



## Risky Business: How Admiral Captured the U.K. Car Insurance Market

**Twenty years ago, Henry Engelhardt (MBA '88J) turned car insurance on its ear by taking on maverick customers and aggregating the product. Today he owns the U.K. market**

Most executives prefer to minimise risk. So it seems ironic that the Admiral Group would spend so much of its time looking for “underserved” motorists: typically city-dwelling young men with fancier-than-average cars. But this is the segment with the least competition and the most rewards. Serving it can make or break an insurance company, depending on how it operates.

“We have learned it is a harder group to price and to work with – they chop and change more often, they have more claims, they go backpacking in Australia more frequently but we’ve proven that we can manage that business,” Admiral founder and CEO, Henry Engelhardt, told INSEAD Knowledge in an interview on the Fontainebleau campus recently.

When Admiral launched in the U.K. market in 1993 from its headquarters in Wales, car insurance was a stodgy and formal affair, with sales agents sitting across the desk from customers and pointing out benefits in a binder. Engelhardt’s staff sold over the telephone, a relatively novel approach back then that allowed Admiral to hold costs down and streamline – if not accelerate – sales. They eliminated the middle man and conducted their own marketing. And they innovated rapidly, shifting from telephone to internet sales and onto price comparison sites.

“We’ve been constantly at the vanguard of change in the U.K. market and the margin comes from selecting and pricing risks better, handling claims more efficiently and running the whole business more efficiently,” says Engelhardt.

### Phenomenal Growth

Efficiency and the desire to engage risk have pumped billions into Admiral’s coffers, allowing the insurer to introduce other brands and expand rapidly in the market. In 2012, Admiral posted record pre-tax profit, up 15 percent to £345 million. Annual turnover is now £2.2 billion, a staggering sum after just 20 years in business. “From nothing on January 2<sup>nd</sup> 1993, we now make around £1 million a day,” he boasts.

The Admiral Group listed on the London Stock Exchange in 2004 and is a constituent of the FTSE 100 Index. The IPO valued the company at £711 million. Today, its market capitalisation is nearly £3.2 billion, making it the largest corporation in Wales by stock value.

According to Engelhardt, a great deal of the group’s success comes from staying focused on core business. “We think about car insurance 24/7,” he reveals. “We’re very dull at cocktail parties, but we’re pretty good at car insurance. So that focus has

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done us very well.” Management training is an on-going affair in which even executives participate. “What we learned about our business by going through training and getting on the phones to our customers was amazing. That’s really key – to stay close to the business.”

### **Fun and Games on Company Time**

To pep-up employee morale, Admiral has a roving Minister of Fun (MOF), armed with a budget, who organises games and recreation to take the edge off tedious work. “We’ve had the Indoor Olympics and Pancake Races and Egg Roulette and so on,” Engelhardt says with a smile.

“We have four simple pillars of our culture: Communication, equality, reward and fun, and those things really do hold the culture up,” he explains. “And it’s a very, very strong culture and it’s throughout the group.” That culture has made Admiral one of the best companies to work for in Europe, according to the Great Place to Work Institute.

Another programme that has been instrumental in boosting morale and productivity is Admiral’s free share plan, an annual bonus that allows employees to share in company profits. Every worker receives up to £3,000 of free shares in Admiral stock each year, giving them a real, vested interest in corporate results.

The free share plan not only gives workers an added incentive to work harder, but to think more in the interests of the company. Engelhardt points out that the plan also helps employees scrutinise claims more closely. “Everybody at Admiral is a shareholder – that’s very important when the claims team is going to settle a case, they make sure that we’re not over-paying, or paying where we shouldn’t really be paying at all. The potential for fraud is a big aspect of the business.”

### **Troubling trends**

Claims for personal injury have skyrocketed in the U.K. The Association of British Insurers reports that claims for whiplash injury alone in 2012 amounted to £2 billion, or £90 per insurance premium. Industry leaders point to a runaway trend in the U.K. for whiplash claims following most automobile accidents. The British Automobile Association suggests questionable personal injury claims are partly to blame for a nearly-100 percent increase in comprehensive policies over the past four years.

The Admiral Group now has operations in Spain, Italy, France and the U.S. It has 5,000 employees and over 3.3 million customers. The group continues to expand.

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In 2006, Engelhardt joined fellow INSEAD alumni David Stevens and Peter Marissen in setting up the INSEAD Admiral Scholarship for students with high academic achievements and those who demonstrate financial need. Engelhardt also actively recruits from INSEAD. “We’ve got 17 INSEAD graduates working for us now. Most of them are running businesses somewhere in our little empire and it’s a combination of – ‘they’re bright, they’re creative, they’re ambitious and they’re nice people to work with.’”

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