

## Auto Insurers Go Outside The Ad-Spend Box To Win Customers

by CNNMoney.com

Auto insurance prices have been dropping for nearly two years as consumers shop around for better deals, and auto insurers are starting to believe that they can't go much lower without compromising profits.

The biggest auto insurers help drive consumer shopping with massive advertising budgets and selective price cuts, putting auto insurers beyond the top-tier in a quandary as they try to find innovative ways to attract attention.

"It is imperative to find different ways of presenting your brand and what you stand for without having to write a \$200 million check," said Gary Kusimi, chief executive and president of GMAC Insurance Personal Lines, a subsidiary of GMAC Finance, which is 49% owned by General Motors Corp. (GM).

Mild catastrophe seasons over the last couple of years have helped keep profits healthy generally for insurers, but a Standard & Poor's report last week on personal lines insurance warns that profit margins could tighten considerably if insurers discount too deeply or loosen terms too far in order to keep their customers.

Insurers that go too far "could come under negative pressure" in their ratings, Standard & Poor's warned.

Instead, insurers are increasingly trying to find ways of attracting business besides offering ever-lower prices.

Earlier this year, GMAC Insurance launched a pay-as-you-go insurance policy that uses mileage data from GM subsidiary OnStar to set insurance rates.

Just before Thanksgiving, it launched a partnership with a non-profit organization called Road Safe America to offer safe-driving tips for the holiday weekend.

Another GMAC Insurance project is its national drivers test, which it conducts each May to see how well drivers do on state driving tests. In 2006 it reported that nearly 18 million Americans would likely fail a state driver's test if they were to take one.

"We obviously concluded we cannot compete with the Geico's of the world in advertising spending," said Kusimi.

At the end of 2006, GMAC Insurance was the 19th-largest private passenger auto insurer, with about 1% of the market, according to A.M. Best & Co.

But Kusimi does see a bottom-line benefit to the soft marketing tactics. "We believe the way we are approaching this has consumers interested in things we are talking about."

Other insurers are working on innovation too. Auto, homeowners and commercial lines insurer Safeco Corp. (SAF) launched a research lab called Open Seas earlier this year to develop new products. At year-end 2006, Safeco was the 13th-largest personal lines auto insurer with a 1.6% market share.

The first initiative from Open Seas, Teensurance, gives policyholders the option of installing a GPS device in their cars that will offer reports on where their teenaged children drive. Other ideas are under development.

Even the largest insurers are going beyond their advertising budgets to appeal to customers.

Allstate Corp. (ALL) recently launched a green Web site to appeal to customers who are concerned about the environment. The program promises to reduce paper waste by sending bills electronically, and the company promises to make a contribution to an anti-pollution group for customers that sign up.

At its investor day last week, Safeco's Kim Garland, who manages the Open Seas group, said that one goal was to combat the commoditization of auto insurance.

"If we can make the conversation less about price and more about other things, we think that is bringing good value to us and giving our agents something to talk about," Garland said. "We try very hard to not put boxes around the ideas we will consider."

---

Â© 2007 Cable News Network. A Time Warner Company ALL RIGHTS RESERVED.

Presented by InsuranceHeadlines.com