



Premium finance – there is a better way.

Henshalls and Tactica Premium Finance: A broker Case Study



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Premium finance –

How Henshalls discovered a much better way.

'I always thought that there was a better way to do premium finance,' says Mark Freeman, finance director of Shropshire-based Henshalls Insurance. 'In the past we have tried to develop premium finance as a revenue stream – in fact we had quite a successful income stream from personal lines at one stage, but it always took a big effort from us. We used the usual third party suppliers to manage the process, but I always felt we could do it better - we have excellent administrative skills in-house, but as we aren't money lenders, the difficulty was being able to get a line of credit for the financing.'

Then Henshalls met Tactica and the premium finance model proposed provided exactly what Mark was looking for.

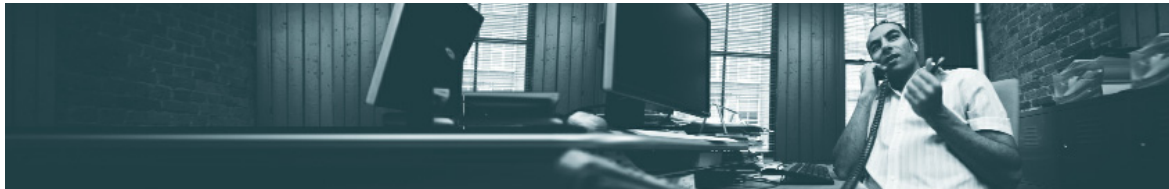
Avoiding risk and duplication

Henshalls Insurance was set up in 1967 by John Henshall, with a single desk in the corner of a car dealership. A period of rapid expansion followed in the 1980s and 1990s and this culminated in a management buy-out in 1999, by the then four directors, with two further shareholders joining the company in 2008. The company, which is a member of the Willis broker network, has very much developed as a high street 'community' broker: *'We give our customers peace of mind,'* says Mark, *'and this aim is not really compatible with the online market.'*

But peace of mind was not something Henshalls were enjoying with their previous premium finance providers – and they had experience of several. They found the administration was cumbersome – *'a real headache'*, says Mark, citing by way of example the three or four weeks required for a default to be handled, during which time Henshalls was exposed to risk. There was a lot of duplicated effort too, with customers being contacted by both the finance provider and Henshalls.

'We had excellent in-house administration skills and I felt that we could do it better ourselves. I tried to interest a bank or other finance provider in funding our premium finance operation, but without success.'

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A state of the art system

Then Mark discovered a premium funding company which offered a different approach: it would lend the money but leave the running of the administration to Henshalls, with the proviso that the broker had to use the software provided, and a fee would be charged for this. *'It was quite a simple process, but it was not as profitable as we would have liked,'* says Mark. The real issue, however, was the poor levels of support – particularly in terms of response times. The final straw came when a major change was made to the system mid-term, *'out of the blue'* and this left Henshalls with such problems that they knew they needed to find an alternative partner.

It was at this point that Mark encountered Tactica: Tactica could provide funding (via a partner from their banking panel); a state of the art system; plus access to high levels of account and strategic management, leaving Henshalls to administer the actual premium finance operation independently.

Henshalls' banking partner is Zurich Bank and Mark admits that he is *'very impressed'*, finding them *'very helpful and keen to please.'* Financially, this arrangement works better than that offered by the previous provider, since Zurich provides Henshalls with a larger, more flexible funding facility under which Henshalls only pays when they actually use the funds.

And profitability has increased with Tactica; the previous provider's rates were a *'bit greedy'* according to Mark. Henshalls can now set up its own rates and rules and amend these as and when required. The company has total control over decisions on charges and adjustments.

The company is also offering bigger loans than it did previously. *'We are confident we have the infrastructure in place to allow us to target different clients,'* says Mark.

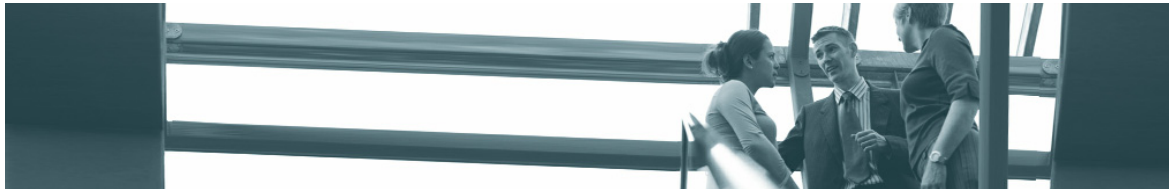
The Tactica system is also more modern than the software which had been provided before. Based on the latest technology and designed for ease of use, it automates many of the tasks which previously had to be handled manually, so there is no need to employ additional personnel: full integration with BACS is provided, for example.

The administration is much slicker too and much less confusing for clients. In the instance of a missing payment, for example, reminder calls and letters go out solely from Henshalls, without these being duplicated by the premium finance provider. A wider range of reports is available than that offered previously too, with the facility for Henshalls to design their own, to meet specific needs.

What Henshalls appreciates most of all, perhaps, is the level of support offered by Tactica, which Mark describes as *'excellent'*, adding *'they couldn't do more to help you.'*

This view is endorsed by Sharon Freeman who manages Henshalls' premium finance operation. *'If I rang our previous provider for help, there was never anyone available and I often didn't get a call back until the next day. Plus they were constantly increasing the interest rate and this, together with all of the extra work I was doing, meant that premium finance was not really profitable for us. Tactica is much more responsive.'*

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Utilising high level of administrative skills in-house

About 75% of Henshalls' income comes from commercial insurance. Despite the 'credit crunch' and some very low priced competitive offerings, which attracted some of Henshalls' lower-end business in 2009, the company still experienced growth. Now, volumes are increasing again, with Henshalls much more active in encouraging companies to switch finance or insurance provider – provided that this is not to the client's detriment. The arrangement with the previous provider has now been wound down and all of this business has been transferred to Tactica.

Of course moving to Tactica meant more work initially, but Sharon is now confident that she is *'on top of things every day'* – to the extent that she can consider cutting her hours worked! She also appreciates the support network offered by Tactica, which acts as *'back-up'* for her staff if she is away on holiday.

According to Mark, running your own premium finance should be a low risk operation – provided that you keep on top of the administration. Henshalls' high level of administrative skills in-house, combined with the Tactica system makes this easy and is enabling him to turn his vision into reality.

He is being proved right: *'Premium finance? There is a better way!'*



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