAIS work like the Global Monitoring Exercise and the ICS monitoring period. The IAIG designation is also assessed on an annual basis.

108. **As the group-wide supervisor, the FMA has established international supervisory colleges for five Austrian insurance groups, including its IAIG.** It holds annual meetings and shares risk assessments regularly. The FMA faces challenges such as limited resources, absence of a secure IT tool for information exchange, and balancing participation among supervisors from various markets. In 2024, it held a "General Supervisory College Meeting" to discuss future organization and challenges. A survey carried out as part of the Meeting showed that supervisors prioritize presentations by the group-wide supervisor, insurance group management, and information exchange about local subsidiaries.

[38] The analysis in this subsection has been made with reference to ICPs 23 Group supervision and ICP 25 Supervisory Co-operation and Co-ordination.

109. As a host supervisor, the FMA participates in seven supervisory colleges, supplies information to the group-wide supervisor, and attends at least one annual meeting. Key challenges are differing supervisory priorities, uncoordinated planning cycles that hinder collaboration, and extra workload due to limited consideration of the host's priorities.

110. As the group-wide supervisor, the FMA arranges supervisory colleges to get a collective understanding of an insurance group's operations. College activities are organized through coordination arrangements that ensure effective information sharing. No crisis management group has been established for its IAIG. The FMA feels that the coordination arrangements are adequate. The FMA conducts mapping exercises with the group and other supervisors to clarify group structure and activities, considering cross-sectoral issues when relevant. A standard agenda guides college meetings, and follow-up actions are tracked in a workplan. The Group Risk Report combines assessments from the FMA and the other involved supervisors. Joint on-site visits are held for entities using the group's internal model. The main joint activity is the FMA's coordinated analytical priorities (CAPs) focused on selected topics over three years, using questionnaires and discussions to analyze issues such as key functions, internal audit, ORSA, and upcoming compliance and risk management.

111. Austria has two identified financial conglomerates[39]: one insurance-led and one banking-led. Two other EU conglomerates also have insurance subsidiaries operating in Austria. The FMA's insurance supervision department oversees financial conglomerates (unless the bank is supervised by the ECB via Single Supervisory Mechanism). The FMA requires quarterly reporting on own funds, capital requirements, intra-group transactions, and risk concentrations and as of 2024, annual European-wide harmonized reporting is included in Regulation (EU) 2022/2454. Sectoral supervisors meet quarterly with banking, asset management, and sometimes resolution departments to review each conglomerate's risk profile and governance to be able to assign a risk rating and to determine the supervisory intensity annually.

112. FMA have 24 insurers operating in other EEA countries through branches. The FMA does detailed analysis of the Austrian insurers, and these insurers are required to report data like gross written premiums, claims incurred, acquisition expenses and commissions related to business underwritten via branches or free provision of services (per country) on an annual basis. There is limited engagement with the supervisors in the countries where the branches are authorized to conduct business.

113. The 2020 FSAP recommended that the FMA enhance the additional information sharing with the host supervisors, as part of the annual supervisory cycle, where Austrian insurers have significant local market share, regardless of the materiality at the group level. This recommendation has been fully implemented.

[39] List of EU financial conglomerates can be found here: JC 2024 103 List of Financial Conglmerates 2024 (1).pdf

Recommendation:

It is recommended that the FMA establish an approach to engage and exchange information with other supervisors of Austrian insurance companies operating in foreign jurisdictions as a branch, taking into consideration the materiality of those branches as well as the lines of businesses conducted.

Supervision[40]

Micro Prudential Supervision

114. The FMA follows a very comprehensive and exemplary risk-based supervisory approach with almost all the FMA's supervisory functions performed in-house. As mentioned above, only one task is outsourced to the OeNB as required by law: The expert assessment of the market risk modul (including the submoduls) being part of the initial approval process and major model change process for insurers using internal or partial internal models for solvency purposes (see paragraph xx read with article 182(5) of VAG), and inspections (article 274(2) of VAG).

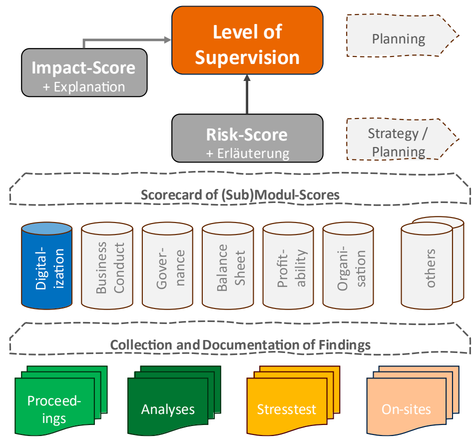
115. Two major projects namely "Analytical Framework 2026" and "Supervisory Map" were initiated to update the FMA's Financial and Risk Assessment Process". A rise in volatility, crises, and new regulations led to a comprehensive review of the existing approach as well as increasing pressure on the Single Point of Contact (SPOC) role and on analysis and data preparation. These projects have progressed well, and a pilot test was done in 2025 with full rollout during 2026/2027. The focus of these two projects was to establish a comprehensive risk assessment framework (CRAF) supported by the functional approach (distributing activities and inputs across the four insurance divisions) and the use of a comprehensive set of supervisory tools.

116. The CRAF integrates distributed supervisory activities within the FMA through modules and sub-modules. Each module has an assigned division responsible for defining scope, covering regulatory requirements, supervisory tools, assessment methods, workflows, and documentation. A risk assessment of each module and sub-module produces an overall insurer risk rating, which informs the planning and intensity of supervision. The CRAF uses a three-layer approach: (i) Activities layer —summarizes supervisory actions like on-site visits, off-site analysis, and thematic reviews; (ii) Supervisory module layer —shows insurer risk profile per module/sub-module, categorized as not assessed/low/medium/high risk with annual assessments; (iii) Overall risk and impact scoring layer—provides an overall risk rating and supervisory intensity (scored 1–4: low to very high). The SPOC holds primary responsibility for entity-wide scoring, given their broad oversight of the risk profiles associated with supervised groups or individual undertakings.

[40] The analysis in subsection D has been made with reference to ICPs 9 Supervisory Review and Reporting and 24 Macroprudential Supervision. The focus is only prudential.

Figure 16. Austria: Risk-based Supervision

The FMA's comprehensive risk-based supervision model.....



The FMA has a wide variety of supervisory tools....

Source: FMA

117. At the group or IAIG level, in addition to regulatory reporting requirements the FMA has developed Information Exchange Templates (IET) to be completed by the involved supervisors. The involved supervisors are required to submit indicators, outcomes of assessments on the most material aspects of the insurance subsidiaries they supervise as well as details of their local supervisory activities. This information is then used as an input to derive at a consolidated risk and impact score, which ultimately defines the entity's risk score and corresponding supervisory intensity step. All data are aggregated within the Group Risk Report (GRR).

Off-site Supervision

118. All the FMA's activities are supported by modernized workflows, a centralized validated database and early-stage AI tools. Comprehensive reporting requirements are in place and include - the SFCR, Regular Supervisory Report (RSR), ORSA, annual and quarterly quantitative templates (Solvency II and national reporting) as well as insurers published annual financial statements.

119. To support its off-site supervision the FMA has established data architecture. This data architecture consists of three layers, namely (i) a bronze layer (oracle database), (ii) a silver-layer (Cube-Solution) and (iii) a gold layer solution ("Faktenlayer") which combines Key Performance Indicators' calculation, meta data management and evaluation of KPI´s. FMA uses mostly excel as an interface for dynamic connection to the cube or the database but also has expertise on Power BI/Phython/R built dashboards or interfaces. FMA continuously evolves its analytical tools focusing on descriptive statistics, trends and peer group analysis like the cross sectoral analysis published in the Annual report on the State of the Austrian Insurance Industry, analysis of additional reporting by insurers on topics like inflation, real estate risk and the development of the sensitivity tool. The analysis landscape is centrally available.

120. Increased automation or partial automation of analytical processes remains the priority. All reports and other incoming data are routed over an incoming platform which has an automated interface with the internal electronic filing system and is immediately available to the SPOC. The FMA has automatized validation checks, introduced a flagging process for compliance-relevant Key Performance Indicators (KPIs) and an initial evaluation of KPIs. The Insurance Division has a dedicated data team which is available to deal with queries in the data CUBE. In addition to the standard analytical packages, the FMA continues to enlarge its analytical tools and has for example developed a sensitivity tool ("VUSA"- Tool). In addition to the VUSA tool a separate tool enabling a top-down item by item sensitivity analysis for bonds (using cash flow modelling) and convexity has been developed. The VUSA tool is also used for top-down item by item stress testing for bonds, equities and properties. The FMA has also developed a tool to show graphically an overview of intragroup transactions. These are only a few examples and the FMA demonstrated many more of its analytical capabilities, some of which are still work in progress. The FMA also uses external sources of data to complement its internal analyses and has access to platforms such as Refinitiv and Bloomberg.

121. The outcome of its off-site analysis is used as an input into its risk assessment model, engagements with the insurers, supervisory planning, among other, and it is also published. The FMA for several years have been publishing the Annual Austrian Insurance Statistics (2004), insurance quarterly report (2014), Annual Report on the State of the Austrian Insurance Industry (since 2015) and Annual Analysis on the foreign insurance business of Austrian insurance groups - FIB Report since 2016).

On-site Inspections/Visits

122. A baseline for on-site visits is defined. Each Solvency II insurer must be visited at least every five years except if an insurer has a high-risk score (i.e. 3 or above), then it must be visited at least every three years. For the two largest insurance groups there is a requirement that at least one of the Austrian companies of the group must be examined yearly. The baseline further requires that for the two financial conglomerates an on-site visit must be conducted every 5 years.

123. An annual on-site plan is developed at the end of October or the beginning of November of each year and approved by the FMA's Management Board during December. This plan is derived from considering the baseline, the key priority topics for the upcoming year, staff suggestions and the risk scoring of insurers. If an ad-hoc on-site becomes necessary, the plan is updated. In general, on-sites are focused, and the areas of focus are determined during the planning period and communicated to the insurers.

124. An on-site typically lasts about two months. Two to three weeks are spent at the insurer, with the remainder allocated to preparation and reporting. Internal model on-sites use a different method, allowing multiple visits per year. The FMA completed 28 on-site visits in the past 12 months and 93 from 2020 to 2024, fully meeting planned targets. Every two years, the FMA conducts in-depth reviews of all insurers, including management meetings and covering topics like ESG and digital risk. In the past year, 33 such reviews were held, involving 113 management meetings.

125. On-site inspection findings are shared with insurers in two stages. First, key results are presented at a management board meeting about 4–6 weeks after the inspection. Then, roughly 8 weeks post-inspection, the FMA sends a written report for insurer comments, typically allowing four weeks for responses, including any remedial actions.

Recommendations:

- **It is recommended that the FMA publishes an overview of the new risk-based supervisory framework including the supervisory tools applied.**
- **Implement a quality assurance process to systematically review risk ratings for consistency, analytical rigor and alignment with risk profiles.**

Macroprudential Supervision

126. The FMSB plays a central role in macroprudential supervision, and the insurance sector is also included in its oversight. One of the responsibilities of FMSB is to issue recommendations for further actions and risk warnings.

127. Within the FMA, macroprudential insurance supervision is structured across multiple divisions. In the Insurance Department, one division is responsible for conducting both top-down and bottom-up stress tests, including sensitivity analyses and quantitative impact studies related to changes in regulatory requirements. This division has also developed an investment behavior tool. Another division, which focuses on the micro prudential supervision of large insurance groups, undertakes host market analyses and monitors macroprudential issues at the individual insurer level, such as intragroup transactions and real estate exposures. Additionally, a dedicated team within the FMA addresses data management, innovation, and financial stability initiatives across all financial sectors under its supervision.

128. Macroprudential information within the FMA is distributed through its in-house extranet. The Central Information and Monitoring Tool allows staff access to updated macroeconomic and financial market data, including a macro database of time series, market updates, and an interactive dashboard on supervised entities and economic topics. The upcoming Solvency II review will further strengthen insurance macroprudential supervision with new toolkit features.

129. Macroprudential information consists of both quantitative and qualitative data at the solo and insurance group levels. Quantitative data comes from supervisory reports and, for insurance groups, includes sector and macroeconomic information from key countries. This data is analysed using stress tests, sensitivity analyses, investment behaviour monitoring tools, and risk maps. Qualitative information includes cyber security maturity, cloud, and blackout assessments (2023), a survey on financial reinsurance in the Austrian insurance market, and reviews of supreme court decisions.

130. The FMA's macroprudential analyses address outward risks, such as those from the interconnectedness of Austrian insurers, who generally hold more corporate than government bonds. High portfolio similarity can lead to simultaneous sales during shocks. The FMA assessed factors like concentration in specific issuers or asset classes and found: (i) business models drive portfolio similarity; (ii) larger common holdings increase the likelihood of joint sales, though diversification strategies help mitigate this; (iii) only about 25 percent of overlapping portfolios result in common sales per quarter; and (iv) overall, herding risk remains low.

131. The FMA publishes valuable macroprudential information and reports on the insurance sector, with links referenced in this TN. Reporting to the FMSB is done quarterly, covering KPIs like key ratios, premium growth, profitability, solvency, and asset allocation, along with an annual contribution. Ad-hoc updates are given after thematic events, such as Storm Boris (2024) and the Ukraine/Russian War (2022).

Recommendation:

It is recommended that the regular insurance sector reporting be expanded to include analysis of broad trends that could have short- or long-term implications for the functioning of the insurance market and related financial sectors and to assess channels of contagion to the wider financial sector and the economy.

Annex I. Progress on 2020 FSAP Recommendations

Table 1. Austria: Recommendations on Insurance Regulation and Supervision				
Recommendations and responsible authority	**Timing**	**Priority**	**Authority response**	**Status**
Improve targeting of entity specific communication from senior levels to the insurance firms on strategic as well as implementation concerns, with a clear timeframe and commitments for the resolution of identified issues (FMA).	C	H	New process introduced	Implemented
Continue to focus stress tests on entities with identified vulnerabilities (FMA)	ST	H	Stress testing is continued	Implemented
Conduct stress testing on the segments/business lines in which future profitability is a material contributor of the own funds and impose appropriate level of enforcement actions, such as capital add-on or other measures to address the medium-term uncertainty. (FMA)	ST	H	Stress testing is continued	Implemented
Enhance additional information sharing with the host supervisors, as part of the annual supervisory cycle, in particular where Austrian insurers have significant local market share, regardless of the materiality at the group level. (FMA)	ST	H	Process has been adapted.	Implemented
Initiate studies of conduct risks of insurance brokers and agents. (Government)	MT	M	Starting in 2021, a joint comprehensive survey was conducted by trade authorities (responsibility of the Ministry of Economy, Energy, and Tourism) and the FMA to verify compliance with key information requirements in the area of insurance mediation. Various studies were also conducted at EU level as part of the "Retail Investment Strategy" initiative.	Implemented
Enhance cooperation with current supervisory bodies of insurance brokers and agents at the district level to improve the analysis and oversight of market conduct based on the present legal framework. (FMA)	ST	H	Process has been implemented	Implemented

Table 1. Austria: Recommendations on Insurance Regulation and Supervision (Concluded)				
Enhance crisis management preparedness by including pre-emptive recovery planning for insurers, adequately scoped and based on micro prudential and macroprudential considerations, and with due consideration to the proportionality principle.	ST	M	The Insurance Recovery & Resolution Directive (IRRD, Directive (EU) 2025/1) establishes a framework for the recovery and resolution of insurance and reinsurance undertakings. Pre-emptive recovery planning is an essential part of the directive. The IRRD entered into force in January 2025 and is applicable from 30. January 2027. The transposition of the directive into national law is currently ongoing.	Not yet implemented
Develop a resolution regime in line with international standards, introducing the overarching principle that losses must be borne first by shareholders and other creditors before they affect policyholders' claims in the context of a formal recovery and resolution framework proposal. (BMF)	MT	H	The IRRD establishes a resolution regime. According to the directive resolution authorities have to take all appropriate measures to ensure that the resolution action is taken in accordance with certain principles laid down in the directive. The IRRD entered into force in January 2025 and is applicable from 30. January 2027. The transposition of the directive into national law is currently ongoing.	Not yet implemented
Review the adequacy of skillset, expertise, and level of human resources for the continuous improvement of the Solvency II regime, market conduct supervision, and its enhancement with a recovery and resolution framework. (FMA)	MT	M	Skillset /expertise to ensure a certain knowledge level, the department rolled out an extensive curriculum – combined e-learning and in-person programme, further initiatives in this area Level of human resources quite stable over the last 10 years in Insurance Supervision.	Implemented
Timing: C= Continuous; I = Immediate (within one year); NT = Near Term (1-3 years); MT = Medium Term (3-5 years). Priority: H = High; M = Medium; L = Low.				