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## Despite regulatory restraints: OVB on growth trajectory in 2016

**Contented faces in the management of OVB. Sales and earnings increase in 2016 – despite stricter regulation in Germany and elsewhere. Unit-linked policies formed the basis for the good results.**



OVB CEO Mario Freis

The financial service provider OVB can look back on a successful financial year in 2016. The company posted growth in its three regional segments of Germany, Central and Eastern Europe and Southern and Western Europe with a total of 14 national markets – partly thanks to demand throughout Europe for unit-linked policies and in spite of regulatory restraints such as the [German Life Insurance Reform Act \(LVRG\)](#) in Germany.

Total sales commission accordingly rose by 3.1% to €231.8 million. Operating income grew considerably to €16.5 million, a rise of 17.7% year-on-year. The business performance increased by as much as 33.7% to €12.5 million, as OVB stated at a press conference in Frankfurt.

“We tackled the many different challenges of 2016 in Europe extremely well. We increased both sales and operating income, and further reduced the Group’s dependence on individual national markets for business development. For us, this is a very important strategic aspect,” says Mario Freis, CEO of OVB Holding AG, commenting on the 2016 financial year.

### **German Life Insurance Reform Act curbs sales**

Commission in Germany shrank by a €1 million to €63.9 million, partly due to restrictions arising from the German Life Insurance Reform Act. However, operating income rose by 2.9% to €6.7 million.

In Central and Eastern Europe, total sales commission increased by 1.3% to €109.7 million despite more challenging conditions due to the regulatory authorities. Operating income ultimately came to €9.5 million, representing a slight increase.

According to OVB, its Southern and Western Europe segment continued its dynamic business development in 2016. Total sales commission here rose significantly by 12.8% to €58.2 million. Operating income in the segment increased substantially by 22.7% to €8.3 million. Business development was particularly strong in Spain, Italy and Austria. Commission in Austria was up 17%, while the number of consultants rose by 10%. “We have a young, dynamic team there and are thus managing to grow in contrast to the market trend,” says Freis.

The number of customers rose throughout the group, particularly in Southern and Western Europe (+11.3%). However, there was a decline in Germany. “We have been on the market for more than 40 years already,” explains Freis. “In addition, many contracts in Eastern Germany are expiring.” The number of full-time financial brokers decreased by nine to 1,300.

### **Good level of new business with unit-linked policies**

The OVB Group generated the largest share of its sales with unit-linked policies, which accounted for 47.2% of its new business. In Germany in particular, sales of unit-linked products increased again, explains CEO Freis. In specific figures, 31.7% of new business was attributable to unit-linked pension products (2015: 24.4%). However, this was not reflected in earnings due to the German Life Insurance Reform Act and lower commission, says Freis.

The rest of the product mix in Germany was as follows: other pension products accounted for 19.8% (2015: 25.9%) and government-subsidised pension products for 14.1% (16.7%). Another 13.7% of new business was attributable to property, accident and legal costs insurance (13.5%), while 11.2% related to the product area of home loan savings/financing (10.4%).

The Group also managed to lower its costs by 2% to €26.1 million, partly by means of reductions in personnel expenses. This mainly related to OVB Holding’s headquarters in Cologne. Another positive effect was lower tax expenses in Spain.

### **Outlook for the 2017 financial year: more digitalisation**

The Executive Board anticipates a slight increase in sales within the Group for the 2017 financial year. As a result of increased investment expenditure to further strengthen OVB’s viability, operating income is likely to move at the level of the previous year.

In this context, the company is particularly focusing on digitalisation of its internal processes and digital resources for its consultants. The Executive Board of the financial service provider stated that it is also open to providing customers with a comparative period for certain simple products. In addition, OVB announced that it intends to apply the [DIN standard](#) for a needs analysis for insurance and financial products that is likely to be introduced next year. *(jb)*