



PLEXUS

A GLOBAL NETWORK OF
COMMUNICATIONS AGENCIES



GERLING

Wir unternehmen Sicherheit.

Client:

Gerling-Konzern (Cologne, Germany)

PR Team:

BSK (Germany)

Campaign:

Crisis PR, which accompanied Gerling Group's restructuring programme. After the successful restructuring and the reorganisation of the Corporate Communication team led by BSK, a comprehensive Corporate Communications programme (November 2002 - ongoing).

Timescale:

November 2002 – ongoing

Budget:

Undisclosed

The Company

As a business-oriented direct insurer, Gerling concentrates on industrial business as well as company and consumer business. Active risk management is a unifying core competence in this scenario. The Gerling Group is represented by branch offices in more than 20 countries. In Germany, Gerling is the second largest industrial insurance company and one of the most important life insurance companies with a strong market position in company pension schemes. All large industries as well as around 100,000 freelancers and 2.1 million private individuals belong to the company's customer base.

Around 6,800 employees obtained a premium volume of approximately €4.2 billion in 2004. Dr. Rolf Gerling, the grandson of the company's founder, holds 94% of the capital and 6% is held by Dr. Joachim Theye, the chairman of the supervisory board of the Gerling Group Insurance Investment AG (GKB) – the senior holding company. The entire operative business of the Gerling Group is bundled in the Gerling Investment GmbH (GBG). In November 2005, the Executive Board of the insurance groups Gerling and Talanx agreed to the takeover of the Gerling Group's operative business by Talanx – the largest insurance merger since 1997. HDI and Hannover Rück are two of the companies who now belong to the new group. The premium revenue of the new group adds up to just under €20 billion.

Situation

The 101-year old Gerling Group plunged into a deep crisis in 2001 and 2002 because the expansion in reinsurance in America had led to high losses: the group registered a loss of €563 million in the fiscal year 2001 with a premium volume of at least €10.2 billion, in 2002 the loss was actually €732 million.

As a result, the company needed to be reorganised and to concentrate on its core competences. In addition, the shareholder structure needed to be reorganised. In the course of this, Deutsche Bank transferred their shareholding to the hitherto majority shareholder Dr. Rolf Gerling in 2003.

The management made the decision to undertake a profound restructuring of the group, which was combined with the sale of the reinsurance and the highly-profitable credit insurance business, the complete reorganisation of the industrial and life insurance business as well as an increase in capital at the GKA through industrial customers. Communications was faced with the following challenge: within the scope of the group reconstruction activities, the number of employees decreased from 13,400 (2001)

to 6,800 (2004). However, at year-end closing in 2003, the successful turnaround of the “New Gerling” programme was already apparent – and the Gerling Group obtained a distinctly positive result. In the fiscal year 2004, the group posted results of €132 million at a premium volume of €4.2 billion and a solid shareholders’ capital base of €1.1 billion. Together with the new, effective organisation and the distinctly improved rating, this is a good basis for future growth.

Goals

In October 2002, BSK accepted the task of supporting the company in the painful reorganisation phase and winning back the trust of the public, the employees and the customers. At this point in time, uncontrolled negative headlines had been causing uncertainty for several months. In addition, BSK was also given the task of restructuring the Communications Department and considerably reducing the budget – while at the same time improving the efficiency of the deployed funds. After successful completion of the restructuring activities, BSK was to communicate the strengths of the group and to support activities during the subsequent sale of the company to the Talanx Group.

Strategy

The communications strategy reflected the restructuring process and the most important milestones. In this phase, which was accompanied by legal disputes and harsh criticism by the economic and financial press, it was important to regain control over the communications process. Corporate Communications during this phase were therefore concentrated on cautious expectation management within a planned 18-month story line oriented towards the restructuring plan.

BSK founder Hans Peter Schreiner took over the management of Corporate Communications. On the one hand, this meant that complete control of the communications process was thus ensured, while on the other hand, he was able to tackle the reorganisation of the Corporate Communications Department from this position.

Traditional PR tools were used for the PR work, including several press meetings (to announce the sale of the reinsurance group and the sale of the credit insurance group NCM, for example), and press releases as well as more informal press round tables and meetings. A key focus of the campaign was one-to-one communication with top tier financial and business press journalists. They needed to be convinced that Gerling had now undertaken the right steps. Hans Peter Schreiner toured the most important editorial offices with the Chairman and board members of Gerling.

Internal communication needed to be increased as well. Gerling employees were increasingly troubled by negative coverage in the press, most of which predicted Gerling’s complete downfall. Information was now posted on the Intranet on a daily basis, and the employee’s magazine “Dialog Online” explained the background to management decisions and showed perspectives. Every important decision was accompanied by a management letter – the management thus directly addressed people’s concerns and reassured them that they were still working for a company with a future.

In addition, BSK had reorganised the Corporate Communications Department, reduced the team of over 40 to only 9 employees with clearly-defined responsibilities, lowered the budget by 75%, invested a higher share in Marketing and distinctly improved the efficiency of the deployed funds.

Results

It is ironic that an important part of BSK’s success can be measured in the large number of reports that were not published.

The top tier media such as ARD; *Financial Times Deutschland*, *Frankfurter Allgemeine Zeitung*, *Handelsblatt*, *Süddeutsche Zeitung*, *Börsenzeitung* and *Die Welt*; weekly magazines such as *Der Spiegel*, *Focus* or the *Wirtschaftswoche* as well as monthly magazines such as *manager magazin* and *DMEURO*, and news agencies such as Reuters, Bloomberg, dpa and vwd are providing neutral to positive reports on the company in the meantime.

The communication of the reorganisation was an elementary part of the management concept – and without doubt contributed to its success. The communication process is clearly structured, journalists trust the PR team. The press coverage has changed from presenting a clearly negative image to presenting a neutral to positive one. This also applies for the rating agencies: after the low point in

February 2003, in which the property insurance (GKA) and the life insurance (GKL) businesses were given a valuation below the level "Investment Grade" by "Standard&Poor's", the GKA again received an "A minus" rating in June 2005 after 2 intermediate levels, with a stable forecast, while GKL achieved a good "BBB rating" in May 2005.