



Unlocking value in Europe's insurance brokerage sector... A triptych technology playbook

Executive Summary

In the following review, we provide key insights on how Hg has developed a technology-focused playbook to scale up three insurance brokers, each at different stages of their journey, in the UK and continental Europe. We begin with the global group, Howden, following its acquisition of UK broker, A-Plan, in 2021, followed by GGW, which has grown to become one of Germany's largest brokers, and finally Group Induver, a younger platform with aspirations to become a major player in Belgium.

While all three companies are following their own, distinctive growth acquisition strategies, they are, in principal, satellites in a similar orbit: namely Europe's highly fragmented insurance brokerage sector, within which we see significant strategic M&A opportunities.

Howden's acquisition of A-Plan ('Howden UK'), and the recent roll out of an AI co-pilot, serves to illustrate how much potential there is to drive productivity and revenue growth in what has, traditionally, been a very slow market when it comes to technology adoption.

GGW is, likewise, well positioned to benefit from data transformation. It has made a number of acquisitions across Germany over the last four years, giving the group a rich data lake both for financial as well as customer information. Moreover, its focus on using technology to drive best practices across the group is helping to retain talent, and improve product cross-selling.

Group Induver represents the most recent investment and is further evidence of how important we see scalable opportunities, with the right long-term partners, going forward. The Belgium-based group, is already enjoying revenue growth, having completed a number of strategic acquisitions. There is a big emphasis on building a strong culture with regional brokers, and a recognition that technology can play a pivotal role in helping them play a part in Induver's growth story.



HOWDEN

The UK pioneer

Hg's ownership of A-Plan, a UK insurance broker, represents our first investment thesis for insurance distribution. The investment was made at the end of 2014. Now Howden UK, the firm has become part of a global group, with data transformation having played a key role.

Insurance broking sits at the front end of the value chain, where agents arrange and manage policies for customers from a wide network of insurance underwriters. The broker controls the customer engagement. In the UK, it is an industry that remains largely inchoate, from a technology perspective, with agents primarily relying on manual processing.

Despite this, insurance is a complex, data-heavy industry, where risks have to be evaluated and codified into legal policy documents for a myriad of reasons, from insuring homes to classic cars. This leads to two central interactions between broker and customer: firstly, when buying the policy and secondly, when making a claim.

This makes for a strange dichotomy: a data-heavy customer-focused business, yet also a technologically limited one.

Consequently, a key aspect to rolling out a successful technology transformation at A-Plan was getting buy-in from senior management. Carl Shuker was only the second CEO since Tom Duggan and David Saville established the business in 1963. But he knew the importance of utilising technology to streamline things and drive efficiency. We were pushing on an open door. With Max Carruthers brought in as chairman of the group, the stars aligned to oversee A-Plan's transformation.

What followed was a 2-step process

Step 1: Re-platform the business

Our data team, led by Chris Kindt, first focused their efforts on re-platforming the business. This involved migrating A-Plan on to a more modern software platform, Applied Epic. All of its customer data was essentially atomised, sitting in servers across its UK regional offices. The re-platforming step then allowed for the formation of a data lake, for data normalisation and interpretation.

All of this customer data was brought to the front of the business, giving A-Plan's senior management a single, consolidated, firm-wide view to better understand metrics such as: How many policies do we sell per week? Who's been selling? What kind of policies are they? What margin are we making?

Having modernized the core software, the next phase involved Hg's data team utilising all of A-Plan's static historic data to build a series of dynamic dashboards for each branch. Thereby giving them a clear overview of their book of business across different customer segments.

Step 2: Apply predictive modeling

With the data lake in place, a machine learning solution could then be applied to identify signals in the static data. The subsequent predictive models allowed the team to understand different scenarios: i.e. certain types of customers most likely to certain products at certain times of the day, month, year; certain customer profiles more likely to buy multiple insurance policies (older, wealthier customers). This gave rise to important data trends, providing A-Plan's customer service teams with a more dynamic understanding of the business. What followed was a deeper awareness of how to further help A-Plan's customers, and by extension, drive top-line revenue.

A-Plan was subsequently sold to Howden four years ago, who regarded A-Plan's technology platform as among the most sophisticated in the UK insurance market. The acquisition created the UK's fifth largest employee-owned business.

But there was more to this playbook. In 2021, we invested in Howden to continue the strategic relationship we had forged with A-Plan and allow the data team to leverage Hg's generative AI capabilities.

Using AI to accelerate cross-selling

Nine months ago, Amr Ellabban and the data team analysed Howden's workflows, across its 120 UK offices. By leveraging Hg's expertise integrating AI with business workflows, the team constructed and rolled out a customized AI co-pilot, which links directly to Howden UK's consumer interface software.

Rather than the customer service agent conducting manual tasks, the AI listens in on the conversation, automatically picking out relevant words i.e. a customer's postcode, a car registration number. During the call, the AI automatically provides prompts to the agent to help the conversation, and, based on the customer profile, determine whether to recommend cross-selling additional products.

The early results of this AI co-pilot are promising. By removing the burden of manually updating policy documents and searching for customer details, the agent is able to focus their attention squarely on the customer, leading to shorter, better quality phone calls and fewer call backs.

With Howden's agents having 20% more time during the day to sell insurance, the business ecosystem is experiencing revenue benefits, as a result of having more information on Howden's customers, as well as significant cost benefits.

Although still early days, this AI-led offensive element of our playbook was only possible because of the data transformation work completed years prior.

The German networker

Hg invested in GGW Group as a majority owner when it was first established in 2020. GGW has grown rapidly by attracting entrepreneurial, independent brokers that form a powerful group.

The original core of GGW group was founded by Tobias Warweg, a former executive at HDI Global, a large German insurer. Cognisant that Germany's network of small, independent regional brokers was ripe for strategic M&A opportunities, Tobias sought the help of Hg.

The timing was right. We were looking to replicate the A-Plan playbook in continental Europe. With Tobias's extensive network and local expertise, we saw a clear path to build a coherent group of shared synergies, where every broker would be able to leverage institutional-quality technology and benefit from best practices by becoming part of a wider platform.

GGW's growth story has unfolded rapidly over the last four years, with the group having acquired various owner-managed brokers and expanded its footprint into Switzerland, Austria, the Nordics, the Netherlands and France. It is now one of the largest broker in Germany for small and medium-sized enterprises ("Mittelstand").

Identifying the right partner is, therefore, a crucial aspect to developing a successful playbook for Europe's insurance brokerage space.

Framing the challenge

When looking to execute a strategic M&A playbook in a highly fragmented market like Germany, the main challenge is how to ensure there is strong cohesion and harmony across the group. This rests on every independent broker being made to feel part of something bigger and more exciting. Under Tobias's guidance, this has not been merely for the sake of it; it has been a commitment to fully realising the collective synergies of all who join the GGW platform.

The statistics are supportive of this. There has been a 100% retention of managing partners and core producers, by virtue of fostering the right culture of inclusivity and growth. For each post-acquisition, we have seen, on average, a 14% improvement in EBITDA.

For insurance carriers, working with a bigger point of contact has its advantages, in terms of time efficiencies, relationship management, as well as being able to better serve customers by liaising with specialised advisors within the group. The emphasis on building broker cohesion within GGW has also led to a greater realisation of cost synergies and commission synergies.

Building advisory clusters

The GGW playbook has involved a high degree of human orchestration so that all parties can work in symphony to deliver a best-in-class solution. To achieve this, GGW has built clusters of specialist advisors in various fields; for example, real estate insurance, medical device manufacturers' insurance. Every acquisition has needed to make coherent sense. For real estate, there is a strong cluster in the north of Germany, around Hamburg. For manufacturing and industry, there is a strong cluster in the south around Stuttgart, which has a high concentration of Mittelstand businesses.

Data transparency

Data transparency is integral to delivering the transparency needed for GGW's brokers to know who to contact when handling specific business enquiries... if there is a requirement for a real estate policy in Cologne, which broker is best suited? This further reinforces cohesion as brokers don't feel as though they are operating in isolation.

Even though there are separate clusters, everything sits within a single firm-wide data layer.

This required building a data lake for financial information; no small challenge when acquiring many different entities and working to achieve a comprehensive overview of EBITDA, operating costs etc. We also built a second data lake on customer-led information, which had similar associated challenges (i.e. different CRM systems).

The outcomes have been positive. Organic growth has accelerated because of improved cross-selling among different clusters, while GGW's margins are best-in-class as a result of the cost and commission synergies mentioned previously.

The Hg team has done a lot of work on the HR side with GGW, in terms of hiring talent and measuring performance. This has further contributed to a strong growth culture by sharing best practices among brokers.





induver

The Belgian disruptor

Group Induver is Hg's most recent partnership and aims to develop a long-term platform for Belgium and the wider region. This will involve utilising Hg's technology capabilities to scale up through strategic M&A. Induver stands for "industrial insurance" and has been run by Belgian broker families for multiple generations. Entrepreneurship is a hallmark of Induver and the businesses it counts as customers.

The opportunity to partner with Induver was down to the strength of Hg's track record in insurance as well as working with other successful entrepreneurs in the region. Our relationship with Induver's founders has been cultivated over the years.

As the market began to consolidate, Induver's family owners felt that the time was right to look for a partner, who could support them in retaining their position and becoming a platform for other high-quality brokers to join. Hg had spent many years understanding their business and building a thesis around the best potential acquisitions, if the opportunity to invest were to arise. We knew they were running a very good and highly referenced business.

Having already built a clear understanding of Induver's growth potential, we felt we had planned any future partnership well. When the opportunity to invest came about, we were able to act quickly and hit the ground running.

There was no warm-up phase. Making agility another important feature of our insurance-led playbook for Europe.

Although we have only been invested in the business six months, as a result of strategic M&A opportunities, we've seen Induver's EBITDA grow by more than 50%. Induver will seek out similar-sized brokers with strong reputation and entrepreneurial spirit to strengthen key parts of the group. Culture fit, cohesion and quality will be key.

Scaling with technology

Independent brokers are facing increasing pressures, including compliance responsibilities, HR and IT challenges, which in turn are placing greater demands for technology. This is a cost hurdle for small brokers. With Hg supporting Group Induver, however, they see the virtue of becoming part of a high quality platform, where they can join forces with similar brokers facing the same challenges, and feel part of a bigger entity. Reducing the operational burden can be an effective way to create happy, motivated staff, which can lead to better customer services, and ultimately burnish the brokers' reputation within the wider group.

The dynamic culture being created at Induver is one that people are proud to be part of. They aren't losing their identity.

A data-driven experience

At Group Induver, the Hg data team supports the CIO and Process Manager to drive automation with AI, to minimise administrative tasks such that brokers can focus as much as possible on their customers.

Currently, there are two concrete areas where solutions are being tested:

- (i) **Finance reporting:** leveraging AI to support the processing of monthly statements for more than 50 insurers so that the company has results as quickly as possible after month end; helping them to steer the business more proactively. It also reduces manual faults and helps to find mistakes in insurers' statements.
- (ii) **Policy processing:** helping to create an inventory of policies through automating reading and summarising of the policies of a customer. This facilitates comparisons to optimise a client's solution and drive cross-sell.

Moreover, we are working together to enhance Group Induver's data warehouse to include acquisitions. This will give them the ability to track customer evolution and key KPIs such as churn while allowing them to forecast financials in a more granular way. Looking forward, this can help to identify areas for proactive cross-sell as well as churn prediction.

Final thoughts

In all three examples, we illustrate the different approaches taking place across the UK and Europe. Traditionally a technology laggard, the customer-centric model and complex data that characterises insurance distribution means that it offers a wide scope of possibilities to build scalable businesses. Doing so requires a playbook that recognises the importance of one's network, synergies and cohesion among brokers, receptive management to technological change, and a focus on creating a deep uniform data layer, upon which everything rests.