

OLIVER WYMAN

Financial Services

Insurance



Bernd Felske

**Member of the Board,
Volksfürsorge AG**



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Oliver Wyman **First of all thank you for talking to us today. How would you assess Volksfürsorge's first-year performance in its new incarnation as a distribution company?**

Bernd Felske From a results perspective, this past year has been extremely successful for Volksfürsorge, with the company achieving all of its key objectives. It is particularly pleasing to have fully met our objectives within the life insurance sector with an approximate 13% uplift in new business acquisition compared to 2008. Our sales organisation also grew significantly in 2009 by an additional 150 full-time employees.

Oliver Wyman **In your view, what is really innovative and ground breaking about the 'new' Volksfürsorge?**

Bernd Felske As an entirely standalone distribution company, Volksfürsorge AG creates real value for the group as a whole. All 4000 employees, whether in internal or client-facing roles, consider themselves to be part of a collective team with shared business objectives and a common goal. We are proud that every employee, regardless of their role in the company, is aware that their work is of huge value to our overall business success and a contribution to the value of our company.

Personally I believe our company's business model is unique: it offers ideal conditions for successful sales people and rewards performance over a multi-level career path and dynamic compensation system. Our KBB approach to advisory - a comprehensive customer-centric needs analysis - represents the basis for our professional advice, both to private and corporate customers.

Oliver Wyman **Was the establishment of Volksfürsorge as a distribution company the next logical step after the realignment of your tied agent sales force? How much time should one plan to drive such large scale innovation in a sales force organisation?**

Bernd Felske In our case, I would strongly agree with the first part of your question. Volksfürsorge's tied agent sales force has always been a unique distribution channel for the company. The majority of our sales force consists of real employees, the so-called 'partner vendors'. These employees in turn work very closely with part-time agents who are qualified to sell insurance policies independently. Part-time agents can also work as 'tipsters' - providing valuable referrals to 'partner vendors'.

Our success is also due to our new sales model. We work in agent-teams in which individual agents have specialist knowledge on certain themes like for example SME insurance. This allows us to provide quality advice even on very specific requests/issues as our agents are also able to draw on additional specialist knowledge if need be while keeping a close relationship with their client.

The decision to maintain the autonomy of the sales organisation under the name of Volksfürsorge has been therefore paramount. It will always remain important that we are able to maintain our close relationships with our clients.

As for the second part of your question, the spin-off process and the development of an identity within the organisation, of course, it takes time. Such processes are always associated with a high degree of change, and each organisation should be given enough space to carry out these changes. However that space needs to be actively managed and optimised, especially in the context of changes in behaviour, particularly amongst senior managers.

Oliver Wyman **What role does a strong brand such as “Volksfürsorge” play when spinning-off a distribution company?**

Bernd Felske There are several important aspects. From an employee’s perspective, in particular for our agents, the Volksfürsorge brand allows for a common identity and a sense of unity. In addition, Volksfürsorge is still a well-known entity for our customers. Of course, it was necessary to support the brand with new content/meaning???, since we are not an insurer anymore, but a real distribution company. This initiative has succeeded and has been well received by our customers.

Oliver Wyman **What impact did the spin-off of Volksfürsorge have on customers’ perception of your organisation?**

Bernd Felske By combining two quality brands (Generali and Volksfürsorge) we were able to create a new offering, which added huge value to our clients. Generali, our core product provider, represents superior products in terms of quality and an even greater range of choice. While the brand Volksfürsorge represents greater proximity to our customers and the highest quality advice. By combining these two propositions, the customer is able to experience greater benefit in terms of service, which can only have a beneficial effect on clients’ perception of our organisation.

Bernd Felske **How do your sales agents judge their relationship with a company that is solely focused on sales?**

Bernd Felske The perception of our agents depends almost entirely on their personal experiences. In a transformational case such as this one, we have been able to convey to all our sales agents exactly what it means when everything and everyone is focused on sales, and thus on the success of the sales process. We promote quick and direct access to sales support for our sales force and streamlined processes with minimal administration burden around the sales process. Critical interactions with our product providers are centrally managed allowing our agents to focus purely on advising and serving their customers. At our annual kick-off meeting this year, we received a standing ovation for this approach.

Oliver Wyman **What must be done to maintain the momentum of such an innovation?**

Bernd Felske A new business model, such as the one introduced at Volksfürsorge, requires a prolonged period of stability and sustainability. This should be accompanied by continuity in strategy and particularly within senior management. It has been therefore of utmost importance that Generali Group made a clear commitment towards Volksfürsorge upon which we have been able to rely.

That said, whilst maintaining stability is important, those that manage the distribution process should always be willing to look for optimization potential and should be 'ready to learn'. We have institutionalised this approach in our company allowing a continuous improvement process across all employees.

Oliver Wyman **How would you compare the relevance of innovation within distribution to that of product and process innovation?**

Bernd Felske I know of many insurers where there has been virtually no change for years to the business model of their tied agent sales forces. There may be investment in innovative products and new management processes, but most of the time the focus is not on those responsible for selling these innovative products. Since much has changed around sales agents in recent years, it is in my view paramount to constantly revisit and review internal approaches and conditions. This review should not only focus on the optimization of advisory and sales processes but also on management and support processes. In my opinion there is too little innovation in our industry – I am therefore happy with our leadership role in the market which is underpinned by our recent success.

Oliver Wyman **What are your personal goals for 2010?**

Bernd Felske In 2010 our objective is to match our 2009 success. That is to say, we hope to continue to outperform the industry and expand our sales organisation significantly. Additionally, we have managed to rejuvenate the spirit of our sales agents and we are committed to continuing this effort as the enthusiasm of our employees carries over to our customers.

Oliver Wyman **And finally, thank you again for speaking to us today.**

Bernd Felske My pleasure.