

Arch Insurance International Pursuing Better Together Podcast: Peter Blanc

Arch Insurance International:

Hello and welcome to another episode in Arch's Pursuing Better Together podcast series. Today I have the pleasure of speaking to Peter Blanc, Executive Chairman of Howden UK and Ireland.

During his career, Peter has been involved in some of the most significant mergers and acquisitions in the broking sector in the UK and Ireland. He began his career in motor underwriting before switching to broking. In 2000 he led a management buyout of the UK commercial division of Farr, which became FMW Risk Services Limited and which he sold Oval in December 2007. In 2012, he became CEO of Oval until its eventual sale to Arthur J. Gallagher in April 2014.

In May 2015, Peter concluded a management buy in of Aston Scott, and then led the merger with Lark Group in 2017. As Group CEO, he grew the business to more than 1600 staff spanning over 60 offices and writing just over £1 billion of gross written premium and in April 2022, Aston Lark was acquired by Howden Group. Peter is also a past president of the Chartered Insurance Institute and former Chair of the Large Brokers Advisory board and BIBA.

Thank you very much for joining us today.

Peter Blanc:

Thanks, Nigel. Great to be here.

Arch Insurance International:

I wanted to start by looking at I suppose that rather fortuitous moment in your early career when you switched from underwriting to broking. I want to just ask you what it was that sparked that shift? And also, what has held your interest over the time you've been working in the broking industry?

Peter Blanc:

First of all, to actually land in underwriting was entirely fortuitous as well. Literally, I needed a summer job and the first office that I happened to knock on the door of was Legal & General, and it must have been a slow news day because the manager agreed to see me and he offered me a job a couple of hours later. But the reason I left underwriting and went into broking was I had probably the worst pep talk an 18-year-old could ever possibly have from their manager, when he sat me down and said, "Peter, I want to put you on a fast-track programme. If you work hard and do all your exams, by the time you're 40, you could be an inspector".

For him, this was the pinnacle of life's bounty. But for me, I wanted to move a little bit more quickly than that. So I started looking around and I managed to get a job with a broker and incredibly luckily for me, the broker I chose was a relatively small business. It only had, I think, 25 staff when I joined. And fortunately, in 2000, the owners of the business wanted to retire and there was an opportunity to a management buy in, and after that all the rest of my career has fundamentally been following my nose.

So that first lucky break in 2000 of doing the management buyout was a great start. But it continues to be a fantastic profession to be in.

Arch Insurance International:

The momentum that is very evident in your career is quite phenomenal. Are you still as motivated today, as you have been at past key points in your career?

Peter Blanc:

Absolutely. I think that with insurance, it's one of those amazing careers that when you start, I mean, in my early years, I was just on the road selling, so going out seeing clients and selling business. And then over time you get to the stage where you're then getting other people to go out and do the selling, you still maintain client relationships. And I'm really proud of the fact, I still look after a bunch of clients. And fortunately over time, the clients end up becoming your friends, so you end up spending a lot of time with your friends and it's efficiently work, which is great, which makes for quite amusement. And of course, you're then getting to enjoy the same things that you used to enjoy earlier in your career. You get to enjoy them vicariously through others. I've got a whole bunch of people that work for me now. And I look at them having all the fun and games that I used to have back in the day. So, it still gives me a kick every day.

Arch Insurance International:

Just continuing that theme of success, last year, as I mentioned in the introduction, saw Aston Lark become part of Howden and of course, this is one of the largest mergers in the UK broking sector. Before we get into the nitty gritty of that, I wanted to talk about Aston Lark itself because it's a company that has achieved incredible growth in what many would consider to be a relatively short space of time. I almost want to apologise for this question, but what do you put that down to because perhaps that could be a whole interview in itself?

Peter Blanc:

A combination of things. I have to say we've got to acknowledge that we were one of the huge winners from the pandemic, which sounds like a terrible thing to say but it's absolutely true.

We started off and actually the Aston Lark story was, it started off pretty slowly, when we bought Aston Scott. In the first year after buying Aston Scott, we only managed to pull off one acquisition, because we had a lot to sort out structurally to get the business fit for purpose. And the big part of that was actually getting the right team in place. So, taking on Stewart Rootham as group MD was absolutely transformational for the business, taking on Tim Holland as the CFO, again, transformational for the business.

Once we had the team in place, then we could press the accelerator and start going after the acquisitions. So, it was a private equity lead journey. It's funny looking back the original plan when we bought Aston Scott, it was a £5 million EBITDA business, and the grand plan was to get it to £12 million worth of EBITDA by 2026. As it was, I think we got to £70 million of EBITDA by 2021. So, it ended up accelerating a lot more quickly than I think any of us expected, and that acceleration was down to a couple of things. First of all, in 2020, there was a rumour going around that capital gains tax was going to be increased. And all of the brokers that we were talking to were suddenly slightly concerned that their nest egg was going to be dramatically diminished in size. If capital gains tax rates did increase. So that enabled us to really press the accelerator on some acquisitions in 2020. And then in 2021, of course, with the with the pandemic, it just physically enabled us to do so many more deals more quickly than before. Because if you can imagine broking is absolutely as we've said already, broking is a people business. And when you're talking to brokers that have built up their brokerage over many years, it's their pride and joy. Getting them to sell their pride and joy is a real challenge and pre-pandemic that used to take countless dinners, drinks, lunches, meetings, all of which takes a lot of time. If you're trying to buy a business even a couple of hours away, you know, each meeting would fundamentally be an entire day out of the office.

Everything took a long time. In the pandemic, once we switch to virtual, we were able to crunch through meetings galore, day after day, it was incredibly intense, but I took on five full time corporate finance M&A people. We expanded our integration team under Bethan Jones, we expanded the integration teams, I think we had about 20-25 integration people. So, we basically took the opportunity, resourced up and went for it. And it's been a phenomenal journey but I have to say, when I look back 55 acquisitions later, there's not a single one of those acquisitions that I wouldn't do again.

Arch Insurance International:

You mentioned the 55 acquisitions which is a phenomenal number of acquisitions. Could you perhaps give a few of the lessons that you've learned along the way?

Peter Blanc:

Well, my first lesson of M&A came about when I was on the other side of the table, of course, when I sold FMW in 2007. I was a 37-year-old guy at the time and selling a business for the first time. And the buyer Oval led by a lovely guy called Phillip Hodson, who is still a great friend of mine now. And I experienced what life was like on the other side of the table. And I have to say, I absolutely hated the first year after selling FMW to Oval, because it felt as though the Oval central management team were descending upon my baby and changing things. So, they descended on me and said, 'Right, Peter, we're going to start placing business here. We want all this business into a panel over there. We want to change your premium finance provider, we want to change your computer system, you can no longer make decisions about property. You can't do anything about this. You can't do anything about that'. And one by one, I just felt my world has been turned upside down, and I hated it. And I guess the lesson that taught me was, well, try not to do that to businesses that I buy in the future. So, I can't help myself because I have been on the other side of the table, when I'm meeting brokers, I kind of know what they're going to be scared about. I know what's not going to be nice, and, and I try to pre-warn them, because actually I think half the battle if somebody had sat me down prior to 2007, and really explained what the future was going to be like, as part of a bigger organisation, whether I'd agreed to sell or not is probably another matter, but had I agreed to sell at least it wouldn't have all come as a horrible surprise.

So, we try really hard during the actual M&A process. So right from the very first meeting with the broker, all the way through to concluding the acquisition, try to be incredibly honest about what the future holds, to make sure that they are a) forewarned and b) on board with it and aligned. If I say to you, Nigel, we're going to buy your business, and the second week after we buy your business, we're going to centralise finance. If you personally really enjoy looking after the finances of your business, then you're not going to like that. We then have to have that honest conversation. Is that going to work? Or is it not, and if it's not, it's far better to have that conversation upfront. Let's not buy your business, Nigel, if that's what you really want to do, let's not buy your business. Or if you do still want to sell your business, let's get our head around how it can actually work.

So, it's crunching through all of the sort of the potential challenging issues and just being really honest and open about them and having a proper conversation so that when you conclude the deal, everyone knows what to expect, everyone's on board with it. There is still undoubtedly there is always a bit of a grief curve as I call it. When you sell a business you go into the valley of despair pretty quickly, and but you hope to come out into the sunny uplands a few months later, and touch wood we've done a great job of making sure that all the acquisitions we buy, we deliver the sunny uplands to them hopefully in the not too distant future.

Arch Insurance International:

It's interesting Peter, you used a word which I think I would assume is very important in this process and this idea of alignment. Just touching upon Aston Lark and it becoming part of Howden, you said at the time of that merger, you had been looking or Aston Lark had been looking for its forever home and that it found that in Howden. Can you explain what made it such a strong fit?

Peter Blanc:

When you're running a private equity business, and this is true, there are still quite a few private equity backed consolidators in the market now, one thing is common amongst all of them, every single one of them will be sold, because that's how private equity works. They invest money, they grow a business, and then after 2,3,4 or five years, they then sell the business. So you are on a treadmill and you don't always know the destination of that treadmill. So as a manager in a business and you're responsible for a whole bunch of people and their careers and lives, it's quite an unnerving place to be, to actually find yourself at the mercy of a private equity firm that may then choose to sell you to somebody that you perhaps don't want to sell to.

I was very lucky. We were backed by Goldman Sachs and Beaumont Capital and they gave me pretty clear run to actually choose our next partner. And after meeting several parties, Howden stood out for one very, very clear reason that Howden's structure is its own. It's an employee-owned association, so the biggest group of shareholders in Howden is the staff. So, the business will never be sold, because the investors in the background will be recycled, but the business as Howden will carry on forever. So that gives us huge confidence in the future that you know that you can look everyone in the eye and say, this is where you're going to be working and this is why it's a great company. And the other part of the fit that just made it perfect for us was Aston Lark was fundamentally a mid-market broker focusing on everything from SME business up to corporate but we were never very strong at personal lines, and we were never very strong international global corporate business. So, joining Howden, they have got A-Plan. A-plan are the best personal lines broker in the market. And Howden are the best global corporate and international broker in the market. And we slotted literally straight in the middle, the kind of the meat in the sandwich if you like, and when we all rebrand in October this year, we will be the only full spectrum broker, the largest non-US broker in the world, and able to do everything from a private car policy in Tooting up to an international global corporate, which I think is a hugely exciting place to be.

Arch Insurance International:

Absolutely. Given the scale of the operation that we're talking about here, I know that obviously, this is a period of rapid expansion, but how can you resist ending up with what I think you've described in the past as that big company culture? And you've always said previously, that this was something that you very much wanted to avoid.

Peter Blanc:

You know what that will be, and it will continue to be probably our biggest challenge. But we will overcome it and I have great confidence in that. The first time I met David Howden, I said to him, 'Well, David, I'm a bit a bit reticent about joining forces, because I don't want to work for a big corporate', and he said, 'Oh, thank God, you said that, Peter, I don't want to work for a big corporate either'. And this is the guy with 10,000 staff at the time around the world. But it's a state of mind. You choose whether or not to be a big corporate. And it's, it's every little thing that you do. Do you choose to put systems and processes in place such that your staff have to get forms filled in in triplicate, in order to get something done? Do you put barriers to enable your staff to actually go and take on people invest and grow?

It's all about breaking down barriers, empowering people to get on with their jobs, and making sure that as a company, we get out of their way. Their job is to look after clients and our job is frankly, just to deliver the platform to enable them to do it. So yes, inevitably there are some big company stuff that you have to do. When you get to our scale, you have to have governance in place, you have to have financial rigour, you have to have IT security, so there are some things, but frankly, we can manage ourselves so that all of that stuff, the big corporate stuff gets done in the background.

The really important bit, as far as our staff are concerned is, can they look after their clients in the right way? Can they actually deliver products and services to their client? Are they going to be told that they can or can't go and see X, Y, and Z? Are we going to manage them day to day? No, we're not, we're absolutely going to empower them to get on with their jobs and look after clients in the very best way they can. And that runs through the culture of the whole business, making sure it's an empowered workplace.

Arch Insurance International:

One of the ongoing battles is that battle for talent that the insurance industry is currently experiencing. In your view, do you think there's enough being done to attract new and to retain existing talent and what more could be done to manage the workforce more effectively?

Peter Blanc:

I think, the short answer is clearly no, there has not been enough done to actually attract talent. And, it's all about the early career side of things. It's all about getting grads and getting school leavers into insurance. When I was growing up in insurance, I was very, very fortunate that even just in my first one year with Legal & General, every single Wednesday for the whole year with Legal & General was spent at Ipswich college doing Chartered Insurance Institute exams. Insurance companies were historically fantastic at training. And most brokers of my age will know that practically all of our peer group were kind of trained up by insurers. So, the way the market worked was that insurers would do all the training and then those that were of a broking mindset would leave the well-trained insurance environment and go into broking. And brokers, I think historically have always just relied on the large s of insurers to do their training for them. Well, of course, economically those days have gone, and brokers now have to absolutely step up and do the job. And it's something that I'm really proud of in Aston Lark, and I know we're rolling it out throughout the whole of Howden, we established last year a early careers programme in response to this talent shortage.

I'd go to offices around the country and ask the leader of each office, how are you doing on the staff front? Everyone will say, 'Well, God, we need an account handler. We need this. We need that. We're really short, we could do with another couple of account execs'. So, what are you doing about it? 'Well, the market around here is terrible. There's no one to buy. Everyone's locked in, we can't afford to take anybody on'. So, I'd ask what are you doing about training your own? 'Well, we haven't got time to train. We're so busy selling we're so busy looking after our clients, we haven't got time to train'. So, then it dawned on us actually, the answer is for us to take the training bit in house. So, we now have quarterly cohorts of grads and new joiners. We put them up in the very glamorous Holiday Inn in Maidstone for eight weeks where they come out of the eight weeks with the foundation insurance qualification, Cert CII, which really appeals I have to say to school leavers and to grads that they get paid to do an eight-week training course, after which they have the basic insurance qualification. And we then place them into our offices. The theory being that by the time we place them into our offices, they are helpful from day one, they're not complete and utter

novices, where we have to literally sit them down and say, right, what is insurance, they can be helpful from day one.

So, we're expecting to take on 80 grads this year alone. And if we roll it out across Howden, we will be talking about taking on hundreds of staff. And I would encourage any brokers of scale that can afford to do it, that's the answer. Yes, of course, we want to retain talent but equally, there's a work life balance here that people when they get to their mid to late 50s, 60s, if they've done reasonably well, financially, they actually want to retire. So, we want to keep them in the business but we want to keep them in mentoring roles and helpful training roles. The future is taking on the grads and the trainees and having a process whereby we can create our stars of the future in house.

Arch Insurance International:

I think there's a bit of a call to arms to the industry to start devoting and investing more in training and development. I wanted to perhaps bring the focus of our discussion on to this theme today of pursuing better together, which I think aligns quite nicely with what we're talking about. Are you seeing evidence of this sort of, I suppose collective effort by the broking community to raise the industry bar, not just on the talent front, but just across the board, really. Enhancing for example, its level of client service and things like that.

Peter Blanc:

I think there's always a danger and I think we are all guilty of it, that in a broking environment, you are driven by your client's needs. And right now, particularly in the tough economic environment that we're in and the tough insurance market that we're in, it's kind of all hands to the pump a lot of the time and that's probably the biggest concern that we all spend so much time working in our business that we forget to spend enough time to work on our business. We are just so focused on next month renewals and the month after those renewals and making sure that we keep those clients and, winning this piece of new business that we forget to actually invest and take the time to look at how we're going to improve for the future.

I think that's always been a challenge. And it continues to be a challenge. And it's up to us to change it and actually make sure we do set enough time to actually work out how we're going to make things better. Because there is innovation in the sector but a lot of the innovation is in the very small companies, in the small start-ups and the insurtechs and, and they lack the scale to really make those innovations stand for something in the sector. So, I think there's a real challenge. And I wouldn't say we're good enough at it at the moment.

Arch Insurance International:

Continuing that idea of collaboration, I wanted to turn the focus to the insurer broker relationship itself and how you go about strengthening that relationship. I think perhaps, particularly at a time at which digitisation, we're seeing that increasing within the underwriting and broking ecosystem, just how critical is it to maintain and to be constantly looking at ways to strengthen that insurance broker relationship?

Peter Blanc:

There's no doubt at all, Nigel, that during the pandemic there were some real challenges because underwriters were working remotely and as a profession, we were really missing that human touch between brokers and underwriters. It manifested itself in things like, as a broker when you have of a challenging risk, you would typically package it up with four or five less challenging risks and you'd go and have a conversation with a friendly underwriter and you'd talk about this whole portfolio, you say, right, I've got these five risks coming up, this one I accept is a slightly challenging one, but

these other four are fantastic. How about we look at all five together and see whether we can work out a plan for them.

And that was how an awful lot of broking got done. Now, in the pandemic, remotely, it's so easy for an underwriter to just cross off the one that was slightly challenging, and just focus on the four attractive ones. And I think we're now getting back to a new normal where that broker insurer relationship is starting to get back on track, but it was undoubtedly, I would say it was probably the most challenging period was just that brief interlude where brokers and insurers were not meeting together and were not having that meeting of minds. Because it's just vital, we have to be having proper face to face conversations with insurers on a regular basis to talk about pipelining to talk about the opportunities so that we can actually achieve that pooling of risk, which is fundamental to insurance.

If I could paint a picture of the perfect underwriter from a broker's perspective, the perfect underwriter is one who picks up the phone instantly, responds rapidly, every time we submit an inquiry, they're on the phone to us five minutes later, checking whether it's one that they really want to move, whether it's one that we can work together on, and then working together quickly to come up with a package to suit the client's needs. From a broker's perspective, you just want rapid response, highly professional service, quick turnaround, and a can-do attitude. I don't think that has changed at all that, and that still exists in spades across the sector. It's funny, when I look around our business, we've got 180 odd branches across the UK and Ireland, and individuals still have their key relationships their carriers. So much as we might have, we might have a great relationship at head office level with a given insurance company, if I go to Caterham or Croydon, Caterham may have a great relationship with the local underwriter from one of those insurance companies, and might have no relationship at all with another underwriter from another insurance company, and actually getting those relationships established at a local level, it's just vital.

Arch Insurance International:

The need for that consistency, consistency of culture, consistency of approach across an insurance company, so that, as you say, when you're dealing with an underwriter from an organisation, in Bristol, or in Birmingham, or in Aberdeen, or whatever it happens to be, you know that you're dealing with an underwriter from this organisation, because they almost personified the culture of the organisation, there's a consistency of approach that you're seeing there. Is that important?

Peter Blanc:

Oh, absolutely. In the same way, as I would hope and expect that any client phoning any of our offices gets a fantastic service from whoever actually picked up the phone. That is the nirvana for an insurance company. If they can actually deliver that consistent high level of service to our brokers around the country, they will grow a great account with us. It sounds crazy, but it really it's a relatively low bar, in my view. You just have to be responsive, prompt, and have a can-do-attitude, and be trying to find solutions for every client. As long as you do that, then that's all we can ever ask for as a broker.

Arch Insurance International:

Yes, yes, absolutely. And on our theme of pursuing better together, I wanted to just get a sense of what this concept means to you personally.

Peter Blanc:

For me, it's all about what do our clients actually want. In a way, it's kind of irrelevant what we as brokers think or what or you as an insurer thinks, what our clients actually want? We're facing into a

really interesting and to my mind fantastic opportunity at the moment where we have clients looking to be serviced digitally in some respects, but actually looking for old fashioned service in other respects. Most clients just want to know they can trust their insurer, they want to know they can trust the products that they buy and I think as a profession, if we can deliver on that trust promise, then we've got a fantastic future. It's just all about how we can collectively work together to actually find out what our clients really want and need, and then deliver and then make sure we are 100% trustworthy on that delivery. It's all about what our clients want.

Arch Insurance International:

Absolutely. Well, Peter, I think it's fair to say that during this conversation, we have covered a lot of market ground. For our listeners, I hope that there is a lot from this conversation that they're able to take away. At this point, the only thing left for me to say is a huge thank you from Arch for participating in our podcast today.

Peter Blanc:

Thanks, Nigel. It's been great fun.