AUSTRIA

Prepared by Wiener Städtische Versicherung AG.

I SUMMARY

Social Security

Eligibility	All persons earning more than EUR 357.74 per month (EUR 4,292.88per annum – 2009)
Retirement Age	65M/60F Progressive increase of age limit for women after 2024 until the same retirement age for men and women has been reached. Age 62 for step-by-step retirement pension *(Korridorpension)*. Transition periods for early retirement.
Contributions	Old Age, Survivors' and Disability Pensions: Employer's contribution 12.55% of assessment basis (max. EUR 56,280 per annum – 2009) Employee's contribution 10.25% of assessment basis (max. EUR 56,280 per annum –2009)
Retirement Benefits	Old Age Pension: 1.78% of assessment basis per insurance year Assessment Basis: Average salary of the best 21 calendar years of working career. The maximum assessment basis amounts to EUR 4,020 per month. The number of years will be increased annually up to 40 years in 2028.
Disability Benefits	Full benefit is paid if there is a loss of more than 50% of earning capacity. Benefit is the higher of either projected old age pension (max. 60% of assessment basis) or assessed old age pension. Full benefit is paid whatever the degree (over 50%). Partial disability is not recognised.
Spouse's pension	Spouse's Pension: Between 0% and 60% of disability pension or old age pension. If there was equal income, spouse's pension amounts to 40%. Orphan's Pension: 40% (semi-orphan) or 60% (full orphan) of an assumed spouse's pension; payable till age 18 (27 if student).
Medical Benefits	Nearly all employees, spouse and children are covered.

Private Benefit Plans

Eligibility	Between the age of 20 and 60.
Retirement Age	65M/F
Contributions	Normally non-contributory, however, many subsidiaries of multinational companies do require employee contributions.
Retirement Benefits	Old Age Pension: Defined benefit: 0.2% - 0.5% up to social security ceiling plus 1.5% - 2% over ceiling times service. Defined contribution: Contribution equal to 1% - 10% of base salary.
Disability Benefits	Disability Pension: Up to 80% annual base salary, including social security.
Death Benefits	Spouse's Pension: 50% - 60% projected or actual old age pension or disability pension, sometimes same percentage of annual base salary. Orphan's Pension: 10% (semi-orphan), 20% (full orphan) of projected or actual old age pension or disability pension. Sometimes same percentage of annual base salary. Lump Sum Death Benefit: Between 1 - 3 times annual base salary.
Medical Benefits	Frequently provided, despite social security medical cover.
Vesting	Rules depend on funding vehicle.

Taxation

Employer Contributions	Social security: Deductible. Benefit plan: Deductible, but tax rules are highly complex.
Employee Contributions	Social security: Deductible. Benefit plan: Partly deductible, but tax rules are highly complex.
Benefits	Depends on funding vehicle, i.e. a) Book reserves b) Re-insurance c) Direct insurance d) Pension fund

II INTRODUCTION

Country Statistics

Population/ growth rate *	8.3 million 0.4% (2009 est.)	
Age structure * 0 - 14 years 15 - 59 years 60 years and over	 15.2% (2008) 62.2% (2008) 22.6% (2008)	
GDP purchasing power parity** Real growth rate** Agriculture Industry** Services	EUR 266,3 billion (2008) -3.4% (2009 est.) 1.7% 32.3% 65.8% (2009 est.)	
Unemployment rate**	5.3% (2009 est.)	
Inflation rate**	0.5% (2009 est.)	
Annual gross salary*** Labourer Professionals Management Legal minimum wage	in EUR General: 25,100 Junior: 44,001 Lower: 77,134 Varies according to the branch of industry and to different collective agreements.	 Skilled: 33,233 Senior: 58,258 Upper: 102,127
Exchange rate on February 28, 2010 Currency: Euro	1 EUR = 1.3579 USD	

* Source: Statistik Austria, www.statistikaustria.at

** Source: Wifo, www.wifo.at

*** Source: Mercer's International Geographic Salary Differentials, Edition 2008

Legislation and Insurance Market Update in Brief

Harmonisation of the systems ("Durchlässigkeit der Systeme") is expected to be implemented in 2010/2011. This means that changing between the two systems of pension funds (*Pensionskasse*) and corporate group insurance (*Betriebliche Kollektivversicherung*) is facilitated.

III SOCIAL SECURITY

Background Information

Social security benefits are governed by the National Insurance Acts (ASVG, GSVG, BSVG, FSVG) and the *Allgemeines Pensionsgesetz* (APG). This law governs the social security benefit provisions for salaried employees as well as for wage earners. These groups traditionally had separate pension schemes, but recent modifications have removed nearly all social inequalities between them. With the introduction of the APG both schemes have become identical and the inequality regarding retirement age has been removed. Some special groups of employees (e.g. the civil servants) have other compulsory pension systems.

Protective Provisions

Employees of a certain age group (regulated by law) and who meet the condition of a certain number of contribution months are not affected by the increase of pensionable age and by the decrease of the percentage for each insurance year.

Eligibility

All gainfully employed persons are compulsorily covered by social security except those with earnings below EUR 347.74 per month. Insurance cover starts with the commencement of employment and normally ends with termination. It is possible to continue social insurance on a voluntary basis under the same conditions.

Contributions

The enormous cost of social security benefits (pensions) are financed by contributions from employers, employees and by state supplements. Each of these three sources contributes about a third of the total amount.

Total earnings are taken into account for the assessment of contributions, limited to EUR 56,280 per annum.

Old Age, Survivors' and Disability Pension

Employee contributions: 10.25% of the assessment basis (definition see next page).
Employer contributions: 12.55% of the assessment basis.

The contribution rate for voluntary social insurance: 22.8% of the former assessment basis.

Sickness and Maternity (health insurance included)

The total contribution rate increased to 7.65% of the assessment basis with a monthly ceiling of EUR 4,020. For salaried employees the employer contributes 3.83 % and employee 3.82%. Wage earners contribute 3.95% and their employers 3.7%.

Retirement Benefits

Retirement Age

Normal retirement:	65M/60F (between 2024 and 2033 the age limit for women will progressively increase until the same retirement age as for men is reached)
Early retirement:	62 plus 9 months M/ 57 plus 9 months F

Due to changes in social security in 2003 the pensionable age for early retirement is being gradually increased to 65 for men and to 60 for women. Early retirement will be eliminated by 2017.

Qualifying Conditions

Not less than 180 months of contribution, or 300 months of insurance cover, or 180 months of insurance cover in the last 360 months.

Benefits

The amount of the old age pension depends on the assessment basis and on the insured period. The assessment basis for 2009 is the average salary of the best 252 months (21 calendar years) over the entire working career. The number of years taken into consideration will be increased annually, reaching 40 calendar years in 2028. All annual salaries within the assessment period except the last 2 salaries are revalued according to the increase in social security benefits. The first 36 months after the birth of a child are taken into account and are added to the regular income.

Until 2003 old age pension was equal to 2% of the assessment basis for each insurance year. Between 2004 and 2009 the percentage for each insurance year decreased from 2% to 1.78%. In 2005 the rate was 1.92%, in 2007 1.84%, in 2008 1.80 % and in 2009 it finally reached 1.78 %.

In 2009 the maximum assessment basis will only be reached after 45 years of contributions (instead of 40).

In case of early retirement, the pension will be reduced by 4.2% for every year taken prior to statutory retirement age. The reduction is still limited to 15%. For every working year past statutory retirement age the pension will increase by 4.2%.

The pensioner gets a child benefit of EUR 29.07 per child per month.

If the pension falls below a certain limit (for a single pensioner EUR 772.4/month in 2009) the pensioner receives a further grant equal to the difference.

Disability Benefits

Qualifying Conditions

- Disability to work must be likely to last at least six months (the definition of disability varies according to skilled, semi-skilled or unskilled status).
- 60 months of insurance contribution must have been paid within the last 120 calendar months if the insured event occurs before age 50; if it occurs between age 50 and 60, an additional month of insurance contribution per month of age is required, till a maximum of 180 months is reached (e.g. at age 52, 60+24 = 84 months are required). The basic time of 120 calendar months is increased by 2 calendar months per month of age, till a maximum of 360 calendar months is reached.
- The conditions for an old age pension must not have been fulfilled.
- When disability is caused by an accident at work, there is no waiting period.
- As a rule the assessment basis is the sum earned during the last year of employment before the disability occurred, limited to the maximum contribution basis (EUR 56,208 in 2009).

Benefits

- Disability pension: In the event of disability before age 60, the disability pension is equal to the old age pension projected to age 60 with a maximum of 60% of the assessment basis or equal to the assessed old age pension, whichever is higher. In the event of disability after age 60, the disability pension is equal to the old age pension accrued at the time of disability.
- According to legal regulations, disability exists if the working capacity decreases by more than 50% in comparison with that of a healthy insured person with equal knowledge and capabilities. If these conditions are fulfilled, 100% of the disability pension will be paid whatever the actual degree of disability. Social Security does not recognise partial disability.

Death Benefits

Qualifying Conditions

The deceased must have met the requirements for contribution of a disability pension (i.e. 60 contribution months must have been paid within the last 120 calendar months if the death occurs before age 50; if it occurs between age 50 and 60, an additional contribution month per month of age is required, till a maximum of 180 months is reached – e.g. at age 52, 60+24 = 84 months are required), or must have been a pensioner at the time of death.

Benefits

- Spouse's Pension: The amount of the spouse's pension is between 0% and 60% of the disability pension or the old age pension of the deceased. The percentage depends on the earnings of the spouse and of the deceased in the last two years before the death.
- Orphan's Pension: An orphan's pension is provided for each child under age 18 (or age 27 if still studying or an adequate period if education is delayed by military service or illness). The orphan's pension amounts to 40% (semi-orphan) or 60% (full orphan) of a spouse's assumed pension.
- A death grant of 15% of the pension assessment basis is payable if the death of the insured is due to an occupational accident or is work-related.

Sickness Benefits

Qualifying Conditions

For basic sickness benefits, the employee must currently be in covered employment.

Benefits

In the event of illness a benefit of 50% (from the 4th day until the 42nd day of illness) or 60% (as of the 43rd day of illness) of the assessment basis is paid. Payment is provided for a period of 52 weeks; however this period can be extended to 78 weeks (to be stipulated by the statutes).

Medical/Health Benefits

Qualifying Conditions

Almost all employees are covered by the Social Health Insurance. The dependants of the insured employee, such as the spouse and children, are insured without paying separate contributions. To cover spouses, employees must pay 3.4% of the assessment basis. Spouses raising children (or who have raised children) are also covered without having to pay contributions.

Benefits

For medical treatment in hospitals including operations, the employee must pay a daily fee of EUR 10.72. For doctor consultations, medication and dental treatment the employee has to pay a contribution of EUR 10 each year (e-card-fee). In the event of dental replacements subsidies are provided.

Work Injury Benefits

Under social security there is a generous cover for accidents which occur at work. The maximum annuity is EUR 2,613 per month. Work Injury Benefits are also for persons who are earning less than EUR 357.74 per month.

Unemployment Benefits

Benefits of up to 80% (if family allowance is awarded, without family allowance only 60%) of monthly salary are available during a period of 20 weeks of unemployment; can be increased to a maximum of 52 weeks (depending on age and length of employment).

Other Benefits

Minimum Pension

If a pension benefit is below EUR 772.40 (singles) or EUR 1,158.08 (couples), a compensation allowance is paid in order to guarantee a minimum standard of living. This compensation is reduced immediately if the beneficiary receives income from another source.

Old Age Part-Time Work

When employees have reached age 58 M/53 F (this age is being increased annually until 2013, when it will be 60/55) they can reduce their working hours to 40% - 60% of the previous amount. The employer still pays a wage adequate to 50% of the attributable income. The social security taxes and the severance pay are still calculated on the basis of the previous salary. These expenses are partly repaid to the employer by the unemployment agency for a maximum period of old age part-time work of 5 years.

If employees have not reached their legal pension age for early retirement after this period - due to the increase of the pensionable age that became effective in 2004 - they are paid a special unemployment benefit.

To receive the maximum support from the unemployment agency the employer has to hire a new employee during the whole period of old age part-time work, this requirement does not apply to old-age part-time work arranged after August 31, 2009.

Taxation

Both employer and employee contributions to social insurance are tax deductible. They are not considered taxable income to the employee.

Since January 1, 2003, the employees have been able to pay their contributions to an insurance, a pension unit trust or a pension fund.

Contributions in 2008 amounting to 9.5% of the paid premium up to a maximum of EUR 2,164 per annum will be repaid in the income tax return (WSTV: *Prämienpension*).

Other Information

Indexation

All social security benefits are adjusted at the beginning of each calendar year. The revaluation rate depends on the average net increase in the total income of all persons compulsorily insured under social security.

Reciprocal Social Security Agreements

Australia, Belgium, Bosnia and Herzegovina, Bulgaria, Canada/Quebec, Chile, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Iceland, Israel, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Macedonia, Malta, Montenegro, the Netherlands, Norway, the Philippines, Poland, Portugal, Rumania, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Tunisia, Turkey, the United Kingdom and the United States of America. Also CERN, IAEA, OPEC, UN-High Commissioner for Refugees, UNIDO and the UN.

IV PRIVATE BENEFIT PLANS

Background Information

Increasing public discussion in the private benefit field has lead to a major rise in employee benefit plans. There is no legal obligation for any plan, but there exist different tax advantages for employee and private benefit plans.

In the former state owned industry and the financial sector defined benefit plans still exist with rather high benefit levels. These plans have been mainly financed via internal book reserves. In recent years there has been a strong move to externally funded defined contribution plans. The most tax effective vehicle for external funded plans are pension funds.

Especially new companies of the new economy face a request to provide their employees with an extensive benefits package, including more than just a base salary. They use both insurance companies and pension funds for their new defined contribution plans.

Since social security has problems financing the current level of benefits to future retirees, there is an increasing sensitivity to these issues among the population. As a result the life insurance industry is growing significantly.

Eligibility

Age limit: 20 - 60

Waiting period: in principle 5 years (depending on the kind of benefit this can be extended up to 10 years).
Waiting period for risk benefits (death, disability): usually none

Contributions

Employee Contributions

Employees can pay contributions themselves. According to the Austrian pension fund law, the employee's contribution should not exceed that of the employer.

Retirement Benefits

Retirement Age

Normal retirement:	65M/F
Early retirement:	5 - 10 years prior to normal retirement age

In recent years, there has been a significant trend towards early retirement. Nevertheless, many plans provide pension payment only at normal retirement age. If the employee retires early, the old age pension is reduced.

Benefits

- Old Age Pension: As social security provides old age pensions at a rather high level for employees earning less than the social security ceiling, many of the existing employee pension plans grant these benefits only for higher paid executives, or generally for all employees with salaries above the social security ceiling. Some old defined benefit plans provide a small annual credit of 0.2% to 0.5% of annual base salary below the social security ceiling and 1% - 2% of annual base salary above the ceiling per year of service. Defined contribution plans funded externally via a pension fund normally grant 1% - 10% of annual base salary for old age pension.
- Retirement Lump Sum Payment: Since January 1, 2001 lump sum payments are taxed as ordinary income unless the payment does not exceed the amount of EUR 10,500. In this case only 50% of the normal tax rate has to be paid. As a consequence, retirement lump sums are not popular any more.

Vesting

Legal vesting regulations were set up in the Company Pension Law. These regulations ensure that employees who leave the company before retirement age have vested rights for old age and survivors' benefits. In the case of book reserves there are certain provisions (no dismissal, more than 5 years of participation in the benefit plan, termination of employment by the employer). In the case of pension funds a waiting period for vesting can be determined within the contract. The waiting period is limited to 5 years. For direct insurance, vesting applies in every case. The former employee may claim either the accrued capital immediately or a deferred pension at normal retirement date. Vesting is always offered for the portion of insurance financed by the employee contributions.

Death Benefits

Benefits

- Spouse's Pension: If a spouse's pension is provided, it normally amounts to 50% or 60% of the projected old age pension, disability pension or annual base salary.
- Orphan's Pension: Orphan's pension normally amounts to 10% (20% for full orphans) of the projected old age pension or annual base salary. These benefits are paid until age 19 or age 27 if the child is still receiving educational or professional training. Survivors' pensions are subject to a maximum of 100% of the projected old age pension.
- Lump Sum Death Benefits: If provided at all, it ranges from 1 to 3 times annual base salary.

Sickness Benefits

It is not common practice for companies to supplement the Labour Law requirements for sickness benefits.

Medical/Health Benefits

Although medical treatment is almost completely covered by social security, supplemental private health insurance is widespread.

Benefits

There are two main types of private health insurance contracts:

1. Daily Allowances: In the event of hospitalisation, a daily allowance of a contractually-agreed amount is paid. Some insurance tariffs grant further daily allowances for a stay at home in the event of sickness.
2. Hospital Costs for an Upper Standard Stay: The insurance pays the difference between the payment by social security and the actual costs of the hospital for higher standard of treatment involving a private surgeon and a single or at least a double room (with telephone, etc.). The costs for this insurance have been increasing in recent years because hospital costs and private surgeons' fees have also been rising at a much faster rate than inflation. Many companies have concluded group contracts for their employees, but most pay only part of the premiums or give no subsidies at all.

Other Benefits

Severance Pay: "Old System" Valid till December 31, 2002

If employment is terminated by the company (without actual fault of the employee), or if termination is due to retirement, the employer is legally obliged to provide severance pay.

The amount depends on the number of years of service with the company concerned and is calculated based on the average monthly salary of the last year before leaving the company:

Years of Service	Severance Pay
3	2 / 12 of salary
5	3 / 12 of salary
10	4 / 12 of salary
15	6 / 12 of salary
20	9 / 12 of salary
25	12 / 12 of salary

In the event of death of the employee, the legal heirs the deceased was liable to support have a legal right to half the above amount.

Liability for severance pay in accordance with salary and years of service is expressed by a book reserve. The book reserve is only tax-deductible up to 45% of the expected claim, so that this method cannot be considered an adequate financing instrument for future obligations. Smaller companies are therefore recommended to enter into a reinsurance contract in order to transfer their obligation.

Severance Pay: "New System" Valid as of January 1, 2003

Since 2003 companies have the possibility to transfer their liability into a life insurance contract. This transfer involves several tax advantages, and book reserves are balanced with the reserve of the insurance contract. For new employees the "new system" is obligatory. The new system is a defined contribution system. From the first day of employment the employer must pay 1.53% of the aggregate wages into a specially designed social security fund *(Vorsorgekasse)*. The employee has a legal right on the sum paid in, irrespective of when and how the employment is terminated. If the termination is due to retirement, the employee has the possibility to choose between a lump sum payment and a monthly payment in addition to the pension benefit.

Taxation

The methods of financing pension plans in Austria are to a great extent influenced by tax rules.

Funding Methods

There are the following four different possibilities to fund employee benefit plans:

1. Book Reserves: A company making binding promises to its employees is allowed to establish book reserves in its balance sheet, thus reducing its overall profit and tax burden.
2. Reinsurance (of book reserves): In order to fully finance the promised pensions, reinsurance contracts are available to companies. They can reinsure their entire liability or offset the book reserve with the insurance cover. A reinsurance contract, also called indirect insurance, is concluded by the company as a policyholder with all the rights and duties under the contract. The company is considered the beneficiary when the insured benefit becomes due. The employee has the status of an insured person under the contract, with no direct claim against the insurance company. The employee's claim can only be exercised against the employer. The company may reinsure all 3 risks: Retirement, disability and death. Notwithstanding the conclusion of a reinsurance contract, the tax advantage resulting from book reserves is maintained. In addition, the insurance premiums are recognised as tax-deductible expenses. As the company acquires a vested right to the insured retirement benefits, it must declare the premium reserve as an asset in the balance sheet. Insofar as pure insurance contracts have no surrender value (risk insurance), the premiums are fully tax-deductible, and there is no asset value in the balance sheet. Reinsurance contracts do not cause any tax liability to the employee. Pensions are taxed as ordinary income.

3. Direct Insurance: Direct insurance is considered to be a contract where the insured employee has a direct claim against the insurance company. It does not make any difference whether this direct claim is irrevocable or not. Premiums for direct insurance are fully tax-deductible for the employer without any obligation to establish an asset in the balance sheet. On the other hand, these premiums are considered taxable income to the employee with the following exceptions:

- Premiums for direct insurance up to an annual amount of EUR 300 for each employee are tax-free. This tax exemption is calculated individually for each benefit provided. The tax relief may be legitimately claimed if all employees or certain objectively defined groups of employees are insured. With regard to tax relief, it is not possible to establish coverage only for executives.
- Direct insurance premiums exceeding EUR 300 are subject to income tax. Premiums for pension insurance are deductible as special personal expenses including premiums for accident and health insurance. The maximum annual relief for all tax-deductible personal expenses amounts to EUR 2,920 for the tax-payer. In case the tax-payer is a single educator or the income of the spouse is not higher than EUR 4,400 a year, the tax-payer gets an additional tax relief of EUR 2,920. This amount is increased by another EUR 1,460, if the tax-payer has 3 or more children.

  The deduction amounting to EUR 2,920 has to be shared between all kinds of tax-deductible personal expenses. Within this framework, 25% of total expenses are relieved of tax. This percentage decreases to 0% for taxable incomes between EUR 36,400 and EUR 50,900. Beyond a taxable income of EUR 50,900, no special personal expenses are taken into account. Premiums for life insurance contracts dated before June 1, 1996, are generally tax-deductible. Life insurance contracts signed after that date can be handled as described, only if no single lump sum payment is allowed.

  Benefits from Direct Insurance:

- If the employee was not the beneficiary under the insurance contract, lump sum death benefits are regarded as taxable income. Lump sum benefits on (early) retirement or termination of service are tax-free provided the employer is the beneficiary under the insurance contract. Old age pension, disability pension and survivors' pensions are tax-free as long as the capital value of the pension is not exceeded by the benefits paid and provided the employer is/was the beneficiary of the insurance contract. Otherwise, pensions are subject to income tax.
- The fundamental distinction with regard to taxation of benefits is whether the insured person (employee) had a vested right and direct claim against the insurance company for the benefit insured, or if the employer was entitled to receive the benefit from the insurance company. In the second case, benefit payments transferred by the employer to the employee, even after termination of active employment, constitute income from employment which the employer must declare for income tax. In principle, the recipient is liable for income tax.

4. Pension Funds: 10% of total payroll of a company can be paid to a pension fund as a tax-deductible premium. In any case, the employee has a direct claim against the pension fund. Benefits paid and financed by the employer are subject to income tax. Only 25% of the amount is subject to income tax if benefits are financed by employee contributions.

Premium Tax

Premiums paid to an insurance company are subject to a 4% premium tax, premiums paid to a pension fund are subject to a 2.5% insurance tax.

Transfers of Accumulated Policy Reserves from Abroad

Insurance tax is applicable if the policy reserves are not transferred within the same company.

Benefit Payments from Abroad

A pension earned abroad by an employee during the working life and transferred from abroad at retirement will, subject to double taxation agreements, incur Austrian tax liability, irrespective of whether the employee receives it directly or through the agency of an insurance company.

Double Taxation Agreements

Albania, Algeria, Armenia, Australia, Azerbaijan, Barbados, Belarus, Belgium, Belize, Brazil, Bulgaria, Canada, China, Croatia, Cuba, Cyprus, the Czech Republic, Denmark, Egypt, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, India, Indonesia, Iran, Ireland, Israel, Italy, Japan, Kazakhstan, Korea (Republic), Kuwait, Kyrgyzstan, Latvia, Liechtenstein, Lithuania, Luxembourg, Macedonia, Malaysia, Malta, Mexico, Moldova, Mongolia, Morocco, Nepal, the Netherlands, New Zealand, Norway, Pakistan, the Philippines, Poland, Portugal, Romania, the Russian Federation, San Marino, Saudi Arabia, Singapore, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Tajikistan, Thailand, Tunisia, Turkey, Turkmenistan, Ukraine, the United Arab Emirates, the United Kingdom, the United States of America, Uzbekistan and Venezuela.

V FUTURE OUTLOOK

Trends in the Insurance Industry

There is no perceptible tendency for premium income to rise. Increasing unemployment could influence this trend too. Due to this situation there is a noticeable demand for guaranteed products in the sector of retirement provision.

The government-supported individual pension insurance *"Prämienbegünstigte Zukunftsvorsorge"* is becoming more popular.

This is a sign of higher awareness of private retirement protection in society. Further retirement reforms are planned. The changes to be introduced are, for instance, the extension of the private retirement protection to a long-term care insurance. The government has implemented some steps aimed at easing the burden on public finances in the area of care for older people. In future, steps will be necessary which will support the initiatives of private insurers in this field.

The impact of the financial crisis on Austrian insurance companies is less marked than expected, which is thanks to the conservative investment policies pursued by the insurance industry: two thirds of the assets are invested in bonds. The quota of investment in equity shares was decreased from 5% to 2-3%. The return on the life policies offered to clients can therefore often be maintained at 4%. However, the insurance industry suffers from the problem of rising costs.