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## Insurance firms recognize potential of growing Hispanic market

By Phil Zinkewicz

**E**arlier this year, the San Francisco-based Genstar Capital LLC, a middle market private equity firm, announced that it was partnering with insurance industry executives and Westline Corp. to establish Confie Seguros, a platform company formed to facilitate the consolidation of insurance brokerages in various states that primarily focus on the Hispanic consumer.

In the next three years, Genstar and the Confie Seguros management team, led by insurance brokerage CEO John Addeo, look to build a national distribution company with revenues exceeding \$300 million, focusing on key markets including California, Arizona, Florida, Texas, Georgia and Nevada. Westline is one of the largest distributors of nonstandard auto insurance products operating from 29 retail branches throughout California.

"The attractive growth dynamics of the Hispanic market and the new business opportunities will enable us to build the first national insurance brokerage with emphasis on Hispanic consumers," says Addeo. "Confie Seguros will also position us to bring a variety of other insurance and financial services products to the underserved Hispanic community. We look forward to our new partnership with Westline and Genstar, whose financial support and experience building businesses will be instrumental as we accelerate our growth."

This development is worthy of note because it comes at a time when major players in the insurance industry are targeting the Hispanic community for growth. A recent article published by the Life Office Management Association (LOMA), for example, goes into great detail

about how the demographics of the life insurance industry are changing and how large life insurance companies—New York Life, MetLife, ING Group and Prudential, among others—are targeting various ethnic groups such as Chinese, Asian, Indian, African-American, Korean, Vietnamese and Hispanic.

### Targeting Hispanics

On the property and casualty side, Hispanics seem to be the most sought after by insurers. Hispanics represent the largest minority group in the United States with 44.3 million or 14.8% of the population. They are also the fastest growing minority group and account for nearly half (1.4 million) of the national population growth from 2005 to 2006. In all of U.S. history, there's never been an immigrant group that has grown to the current size of this market and continues to maintain its language, cultural values and traditions, making them a sizeable target for marketers.

In fact, according to *Hispanic Market Weekly*, the automobile insurance industry continues to invest more and more in the U.S. Hispanic market. A study recently released by *Hispanic Market Weekly* shows that advertising budgets have grown exponentially over the last several years, with \$78.7 million coming from three dozen companies during the first three quarters of 2007. That compares with \$73.2 million invested by auto insurance companies in Spanish-language media tracked by Nielsen Monitor-Plus during all of 2006.

The study makes a number of interesting observations. For example, despite the surge in ad dollars going to Hispanic media, television has been the primary beneficiary of the increased commitment to attracting Latino consumers. Through

September 2007, roughly \$58.4 million went to the four Spanish language broadcast television networks. An additional \$13.9 million was allocated to spot television. Of the remaining dollars, \$2.9 million went to Hispanic cable television networks tracked by Nielsen. An additional \$2.6 million was earmarked for spot radio, while national Spanish magazines saw \$1.4 million in ad dollars.

The two auto insurers that led the pack in terms of spending marketing dollars on Spanish television and media were Allstate and State Farm, according to the study. The most dominant company over the last two years has been Allstate, which is also the investment leader in the health insurance category.

Allstate remains active in a wide variety of ways, including a role as sponsor of Federacion Mexicana de Futbol (FMF) in the United States. Allstate recently launched a consumer sweepstakes tied to its sponsorship of FMF in the states. "Tu Mejor Jugada con Allstate y Zague" gives the winner a trip to Miami and dinner with Mexican national team captain, Luis Roberto Alves "Zague."

On the automobile front, Allstate's current campaign—"Asi Piensa"—uses a bit of humor to woo Latinos, says the study. One spot to air on Spanish language broadcast cable television—"Clones"—features a woman in her car, joined by three of her own clones clamoring for attention. The driver, however, remains focused on the road. Upon arriving at home, the woman finds a check from Allstate's safe driving bonus program.

Through September 2007, according to *Hispanic Market Weekly*, Allstate earmarked more than \$32 million for Hispanic television, with another \$1.7 million going toward spot television. About \$1.3 million went to cable television, and the remaining



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\$1.1 million went to national Spanish language magazines.

Second to Allstate in terms of Hispanic market investment is State Farm. The study notes that, from community-level events and festivals to an integrated sponsorship on Univision's "Sabado Gigante" and co-title sponsorship of the "Go, Diego Go Live" tour, State Farm continues to demonstrate that it is serious about earning the trust and support of Latino consumers.

Through September 2007, State Farm invested \$20 million in ads appearing on Hispanic television networks. Roughly \$2 million went to spot television, and cable networks received \$1.7 million. Magazines took in \$232,700 in ad dollars.

AIG and its direct-to-consumer personal lines insurance subsidiary, aigdirect.com (formerly 21st Century Insurance), shifted their activity in 2007 to Spanish-language television networks after placing all \$8.5 million of their ad budget in spot television in 2005, according to the study. Through the first nine months of 2007, \$6.3 million went to Hispanic television networks and about \$328,500 went to spot television. The aigdirect.com unit offers auto, homeowners and personal umbrella products and provides bilingual sales

and service support via phone and Internet.

Next on the agenda for AIG and aigdirect.com will be the establishment of a new agency. An account review is currently in the works, and three Hispanic shops have been identified as finalists, says the study.

Other insurers that have invested money to attract Hispanic consumers are Farmers Insurance, Nationwide/Allied Insurance, Progressive Insurance, GEICO Direct, American Family Insurance, Infinity Insurance and Titan Insurance.

Several insurers work with Hispanic advertising agencies to get their messages straight to Latino consumers.

### Agencies focus on Latinos

Several property/casualty insurance agencies have also instituted programs specifically targeting Latinos. One is Soderberg Insurance Services, a family agency in Lynnfield, Massachusetts, which is celebrating its 40th anniversary this year.

Kathryn Soderberg, president of the agency, foresaw the importance of the Hispanic community to the insurance industry years ago. She majored in Spanish and English in college and obtained a master's degree in Romance

languages, and then taught Spanish at Salem State College. "When I came to the agency after graduate school, less than half a percent of our client base was Hispanic," says Soderberg. "Today, it's more like 20%."

Soderberg says that in order to market to the Latino community, it is essential to understand the different cultures. "Spain is different from South America, which is different from Mexico."

She says also that independent agents have an advantage in marketing to the Hispanic community because Hispanics prefer face-to-face interaction, rather than doing business online or on the telephone. "They see it as a greater level of trust," she says.

Soderberg, whose agency has three fluent Spanish-speaking employees, including herself, sees the Hispanic community as one that could offer many agencies an opportunity for growth. "We, for example, market at the grass-roots level, with speaking engagements and attending special Hispanic functions. There also are cross-selling opportunities.

"I met a Latino woman at a banquet who was in the real estate business," Soderberg says. "We hit it off right away, and very often she recommends us when her real estate clients need insurance."

Unlike the company approach, which includes millions of dollars spent on television, Soderberg prefers print advertising, especially in local Hispanic publications. "We are bombarded with television commercials in this country. We have found that the print ad approach generates more response."

Soderberg calls the insurance industry's relatively recent interest in the Hispanic community a "slowly awakening giant." Of course, in order to market to this "giant," it is essential for agencies to employ at least one Spanish-speaking employee, she says.

"Chevrolet made a mistake years ago when they named one of their cars the Nova. They didn't do well marketing the car to the Hispanic market. In Spanish, 'no va' means 'doesn't go.' And no one wants to buy a car that doesn't go."

If the Hispanic market does grow as insurance industry leaders predict, a key question is how the industry will change. Will we have insurance policies written in Spanish? Will state insurance departments have to employ Spanish-speaking people in order to regulate policy terms and conditions? In any case, it will be an evolutionary process that will be interesting to watch. ■