

ERGO: Ethical Crises of a German Insurance Giant

September 29, 2012. Dr. Torsten Oletzky, chairman of the Board of Management of Ergo Versicherungsgruppe AG,ⁱ admitted in an interview with the German newspaper Frankfurter Allgemeine Zeitung¹ that the insurance company's communication had not always looked good.²

The candid admission in that interview that one of Germany's leading insurance companies had made mistakes under pressure could be interpreted as a turning point for a scandal-hit company that had become associated with sex, sleaze, and secrets.³

An Insurer in Hot Water

The chairman's comments were in response to how the company had reacted to the fallout from what had become a very public and embarrassing controversy. It began with what is a common practice for financial institutions, to use incentive trips to motivate and reward their sales agents. This was the case for the Ergo-owned subsidiary Hamburg-Mannheimer International (HMI) when it launched its Party Total as the "Party of the Year". Top-performing sales agents – based on sales results between November 2006 and April 2007 – were promised two days of what was billed as "Power, Pool & Party in Budapest."⁴

In June 2007, the historic Gellert Baths in Budapest, Hungary, were transformed into a party location that included curtained canopy beds to host about 100 sales agents.⁵ Phones and cameras were strictly forbidden in the spa complex. What followed was described in media reports as an "orgy" and a "sex party."⁶ Sordid details leaked to the media claimed that women wore color-coded armbands, with red indicating hostesses and yellow indicating women available for sex.⁷ Women with white bands were reserved for executives and top performing agents. Reportedly, women received a stamp on the forearm for every sex act they performed.⁸ Witness accounts stated that limousines drove the sales agents back to their luxury hotel where they could take up the services of prostitutes.^{9,10} The cost of the trip totaled €83,000 (\$110,000), which was recorded as business expenses and offset against taxes.¹¹

i Ergo, part of Munich Re, is (as of publishing date) one of the major insurance groups in Germany and Europe. In 2012, Ergo recorded a premium income of over 18 billion euros.