

Business

The Sunday Interview David Howden

'Insurance is the engine oil or battery in the Tesla'

The boss of broker Howden Group is keen to make the case for his industry being a force for good, he tells *Michael O'Dwyer*

Insurance is a subject that elicits enthusiasm from few entrepreneurs but you wouldn't know it from speaking to David Howden.

The chief executive of Howden Group, a British insurance broker that he built from scratch in the mid-Nineties, is Tigger-like as he makes the case for the sector as a force for good.

"I used to say insurance is the oil in the engine. I probably now say it's the battery in the Tesla," he says, his dark, floppy hair almost bouncing as he speaks. "If you think about it, there are many, many industries that would not have grown up unless insurance had been there to facilitate that development."

Insurance bosses readily admit that the industry's reputation has been tarnished by the furore over their refusal to pay out on most business interruption policies during the pandemic. The High Court ruled against insurers on several sample contract wordings in a legal battle with the City regulator, which looks set to reach the Supreme Court.

Howden's broking business makes its money by acting as an intermediary between companies and individuals buying insurance and the insurers that underwrite the risk.

Did the industry gain an unfair reputation in the past six months by refusing payouts to businesses fighting for survival? "Of course it did," Howden says. "We're going to pay out over \$100bn (£77bn) probably in claims [as an industry, worldwide, across all insurance types]."

"I'm not saying that we have not got lessons to be learned. I've always said I'm not a big believer in small print. I

think the policies need to be very, very clear. Brokers [and] insurers need to be very clear about what clients have covered. And if we let ourselves down, then shame on us."

At least three *Harry Potter* books adorn the shelves behind Howden, 56, as he speaks from his home on Cornbury estate in Oxfordshire. The site, where he farms cattle, pigs and sheep, hosts a British eventing tournament and Wilderness, the annual music festival favoured by Mark Carney, the former Bank of England governor. But he says the *Lord of the Rings* books are his favourite: "I love that sort of world of adventure and fantasy ... a bit of escapism."

From escapism to escapology. To mark his company's 25th anniversary last year, Howden completed a swim to San Francisco from the island of Alcatraz, known for its prison.

"It's only 2.5km, but it's very choppy and very strong tides so a lot of people just get swept away," he says.

Tales that the area is a breeding ground for great white sharks helped focus his mind, he adds.

The pandemic has kept him closer to home this year. That is just as well as it has been a busy few months for Howden Group, which he launched in 1994 with "three people and a dog" and has since expanded into 40 countries.

The firm rebranded as Howden Group Holdings last week after more than two decades as Hyperion, a name chosen for rather unglamorous reasons after the launch of DUAL, its underwriting division.

"Our logo in those days was an 'H' and a 'P' because the old company was Howden Pangborn," explains



David Howden, chief executive of Howden Group, lives on the Cornbury estate in Oxfordshire – which also hosts the Wilderness music festival

CV

- ◆ Age: 56
- ◆ Education: took A-levels before working in insurance
- ◆ Family: wife (Fiona), and three daughters aged between 13 and 21
- ◆ Big break: starting what is now Howden Group Holdings in 1994

Howden. "I couldn't spend any new money on a new logo." And so the company became known as Hyperion for 22 years.

Things have improved since then and the company struck a £700m deal in September to take over rival broker A-Plan, the latest in a string of broker tie-ups. The transaction, due to complete next year once regulators approve it, will create the UK's third largest broker when Aon and Willis Towers Watson consummate their own \$30bn merger.

The enlarged company is expected

to manage £4bn of insurance premiums and have annual revenue of about £1bn.

Buying A-Plan and its 100 high street sites seems an odd move as the pandemic has accelerated digitisation.

Howden Group itself has a digital business, HX, and many firms see bricks-and-mortar stores as defunct now that consumers can quickly choose policies on their phones or computers. Lloyd's of London is also pushing for more commercial policies to be negotiated and sold online.

The pandemic gave insurers "a kick up the backside to get into the 21st century" but Howden is convinced that expert advice sets the best brokers apart. This is true both in the City of London and in towns across the UK, he says.

"We're investing in the high street when others are running from it and the stats are that we're growing faster than our competitors," he adds.

The argument against relying solely on tech applies when selling to ordinary consumers, just as it does for multinational companies with complex risks around finance, aviation or

Facts

40

Countries

Howden Group has expanded into since 1994

700

Value of its deal (in £m) for rival broker A-Plan

£1bn

Expected annual revenue of the enlarged firm

satellites, he argues. "If you think that's true in Yeovil and Wantage ... I'm absolutely convinced it's true in London. Last week, I was in the office and many large clients want to come.

"They want to sit face to face and want to understand what their risks are. You're going to lose all that if you go to a totally remote thing."

Some see the recent realisation that the industry can function entirely remotely as a threat to London's status as a global insurance hub.

Howden, who moved straight into insurance when he left school, rejects this view. He believes that the wealth of talent built up in the London market over centuries will ensure it retains its supremacy.

"London is still the centre. It's not Frankfurt. It's not New York. It's not Paris. It's London. I remember when money first went to Bermuda and people said 'oh, the London market's not going to survive this because all the capital is in Bermuda,'" he says.

"That's not true because only a certain number of people are prepared to wear shorts and long socks. It's the people that create the expertise."

His attachment to the British insurance sector is rooted in his ancestry. Broker Alexander Howden was founded by his ancestors but when David got his first job at the firm in 1980, there had been no connection to his family since 1915.

His deep roots in the industry may go some way to explaining his sense of duty towards the businesses that rely on a thriving financial sector. "If the City dies, it isn't just actually a load of insurance people or bankers or fund managers. There's hairdressers, there's coffee shops, there's greasy spoons and there's pubs," he says.

The UK's severing of ties with the EU at the end of the year is another challenge for the City. Howden says the upheaval poses no operational challenges as his firm already has European licences but he is personally disappointed that it has come to this.

"I think it's very sad ... I wouldn't have built a global business if I didn't believe in globalisation," he says.

Despite the challenges, Howden Group has just secured major new funding from Hg, a private equity firm, giving it an enterprise value of about \$5bn. It already has two other minority backers: General Atlantic, a private firm that founded in 2013, and CDPQ, a Canadian pension fund.

Howden Group claims to be the UK's fifth-largest employee-owned business. Its founder favours giving external investors only minority stakes. The end goal is not to float the business on the stock exchange.

"It hasn't been on the agenda for a long time now and I can't see it really happening," he says.

"Private company money and [being] able to have investors for the long term is probably here to stay."

The company will not be swept up by its larger competitors if the trend of broker consolidation continues, Howden insists.

"There is a clause in the shareholders' contract that forbids the company being sold to our competitors anyway so it's not possible.

"We're not for sale, never will be. We haven't built it for the last quarter century to sell it out to someone else."