

Interview with Henry Engelhardt



In March, the Review team met Henry Engelhardt, the Chief Executive of Admiral Insurance Services. He has been a headline-maker for some time, but particularly so with the flotation of Admiral in September 2004; a move which created personal wealth throughout the firm. Henry originates from Chicago, but found his way to Wales in 1991, as an inward investor when he first brought Admiral to Cardiff. He has an honours degree in Journalism, Radio and Film from the University of Michigan, and an MBA from INSEAD, Paris. Before moving to the insurance sector he worked in futures in Chicago and Paris, and had a brief spell as a management consultant with the Stanford Research Institute (SRI) in Croydon. He has a French wife, who is a lawyer, and they live with their family in Cardiff.

That Henry was destined for business success is evident not so much in what he achieved in early childhood, but more in what he observed and considered important. For example, he describes his first job in a hamburger/hotdog emporium called Poochies in a Chicago suburb; *'It was an interesting business - the owner only used the best ingredients and charged a premium, he hit a rich seam in the suburbs - housewives who wanted good quality but convenient food for their children so as not to feel guilty'*. The owner had a profitable business and expanded over a number of sites - the result of hard work and finding the right niche. Henry also worked as a caddy for the local country club. Several of his golfing 'clients' worked in futures (Chicago is a centre for futures trading) and he observed that they worked very hard until 3.00 pm when trading finished, and

then picked up their golf clubs. Henry's father was in the wholesale meat business, and working long hours, did not see that much of his son.

Steeped in commerce from an early age, and by now a graduate Henry moved to France on a temporary work permit. With this grounding, a subsequent period in Paris and a French wife, Henry is now nearly fluent in French. Following his year in Europe, Henry travelled around the Middle East and Israel.

The 1980s were difficult times economically, with rampant inflation and high unemployment. Henry found employment in the Chicago futures market as a 'runner' - the lowest position on the rung. He was also offered a job as a journalist at this time, but enjoyed the tension and excitement in the futures exchange. The futures market

had recently become deregulated, so from having fixed commissions regardless of the worth of a transaction, there were now much greater profit opportunities. Henry moved onto the phones, then through to general sales and marketing, and eventually became vice-president. He moved to Paris to start up a splinter business there, but working in one room and living in the next did not really suit him. In 1986, he tendered his resignation and used the momentary freedom to travel Asia for six months with his wife. The following year he joined INSEAD to study for a MBA.

Following a successful year at INSEAD, he came to the UK and worked as a management consultant for Stanford Research Institute in Croydon. Soon after, he took a job in financial services. He had to swallow his initial qualms of involvement in insurance, and accepted the challenge to set up a direct telephone response firm. Henry sees one of his strengths as marketing brands. He pioneered the name Churchill, and enjoyed two years at this firm before being head-hunted to manage a new direct response firm developing out of a Lloyd's managing agent.

Admiral, specialising in car insurance, was set up on January 2nd 1993, within Lloyd's, and was bought out in 1997 by a Bermudan reinsurance company. A period of uncertainty over the future of the firm ended in 1999 when Henry led a management buy-out (MBO), with support from Barclays Private Capital. Unusual was the fact that as part of the MBO arrangement Henry set up a Staff Trust such that employees had a direct equity stake in the firm. At the time of the firm going public in 2004, this Staff Trust was worth £56m from which 1,400 employees benefited financially at the time of the listing.

Admiral Insurance group has two main offices; one in Cardiff and one in Swansea, together employing around 1,700 people. They fall into the 'call and contact centre' category of employment that has been characterised as industrialised white collar work by some, but with whom the Assembly and the WDA have had an enduring love affair. So what is different about Admiral? Henry admits that expansion recently has included a site in Bangalore, and one in South Africa in response to difficulties in getting local staff to work during the evenings; having high staff attrition rates on those shifts.

In general though, and setting it apart

from other selected call centres, Admiral has a low and stable staff turnover. Much more importantly Admiral in Cardiff is a head office. This means there are plenty of other (sometimes highly paid) functions carried out in Capital Tower, interesting in themselves, but also offering important succession opportunities, from the rather formularised claim work to more complex insurance and underwriting work, as well as marketing, human resources, and pricing roles.

A 'people focus' is one characteristic that shines out of Henry Engelhardt, and this also must contribute to the 'difference' between Admiral and other call-centre firms – *'if people like what they do, they will do it better'*. His office, on the 22nd floor of Capital Tower commands a breathtaking view of the city in which he has made his home. The office is an unpretentious space and the shelves behind his desk are populated with an eclectic collection of business, humour and psychology books. Family photographs, birthday cards and a flip chart where new ideas are teased out and developed add to the personality of the office.

When we met him, Henry had just returned from London after receiving, on behalf of Admiral, a 2005 Sunday Times Award as the 20th best company in the UK for people management. Persuasive qualities include recognition of his approachability; he meets all new staff during their induction period, and he is happy to be addressed by his first name. He encourages social activities; the firm spent over £125,000 on social events in 2004. Over 80% of the staff are under 35, and they appreciate the chill-out rooms that are provided along

with radio and televisions on each of the floors. Having such a youthful employee age profile also explains why more than 1100 (over two thirds) of staff earn less than £15,000 per annum. On the other hand, and less typical for 'call and contact centre' firms in Wales, higher paid, senior jobs within the company are retained in Cardiff and Swansea.

We asked Henry how he came to choose Wales, when his business could have been located anywhere in the UK. The answer was interesting. He sent out enquiries to ten grant assisted areas including Leeds and Corby, and some areas that were closer to London but not development regions, such as Brighton. Only South Glamorgan County Council (as it was then) responded. They were investment hungry. Subsequently, the Welsh Development Agency put up £1m to support the firm's initial developments. Over the years that investment has reaped a good return with Admiral paying over £200m back to the local economy in wages alone.

The insurance sector has undergone considerable restructuring over the years. In the 1990s 10 companies held 50% of the total market share. Ten years later, just two firms hold 50%. The sector has experienced a period of rapid consolidation. The two key players are Norwich Union and Royal Bank of Scotland; the latter owning Churchill, Privilege, Tesco, Direct line and a host of other brands.

Admiral owes much of its success to shrewdly identifying particular niches within the insurance market – women, inner city drivers, younger males, higher risk motorists, and van drivers. The firm currently sells under six brands names;

Admiral, Confused.com, Diamond, Bell Direct, Elephant and Gladiator. Confused.com is a one-stop insurance shop with access to 94% of the market, and they are paid by other insurance providers on commission for every sale. Diamond provides car insurance for women, recognising that female driving patterns differ from men's; they drive shorter distances, accumulate lower annual mileage, and tend to drive more slowly. Elephant is a low-cost internet insurer, while Gladiator is a 'van intermediary'. All the Admiral brands show a quirky, clever understanding of marketing. The strong imagery of the distinctive Admiral hat and spy-glass, and its appearance at the beginning of the alphabet, are not accidents. Similarly, the elephant as the 'king of the jungle' and the Gladiator helmet logo both convey a sense of reliable leadership, and superiority, perhaps.

Henry estimates that there are about 24-25m risks in the UK private car insurance market. The Admiral Group's target market share is roughly 50% of the total (but they also write for the other half as well). With respect to the direct brands, they have just over 1m policy holders, representing a 4% market share. Hence, there remains huge potential expansion for the firm provided it can keep abreast of competitors. There is still a lot of scope to provide low cost insurance, and there is huge growth potential via the internet market in the UK and also to take that expansion outside the UK – Henry sees future growth in exports. However, the firm is careful and shies away from expansion at all costs, knowing that this might endanger parts of the business where Admiral excels.