

# „We attract a lot of industry outsiders“

**Mario Freis**, CEO of the listed company **OVB** from Cologne, talks about the advantages of a pan-European presence in financial sales, the search for new consultants and the question of whether insurance companies actually get involved in day-to-day business as major shareholders.

**O**VB is one of the five big financial service providers in Germany. But the listed group does not just operate in Germany, but rather in almost the whole of Europe. Reason enough to speak with the company's top man about its business model. The interview took place on a sunny day in May, at OVB Holding's head office in Cologne, not far from the cathedral. Mario Freis, CEO at OVB since 2016, received us in his spacious office overlooking the Rhine.

**Mr Freis, OVB has been operating in Ukraine as well since 2007. How has the Russian invasion affected you?**

*Mario Freis: We are all deeply concerned and very worried about the people of Ukraine in general and our co-workers and customers specifically. The OVB Group speaks with them regularly and has helped, for example, by setting up a relief fund in addition to having launched a pan-European fundraising campaign. That means that we were able to help a lot of families. Also, colleagues from neighbouring countries like Slovakia, Poland, Hungary and Romania have taken in female collea-*

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*gues and their children, provided accommodation for refugee women and their children, or financed and helped to organise travel to other countries of asylum. If this is what you were also asking about, the business that we have successfully built up there since 2007 has of course mostly been shut down.*

**Let's talk about why you operate in countries like Ukraine. OVB began as one of Germany's first financial service providers in 1970. Why did you start expanding into other European countries?**

We were one of the pioneers of bancassurance consulting in Germany. And this pioneering spirit has never gone away in the company's 52-year history. After the fall of the Berlin Wall and when Central and Eastern Europe countries opened up to the West in the early 1990s, the owners at the time looked at a European strategy, thought it was a good idea and, unlike others, went about systematically implementing that strategy. In 1992, OVB Austria was the first national subsidiary to be founded outside Germany, the beginning of OVB Europe. We'll be celebrating our 30th anniversary there this year! Even then, we saw the enormous potential for bancassurance consulting in other countries, especially in those whose development will follow that of Germany. Even then, I'm sure that some other market participants were astonished at what we were doing. And after 30 years I can say that it was the right decision! OVB now operates in 15 countries in Europe, with more to come soon.

**»A factor in favour of unit-linked policies is that they're the best way to combine protection against longevity risk with potential returns on the capital market«**

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**What is the benefit of operating throughout Europe as a financial service provider? After all, at least in the details, all the regulations are vastly different. Where are the synergies?**

It's true that it's a big challenge on the regulatory front. There has been a lot of progress in harmonisation over the last few years, but a uniform legal framework is still a long way off. Nonetheless, there are advantages to a pan-European positioning. It means that we're not dependent on any one market. A negative development in one country can be countered by a good performance in another. We have a good combination of more mature markets like Germany and Austria plus markets with good development potential. Since the start of the 1990s, the economic performance of the countries in Southern and Western Europe, and Central and Eastern Europe especially, has been very strong, which has been reflected in rising income. That means that there's a rising demand for risk protection and financial provision. The penetration of financial and insurance products there is still

much lower than the EU average. Also, the international positioning is a major opportunity for our independent financial advisors and thus a major unique selling proposition (USP) for OVB.

**You have to explain that!**

We help our advisors to build international careers. When one of them sees an opportunity to expand into another country, we support that. Typically that doesn't happen at the start of an advisor's career, but rather after a few years with the company. With OVB's history going back 52 years, there are countless examples. We have plenty of international sales managers who, for one reason or another, have a network in another country and use it to operate there as well. They can count on our support, such as access to product providers in these countries, help in training for the corresponding licences and the IT. Finally, advisors can benefit from sharing experiences with other international advisors. Sales is an international pursuit, you can learn from each other.

**As for the number of customers and commission income, OVB as a whole has experienced strong increases over the past ten years – but the number of advisors has barely risen at all. This means that your advisors have become more productive, especially in Central and Eastern Europe. How is that?**

As the first mover in the Central and Eastern Europe region, we have been able to build professional organisations with managers capable of thinking in entrepreneurial terms. I've already mentioned the main reason: We grew in line with economic developments and based on the rising product penetration per customer. Further demand arises as a customer's living or work situation changes. We generate some of our new business from the portfolios as well. Also, it's important to me that we attract new customers, young people especially.



#### **How do you do that?**

In our organisation we have a good combination of financial advisors with plenty of experience and the up-and-comers who have a connection with the younger generations. We're very good at attracting young people to work as independent advisors.

#### **How do you recruit new advisors? Who are you looking for?**

New advisors primarily become aware of us through direct contact and recommendations from existing employees. Then there's social media and a number of other channels. We don't focus on financial professionals like bank consultants or insurance salespeople, and we're actually very good at attracting people from outside the industry. Anyone with an interest in our service and who thinks like a businessperson is welcome. Most of our new advisors are between 25 and 35 years old. And sometimes someone over 40 will come along looking for a second income. Speaking internationally, we don't just have advisors who do this full-time. We also have some who work for us as a second job. Besides being of good standing, what you need most of all is to be willing to learn. We take care

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of the technical expertise. In Germany, everyone has to pass an exam to be allowed to work as an insurance advisor in accordance with section 34d of the German Trade Regulations Code. If you stay with us longer, you get the chance to go for your section 34f permit as an investment advisor as well.

**However, the number of advisors in Germany has fallen by 6% over ten years – and so has total commission income, by the way. Why is that?**

That's correct over the past ten years. We have responded to this with our "OVB Evolution 2022" business strategy and laid the foundations for further growth.

This documents OVB Germany's business performance over the past year with revenue growth of more than 5%.

#### **What is the turnover rate among your advisors?**

Quite honestly, it's true that turnover happens in the initial phase. We're very open about this and we motivate those interested to use their training period at OVB as an opportunity to see whether the industry is right for them. Turnover is very low among those who get through that phase successfully, especially at management level.

#### **Can you describe your organisational structure? As I understand it, you have a multi-level model where individual advisors have a team leader and then other managers above them who get some of the commission earned by the advisors.**

It's true that OVB has a multi-level sales and remuneration model. A lot of other sales companies have that as well. We're no exception in the industry and we advocate commission-based consulting. We wholeheartedly believe that these broad sections of the population are what make access to qualified consulting possible. You don't get that with fee-based consulting.

#### **What's your focus in terms of products and consulting?**

Since the start, OVB's goal has been to offer high-quality and all-round consulting – bancassurance, in a word. That's why we use a three-step process. First we ask what the customer wants and what they're aiming for, then we see where they stand and analyse that. Product consulting doesn't begin until the second appointment. Our bancassurance product portfolio forms the basis for that.

#### **What exactly does that mean for Germany?**

Our product portfolio is approximately 40% products based on material assets. 25.4% is unit-linked pension insurance,



14.4% direct fund investments. We are currently gradually increasing the share of sustainable funds in both areas. Products for biometric risks, such as occupational disability, critical illness and term life insurance, are gaining ground as well. Property finance products have been a growth driver for years. And of course we also have traditional property insurance business with home and building policies. The flooding and severe forest fires in some parts of Europe last year showed how important it is to protect customers against risk.

**Why the focus on unit-linked policies? Some say that you like to sell these because of the very high commission. Also, Bafin recently criticised that some investment companies pay advisors extra for unit-linked policies – in addition to the commission that they get from the insurance companies. How is that at OVB?**

Fundamentally, good advice needs appropriate remuneration. A key factor in favour of unit-linked pension insurance is that they're the best way to combine protection against longevity risk with potential returns on the capital market. And secondly, we do not receive remuneration from the investment companies for unit-linked policies, just the normal sales and renewal commission from insurance companies.

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**One other point to finish off: For many years, OVB has been majority-owned by three insurance companies: Signal Iduna holds approximately 53% of the shares, Basler roughly 32% and Generali around 11.5%. What is the strategic objective for an insurance company investing in OVB?**

You would have to ask the three companies that question. But I think that OVB is interesting from a shareholder perspective because we pay a decent dividend with a view to continuity. Also, all three insurance companies are our international partners as well, not just in Germany. So it certainly makes sense to have a strategic investment in OVB.

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**Do these shareholders get involved in day-to-day business? Is it perhaps desirable or stipulated to push their products more?**

No. Obviously our shareholders do not get involved in our day-to-day business. That would be prohibited by stock market law. But as an independent financial service provider, it's good for OVB to have three big-name insurance companies as shareholders in addition to private shareholders and not just one company or even one private individual. This gives us security and stability, which is appreciated by our financial advisors throughout Europe as well.

Thank you for speaking to us.

JENS BREDENBALS

## THE BASICS: Mario Freis

Freis, born in 1975, joined OVB in 1995 straight from high school. After training as an insurance salesman, he started working in OVB's Controlling department. After having held various management positions, he was appointed to OVB's Executive Board in 2010 as the company's Chief Sales Officer. He has been the CEO since 2016.