According to estimates provided by the Institute for Employment Research of the German Federal Employment Agency (IAB), the number of those in gainful employment displayed a year-on-year average increase of 600,000 in 2018 – to just under 45 million. This increase is primarily based on an increase in jobs subject to compulsory social security contributions.

The prospects for university graduates in particular remained excellent in the German employment market. According to the latest data from Germany's Federal Employment Agency, the unemployment rate among academics remains at a very low level of just 2.3%.

Increasing salaries and wages

The economic situation of private households in Germany remained good. According to data published by the Working Group on Tax Revenue Projection, gross wages and salaries increased by 4.7% in the reporting year, while the disposable income of private households increased by 3.6% according to the 2019 Financial Report of the German government. The savings rate in Germany increased slightly in the last financial year, reaching 10.3% (2017: 9.9%).

ECONOMIC REPORT

Industry situation and competitive environment

Traditionally, the vast majority of MLP's total revenue is generated from the following four core fields of consultancy: old-age provision, wealth management, non-life insurance and health insurance. In the financial year 2018, they made up 93% of total revenue. Revenues in the fields of old-age provision and health insurance are generated in the financial consulting segment. Wealth management revenue is generated in the FERI and banking segments. Alongside the DOMCURA segment, revenue in non-life insurance is also generated at MLP Finanzberatung SE.

The main factors that had a particular influence on the market environment and the results of operations in the aforementioned consulting fields in 2018 are described below.

Old-age provision

In the past year, the market environment in the old-age provision business continued to indicate low interest rates, ongoing reservations on the part of consumers to sign up for long-term policies, as well as the ongoing political discussion regarding reforms to the old-age provision system. In addition to this, there was still a pronounced lack of transparency in terms of the anticipated total pay-outs from statutory and supplementary pension schemes.

Low saving rates and lack of trust

According to the ERGO Risk Report, only one in five Germans know exactly how much pension they will actually receive in retirement. Just under 70% of respondents expect the pension level to decline further in the next ten years. One in two Germans believe that they will need to live a more restricted life following retirement. According to the survey, some 42% of Germans are saving nothing or less than € 50 per month towards their old-age.

Low interest rates

The ongoing period of low interest rates is having a negative impact on German savers. According to the Wealth Barometer 2018 of the Deutscher Sparkassen- und Giroverband Financial Group, one in three Germans (32%) list the European Central Bank's monetary policy as their primary source of concern when saving.

The product landscape in the old-age provision area has undergone radical change as a result of the low interest rate environment. According to data published by the German Insurance Association (GDV e.V.), half of all newly signed old-age provision products are now policies with alternative guarantee solutions. Ratings agency Assekurata expects classic life and pension insurance policies to continue their decline and only account for one quarter of all new business in 2018.

Product landscape undergoing change

The difficult framework conditions described were reflected in the market trend of the various old-age provision products in the reporting year, with the exception of occupational pension provision. The state is offering citizens various incentives in the form of tax breaks and allowances to encourage them to save for their old age.

Difficult framework conditions discernible in all three tiers

State subsidies/allowances in Germany are presented in the so-called
3-tier model:

- Basic provision: Statutory pension and basic pension
- Supplementary pension provision: Riester pension and occupational pension provision
- Additional private pension provision: Pension and life insurances, capital market products

Alongside the statutory pension, basic provision (1st tier) also includes the basic pension, the premiums for which can be offset against income tax. Apart from employees, the basic pension is primarily aimed at self-employed persons and freelancers that are not obliged to pay into the statutory pension insurance fund. The maximum tax-deductible amount in 2018 was € 23,712 for single persons (€ 47,424 for married couples). In 2018, taxpayers were able to offset 86% of the capital they paid in as special expenses for basic provision.

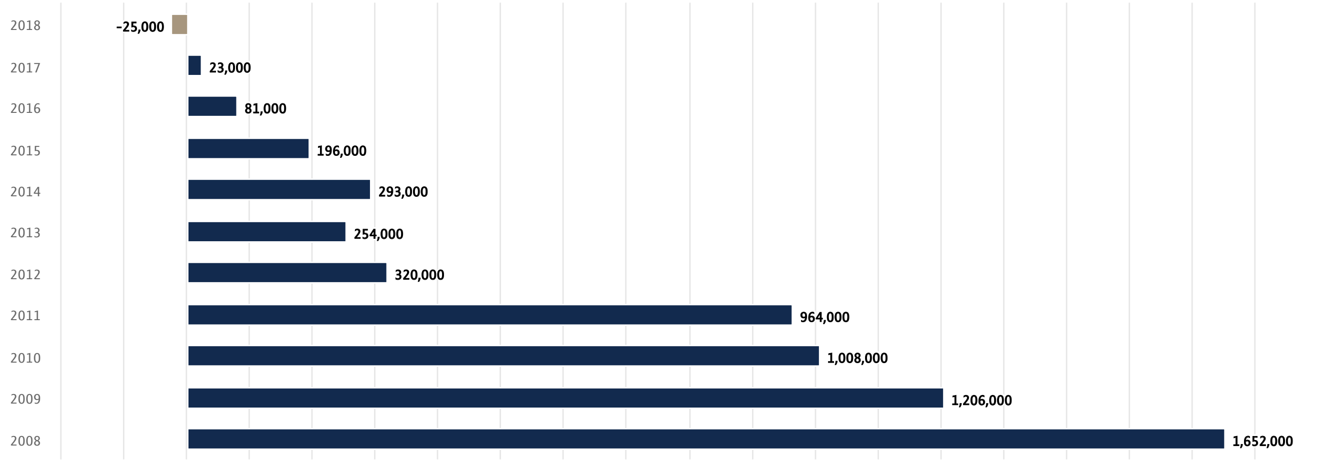
Improved incentives for basic pension not having any impact

Despite this significant tax incentive, data published by the German Insurance Association (GDV) indicates that only 76,200 new basic annuity contracts had been concluded throughout the market by the reporting date on December 31, 2018 (2017: 81,000). This corresponds to a decline of 6.2%.

The supplementary pension provision (2nd tier) essentially comprises the Riester pension and occupational pension provision. The legislation on strengthening occupational pension provision in Germany (BRSG), which came into force on January 1, 2018, sets a higher basic allowance of € 175 per year for the Riester pension (previously: € 154). Despite this improved support, which makes the Riester pension more attractive than ever as an option for supplementary old-age provision, the number of new contracts actually declined in the reporting year. According to the German Federal Ministry of Labour and Social Affairs, the total number of Riester contracts in place at the end of the Q3 2018 was 16.57 million – which represents 25,000 fewer contracts than on December 31, 2017. As had already been the case in previous years, there was a clear focus on "Wohn-Riester" home annuity policies and investment fund policies among new contract signings. The number of insurance policies, on the other hand, displayed a pronounced downward trend.

Growth only in investment funds and "Wohn-Riester" (home annuity policies)

Development Riester pension contracts (2008 to 2018)



Date: September 30, 2018, Source: German Federal Ministry of Labour and Social Affairs

Occupational pension provision: Greater support by law

As a result of the legislation to strengthen occupational pension provision in Germany (BSRG), which came into force on January 1, 2018, there is now greater focus on occupational pension provision among both employers and policyholders. According to a survey carried out by consultancy company Willis Towers Watson, three quarters (74%) of employees would like their employer to assume a leading role in the field of old-age provision. A survey undertaken by Generali Versicherungen AG also indicates that one in four (24%) small and medium-sized companies in Germany is currently keen to extend its occupational pension provision to take advantage of the options provided by the BRSG legislation. Just under half of all small and medium-sized companies (49%) are still undecided as to how they should proceed.

The Forecast section provides further information on the improved state subsidies/allowances that apply from 2019 onwards on the basis of the legislation on strengthening occupational pension provision in Germany (BSRG).

Life and pension insurance policies less in demand

The 3rd tier is continuing to display rather stifled development, above all in terms of classic life and pension insurance policies. According to the German Insurance Association (GDV e.V.), the number of new contracts was below the previous year's level (-19.2%).

Total market showed slightly positive developments

Despite the difficult market environment described and ongoing public reservations in regard to signing long-term contracts, provisional figures provided by the German Insurance Association (GDV e.V.) indicate that the brokered premium sum of new business in the reporting year was € 149.9 billion, which is only slightly above the previous year's low figure in the mid-term comparison (€ 144.2 billion).

Wealth management

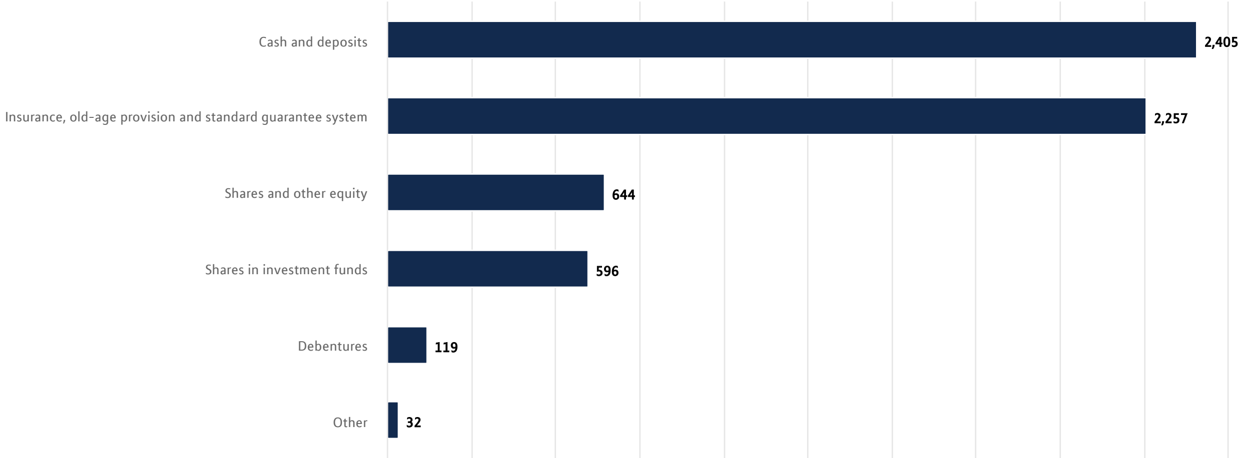
In the reporting year, the market environment in the wealth management area was characterised by the ongoing period of low interest rates and at times high volatility on the stock markets. Having displayed very positive development in the last ten years, the period of continuous upward movement in the stock markets came to an end in the reporting period. This was due to the global slowdown in economic growth, a retreat from the expansive monetary policy by numerous central banks, the impending escalation in the trade disputes between the US and China, geopolitical conflicts, as well as increasing tensions in the eurozone.

According to the Global Wealth Report 2018 of the Boston Consulting Group, global private financial assets rose by 7.1% in 2017 on a currency-adjusted basis. In Germany, private assets displayed significantly lower growth of just 4.3% in the same time period.

According to data published by the Deutsche Bundesbank, the monetary assets of private households in Germany surpassed the € 6 trillion mark for the first time. Indeed, the figure rose to € 6.053 billion in the third quarter of 2018. Despite pronounced inflows into shares and investment fund shares, private households therefore still prefer liquid investments or those regarded as low-risk.

Private households wealthier than ever before

Private monetary assets of German citizens (all figures in € billion)

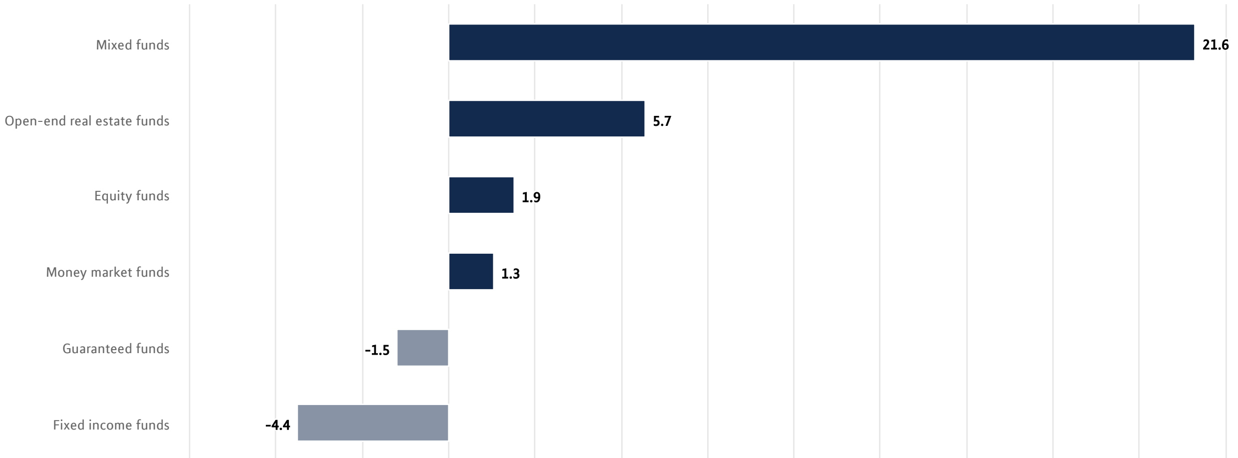


Source: Deutsche Bundesbank as at September 30, 2018

A net total of € 100.7 billion flowed into the German fund industry by the end of November 2018. The sales list of open mutual funds is headed by mixed funds at a volume of € 21.6 billion. With new inflows of € 5.7 billion, asset-based funds take second place, followed by mutual equity funds at € 1.9 billion. Investors withdrew a total of € 4.4 billion from fixed income funds. The fund industry in Germany manages total assets in excess of € 3 trillion.

Mixed funds head the sales list

Cash inflows and outflows of various types of mutual funds in Germany from January to November 2018 (in € billion)



Source: German Association of Investment and Asset Management e. V. (BVI)

According to the Wealth Barometer 2018 of the DSGV (German Savings Bank Association), Germans are more satisfied than ever with their financial situation. Based on this, almost two thirds of respondents rate their own financial situation as "good" or even "very good". Only 8% stated that they are "unhappy" or "very unhappy“ with their financial situation. The findings of the survey suggest that Germans are becoming increasingly carefree when it comes to saving. Despite the ongoing period of low interest rates, a growing percentage – now almost 40% – are not worried about saving (previous year: 25%).

Germans are satisfied with their financial situation

The market for providing consulting and asset management services to high net-worth individuals, in which the MLP Group is active through FERI, has become more complex and fiercely contested since the financial and economic crisis. The competitive environment indicates ongoing consolidation in wealth management and in private banking in particular. At the same time, the continuing low interest rate environment in the market is also leading to keener price awareness among clients.

Ongoing consolidation in private banking and wealth management

As a result of the ongoing low interest rate environment and the rising risks on the stock markets, institutional investors are showing increasing interest in alternative investments, an area in which FERI has extensive expertise. A survey conducted by the German Association of Alternative Investments (BAI) indicates that the majority of institutional investors increased their activities in regard to alternative investments in the reporting period. In most cases, the intention was to further diversify portfolio holdings. Yet the desire for greater returns also played a part. In terms of alternative investments, institutional investors focused primarily on real estate, infrastructure and private equity according to the German Association of Alternative Investments (BAI).

Institutional investors show increased commitment to alternative investments

Non-life insurance

The non-life insurance business has become more important for independent brokers in the last few years. According to a survey conducted by AssCompact, in 2018 three quarters (75%) of brokers surveyed assigned high or very high importance to the private non-life insurance business. In 2015, this figure was just 40%. From a brokerage perspective, the non-life insurance business makes a key overall contribution to securing and expanding the portfolio base. Almost a third of respondents stated the revised broker's commission in the life insurance business as a key reason for this development.

In particular, household contents and liability insurance policies continue to be reliable sources of revenue in the private client business thanks to legacy portfolios. The topic of smart homes is becoming increasingly important in the household contents and residential building segment.

Based on estimates provided by Assekurata, providers are also increasingly focusing on the commercial insurance segment. Indeed, they are currently developing numerous new product strategies to reposition themselves in the commercial market and benefit from the existing growth potential. The portfolio of industry solutions is therefore growing accordingly. Assekurata is currently observing two key trends in the commercial market. The first is a focus on the target group of small and medium-sized companies (SMES), while the second revolves around greater digital support for brokers.

Commercial insurance policies coming into focus among providers

Germans continue to display a high degree of willingness to switch car insurers. According to the latest survey conducted by market research institute YouGov, more than one in five motor vehicle policyholders (20.8%) in Germany has already considered switching car insurance providers. This corresponds to some 9.15 million motor vehicle policyholders willing to make the switch.

High degree of willingness to switch vehicle insurance policies

Natural hazards, such as storms, hail, flooding and heavy rain, caused damage with a total value of € 2.9 billion in the non-life and vehicle insurance segments in 2017. The German Insurance Association (GDV e.V.) is anticipating a similar development for 2018. According to the "Natural Hazards Report 2018", the damage to residential buildings due to storms, hail and heavy rain amounted to € 1.3 billion in the first six months of 2018, a level normally expected for the year as a whole.

Costly damage caused by forces of nature

The costs associated with flood damage to residential buildings and their contents are only covered by insurance companies when an extended insurance policy covering natural hazards or elemental damage is in place. According to the German Insurance Association (GDV e.V.), however, only 41% of buildings throughout Germany are currently insured against such damage.

Based on provisional figures of the German Insurance Association (GDV), growth in the property and casualty insurance segment remained stable in the reporting year. For 2018, the GDV is anticipating an increase in premium income of 3.3%.

Non-life insurance business continues along its positive growth path

Health insurance

Health insurance continued to face a difficult market environment in the financial year 2018 – particularly in the case of comprehensive private insurance. According to data published by the Association of Private Health Insurers (PKV), the number of persons holding comprehensive health insurance policies has been in decline since 2011. Based on provisional figures as at December 31, 2018, the number of policyholders (8,74 million) was down by around 13,000 (-0.15%) compared to the previous year. Notwithstanding this, according to the "Continentale Survey 2018" around 89% of those with private insurance are satisfied with the performance of their current provider and 75% are satisfied with the price of their current provider.

Fewer holders of comprehensive health insurance policies in Germany

The average premium rate for statutory health insurance was 15.6% in 2018. Alongside the statutory contribution rate of 14.6%, the healthcare funds add an average additional premium of 1.0%, which until now always had to be paid in full by the employees. However, this will change in the coming year. You can read more on this in the Health Insurance Forecast.

Out-of-pocket payments and co-payments for individual healthcare services have long since been standard for those with statutory health insurance. According to the latest report of the Medical Service of the Health Funds (MDK), half of all policyholders are offered individual healthcare services that they must finance themselves when visiting the doctor. Indeed, statutory insurance policyholders together pay around € 1 billion every year at German medical practices for services of this kind.

Statutory health insurance policyholders pay extra

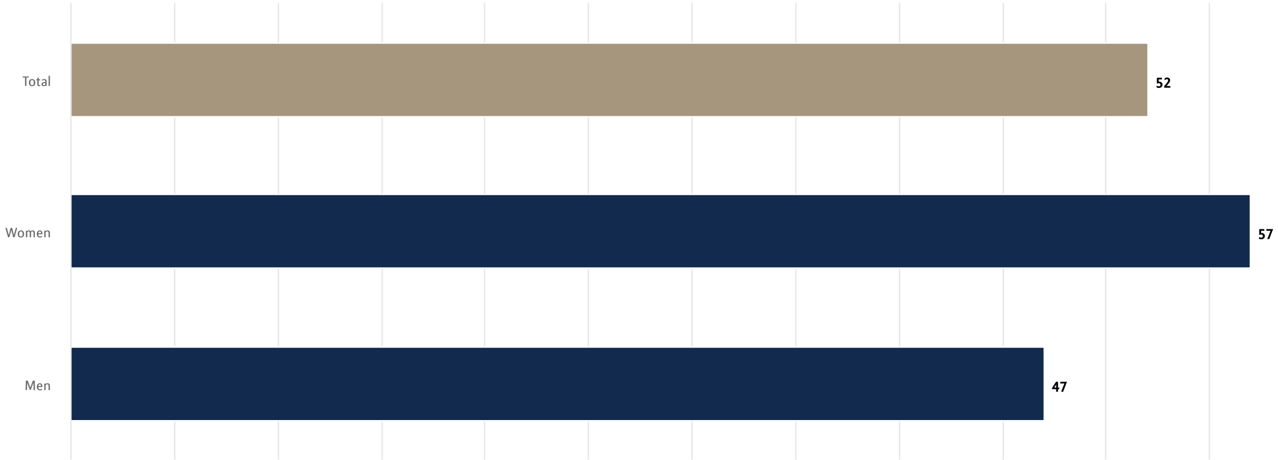
More and more policyholders are continuing to take out private supplementary insurance policies as a way of topping up the scope of services covered by the statutory health insurance system. According to provisional figures provided by the Association of Private Health Insurers (PKV-Verband), the number of policies rose to 25.82 million in 2018. This corresponds to a growth rate of 1.18% relative to 2017. With just under 15.7 million policies in place at the end of 2017, dental plans are by far the most popular supplementary insurance policies brokered. The number of these policies increased by 1.9% in 2017.

Supplementary insurance policies on the rise

Supplementary long-term care insurance was another growth driver in the sector. However, the net increase in terms of both state-supported ("Pflege-Bahr“ private long term-care insurance with daily cash benefits) and unsubsidised supplementary long-term care insurance policies was approximately halved in 2017. According to estimates provided by Assekurata, one reason for this could be that many providers did not increase their premiums as part of the Second Act to Strengthen Long-term Care. The number of tax-privileged policies increased by 56,800 in 2017 (7.3 %) to around 834,000 contracts. The number of unsubsidised supplementary long-term care insurance policies rose by 56,100 (2.1 %) to 2.73 million. A recent survey undertaken by R+V-Versicherung shows that the topic of care is an important issue. Based on this survey, half of all German citizens are worried about needing long-term care in their old age.

Increase in private long-term care insurance policies

The percentage of Germans stating that they are very worried about needing long-term care in their old age



Source: Study of R+V Versicherung survey, 2018

Real estate

The real estate market in Germany enjoyed very positive growth, primarily due to the ongoing period of low interest rates observed in the last few years. Real estate became increasingly important both as an investment and for owner-use. According to the Wealth Barometer 2018, almost a third (31%) of German citizens believe that real estate is the most suitable form of capital accumulation.

Rising property prices

The price level of real estate presents a challenge. According to data published by the Association of German Pfandbrief Banks (vdp), the prices for freehold apartments have seen double-digit percentage rises, especially in the big cities. The survey indicates that Berlin heads the list, as apartments have increased by an average of 15.6%, followed by Frankfurt am Main (12.5%) and Hamburg (11.4%). Taking the average throughout Germany, purchasers would have had to pay around 7% more for freehold apartments at the end of 2017 than was the case one year previously.

High demand for micro-apartments in major cities

The rents for micro-apartments, such as those used by students, have increased by up to 67% over the last eight years, as highlighted in a recent survey by the German Institute for Economic Research (DIW). The increase was particularly pronounced in major cities such as Munich, Berlin, Heidelberg, Cologne and Frankfurt. The survey goes on to state that this can be attributed to the general influx into the cities and the resultant scramble for living space among students, young professionals, commuters and senior citizens.

Apartment construction remains on growth trajectory

The growing demand for apartments saw construction work increase in Germany in the reporting year. According to data published by the German Federal Statistical Office, around 233,100 new-build apartments were approved throughout Germany in the first nine months of 2018. This represented 3.2% or 7,200 apartments more than in the same period of the previous year. Above all, building licences for apartments in blocks saw an increase (+8.3%).

According to experts from the German Institute for Economic Research (DIW), however, the overall economic risks of the current property boom are still fairly low, as German banks are very risk-conscious in their lending policies, financing of property purchases is solid and private debt is low in Germany. Please refer to the chapter entitled → "Economic report on loans and mortgages" for further information on this.

Loans and mortgages

The mortgage lending rates in the last three years are the lowest seen for forty years. This is because the European Central Bank (ECB) has held the prime rate steady at 0% since March 2016, despite announcing an exit from the quantitative easing programme in the reporting period. Although the interest rates for 10-year property loans have risen slightly since their historic low in the autumn of 2016, they remain at a very low level.

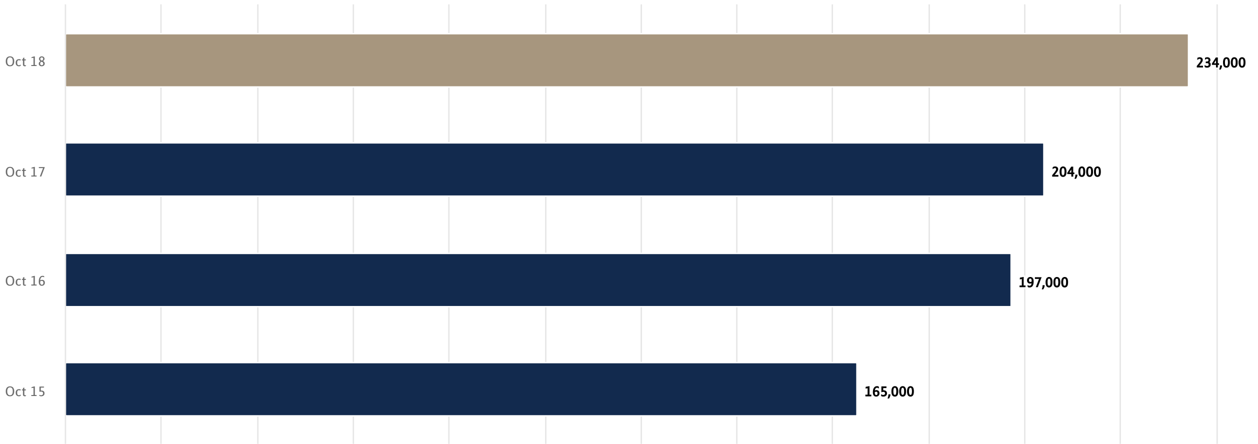
The loans issued to companies and self-employed persons in Germany increased significantly in the third quarter of 2018. According to data provided by the experts at Deutsche Bank Research, the lending business increased by € 15.2 billion or 1.2% between July and September 2018. Compared with the corresponding basis from the previous year, the increase was 5.4%. This kind of dynamic lending growth was last seen almost 20 years ago.

Level of property financing enjoys sharp increase

As a result of the low interest rates and increased property prices in Germany, the average amount borrowed by property purchasers to finance their own home or their investment rose sharply. According to data provided within the scope of the Dr Klein Trend Indicator for Mortgage Lending (DTB), the average mortgage in October 2018 was € 234,000 – and therefore € 30,000 or 14.7% higher than in the previous year. It has actually increased by around 42% overall in the last three years (see chart).

Mortgage amounts at record level

Average mortgage amount in €



Source: Dr. Klein Trend Indicator for Mortgage Lending (DTB

Average age of mortgage applicants lower

Borrowers taking on their first mortgage are becoming younger and younger. Indeed, the average age throughout Germany fell from 48 to 39 in the last ten years, as shown by research undertaken by Dr. Klein Privatkunden AG.

Family housing grant ("Baukindergeld") for home buyers

The German government introduced the "Baukindergeld" family housing grant scheme on September 18, 2018. The objective here is to help young families purchase or build their own home. Families whose total income is below the € 90,000 per year threshold and have one child qualify for this new scheme. This threshold is increased by € 15,000 per child. The state pays an annual grant of € 1,200 per child over a period of up to 10 years.

You can find more detailed information on this in the "Loans and mortgages" forecast.

Competition and regulation

The competitive situation in the German market for financial services did not change significantly for the MLP Group in 2018 compared to the previous year. The sector remains very heterogeneous and is characterised by consolidation trends. The providers include numerous financial service providers, single agents, banks, insurance companies and free finance brokers. However, the quality of consulting provided by these companies can vary quite markedly.

Start-up dynamics starting to wane at fintechs

In addition to this, competitive pressure is growing throughout the entire sector as a result of direct sales and fintechs. However, the start-up dynamics have waned significantly according to the "Comdirect FinTech Survey 2018". In 2018, only 42 newly founded companies had been established by the end of the 3rd quarter, compared with 96 in the entire previous year. The highest number recorded was 160 in 2015. Many German fintechs have now entered into cooperations with companies from the banking or insurance sectors. Based on a survey undertaken by PricewaterhouseCoopers (PwC), there are currently more than 850 such cooperations in place.

Regulatory requirements have increased

Over the last few years the legislator has exerted major influence on the market for financial services and therefore also on MLP's market by imposing regulations such as the Financial Instruments Directive II (MiFID II), the Insurance Distribution Directive (IDD), the 4th EU Money Laundering Directive, the Investor Protection Act, the Financial Investment Broker Act, the Fee-Based Investment Advice Act, the Life Insurance Reform Act (LVRG) and the EU Mortgage Credit Directive. The legislator's objective is to protect consumer interests and prevent both money laundering and financing of terrorist activities. Among other things, it sets out comprehensive further training, documentation, qualification and transparency requirements for brokers of financial products. These measures mean that the provision of consulting services takes longer, which in turn puts pressure on product margins. Regulations in the field of product development and selection (product governance), the introduction of product information sheets for packaged investment products, as well as further information, clarification and record-keeping requirements are increasing the complexity of the consultancy and brokerage business. Implementation of uniform and efficient consultancy, application and documentation processes now represents an important competitive factor in the sector.

Effects of the Life Insurance Reform Act (LVRG) on the test bench

Changes relevant for MLP already came into force in 2015 with the Life Insurance Reform Act (LVRG). The effects of these could also be felt in the reporting year. The paramount objective of the Life Insurance Reform Act (LVRG) was to secure stable and fair benefits for life insurance policyholders. This was checked by the Federal Ministry of Finance (BMF) within the scope of a regular evaluation as of January 1, 2018. The initial conclusions in the evaluation report are positive. However, the BMF still sees a need for further improvement with regard to the level of acquisition costs, determination of the actual costs, as well as profit and loss transfer agreements. Life insurers are still being expected to make further efforts to reduce their costs, despite the fact that the BMF is stipulating a reduction in acquisition commission and measures already implemented such as the extended cancellation liability periods have not yet taken full effect. Capping of acquisition commission is listed as a suitable action in the evaluation report – albeit without giving any specific details. The political discussion on this is ongoing. A draft bill of the German Federal Ministry of Finance (BMF) is anticipated around the spring of 2019 and will then be subjected to the parliamentary process. However, official introduction of any potential legislation is not expected before 2020. You can find more detailed information on this in the section → "Forecast on regulation".

MLP actually welcomes the requirement to disclose effective costs, as well as the fact that no flat-rate cap has yet been introduced for acquisition commissions. A drop in acquisition commissions was already observed throughout the market in both 2015 and 2016, indicating that margin pressure is increasing overall. This continues to primarily affect small providers and those with little focus on quality. MLP benefits from high-quality consulting in the target group which, among other things, leads to lower cancellation rates. Margin pressure can also be felt at MLP, albeit to a lesser extent thanks to the high-quality consulting on offer.

In June 2017, the German Bundestag passed the legislation on strengthening occupational pension provision in Germany (BRSG), which could provide positive stimulus for this segment. The BSRG legislation has also made occupational pension provision more attractive for small and medium-sized employers, as well as their employees. The key aspects of the legislation focus on a compulsory employer's contribution to new deferred compensation from January 1, 2019, as well as increasing the tax subsidy base from 4% to 8% of the income threshold and a direct state subsidy contribution for low earners. You can find more detailed information on this in the → "Forecast" section under regulation.

Legislation to strengthen occupational pension provision in Germany (BSRG) is having the desired effect

The Markets in Financial Instruments Directive II (MiFID II) was introduced on January 3, 2018. Alongside direct application of numerous new European provisions, this also harmonised existing national provisions with European law. The amendments of the MiFID II regulations have fundamental effects on the business model of securities service enterprises.

Greater transparency and better investor protection in focus

Existing processes were therefore reviewed in the reporting year and adapted to the new requirements, which proved quite costly in certain areas. This was particularly true of consultancy and product structures. In some cases, products had to be formally redeveloped and IT processes implemented to comply with the new provisions. This has led to and will continue to lead to significant implementation costs for MLP. Thanks to its position and the preparatory work undertaken, MLP was able to comply with the key requirements very effectively.

The German Bundesrat already formally approved transposition of the IDD into German law in 2017. The legislation then came into effect on February 23, 2018. It provides new rules for greater transparency and improved consumer protection in insurance sales. Implementation of the IDD also requires insurance brokers to attend 15 hours of further training each year. No major effects on MLP's business model are to be anticipated, as continuous further training of consultants has always been a key aspect of operations at MLP. Yet despite this, MLP – just like all other market members – had to implement comprehensive, process-based adjustments to comply with the IDD provisions.

New Insurance Distribution Directive (IDD) has come into force

As of August 1, 2018, the new law for introduction of a professional licencing scheme for commercial estate agents and residential property managers came into force on August 1, 2018. This will be the first time that property managers have had to comply with such professional licencing requirements. In addition to the existing licencing requirement already in place, estate agents must now also comply with a duty to attend further training. Starting in the reporting year, property managers and brokers must be able to prove that they have attended 20 hours of further training within the last three years.

Duty to attend further training for estate agents

The Investment Tax Reform Act (InvStRefG) came into force on January 1, 2018. Alongside the provisions under European law on equal treatment of domestic and foreign investment funds, its objective is primarily to simplify the taxation of mutual funds at investor level. This took effect for the first time at the start of 2019.

As was already the case in previous years, clarification of details regarding implementation of Basel III and IV in the European Union (EU) continued to occupy the banking world in Europe during the reporting year. As an institution with a banking licence, MLP Banking AG is also affected by this.

Stricter banking regulations in Europe

The second phase of transposing the 4th EU Money Laundering Directive into national legislation led to further key regulatory requirements for MLP in 2018.

As of May 25, 2018, the regulations for processing personal data have been harmonised throughout the EU and the data protection requirements for both private companies and public sector institutions significantly extended with the introduction of the General Data Protection Regulation (GDPR). This has led to a wide range of new requirements for MLP with regard to reporting processes, statements of accounts, protective measures, information disclosure requirements, process documentation, as well as a significantly extended sanctions regime in the event of infringements. The implementation costs, in particular those relating to IT, will also continue in 2019.

Regulatory environment remains challenging

The regulatory developments certainly represent a challenge overall. After all, the aforementioned combination of generally declining commission income per contract and increasing unit and administration costs – together with increased price sensitivity among clients – can also negatively impact the profitability of MLP's business model. Irrespective of this, MLP is very well-positioned in relative comparison with other market actors.

Demand for independent consulting services remains high

According to the latest sales channel survey conducted by corporate consultant Towers Watson, independent brokers were the second most important consulting sector in the industry in terms of life insurance policy sales. Their market share of brokered new business was 29.3%. Tied agents, which represent just one company, took 1st place with 32.5%, while the banks came in third with 28.4%.

The latest figures from Towers Watson indicate that independent consultants such as MLP also continue to play a key role in the brokerage of private health insurance policies. With a market share of 37%, they are the second most important consultant group after the tied agents (49%).