

# Atta Boy, Tommy, but not so fast...



**BY NOW, EVERY** Allstate agent HAS heard Allstate Senior Vice President Joe Richardson proclaim that in 10 years, Allstate will be the “number one provider of consumer protection in the U.S.” To be sure, this is welcome news for agency owners who have struggled to write new business for years. Until now, the company’s strategy caused overall sales to languish and drove renewal customers away in large numbers.

What we don’t know for sure is what finally prompted Tom Wilson’s “eureka” moment. What has been clear to NAPAA and most agency owners for some time is that continuing the status quo would be a slow and excruciatingly

painful decline in market share and status for Allstate.

Has Tom Wilson finally realized that auto insurance has become a commodity where price really matters? Or, did he, at long last, hear the voices coming from all sides, urging him to scuttle his long-standing policy of avoiding price cuts? Well, sort of. According to a story in *Crain’s Chicago Business* on May 29th, “Allstate says it’s not cutting rates across the board but lowering prices selectively by improving existing discounts, including for consumers with multiple policies and those who pay premiums all at once.” While this is not the all out rate cut that many agents would like to see, it is certainly a step in the right direction and should help agencies begin to grow again.

Many observers, including NAPAA, have serious doubts that the company can achieve its new 10-year objective. Our skepticism is based purely on the enormity of the Herculean task that lies ahead. However, we welcome the company’s new aggressive mind-set. And if the company only achieves half its target, it will still be a resounding success by any measurement.

## Storm clouds on the horizon

Allstate has thrown down the gauntlet, causing a stir among its rivals, who won’t take the news lying down. So while Richardson, Wilson and others in Northbrook are busy backslapping and high-fiving each other, senior executives at State Farm are sure to be seething over what they consider an audacious and preposterous initiative by their cross-state rival. “Them’s fighten’ words,” might be the likely retort uttered by State Farm CEO Ed Rust, Jr. upon learning of the Allstate plan.

So what will State Farm do about the Allstate strategy to become number one? In an internal State Farm document sent out to the field and received by NAPAA,

the company announced plans to take advantage of Allstate’s current Achilles’ heel – the agent termination problem. In a nutshell, the plan will purportedly target Allstate customers aggressively in areas where Allstate agents have been, or are about to be, terminated. The memo states, “*These Allstate office closings provide State Farm agents a unique opportunity to reach out to Allstate customers and demonstrate State Farm’s value. These Allstate customers will be experiencing a disruptive event that could lead them to shop for insurance.*”

This opening salvo in the soon-to-be game of tit for tat comes at a particularly bad time for Mr. Wilson and company. While the company orchestrates the firing of hundreds, if not thousands, of agents, many more are voluntarily calling it quits, thereby giving State Farm even more prospecting opportunities. In addition, State Farm’s Corporate Marketing Department “*is offering agents located near Allstate office closings 50% co-op on specifically identified print, radio and billboard ads that will appeal to Allstate customers,*” according to the memo. Further, State Farm agents are encouraged to do the following: “*Using your own marketplace intelligence, identify the exact locations of upcoming Allstate agency closings in your market area. Also identify Allstate agencies that closed over the past six months.*”

So, not only is this bad news for Northbrook, it’s bad news for agents who buy the books of terminating agents. If the State Farm campaign is successful, it will be because Allstate customers are tired of being jacked around. They don’t want to deal with the CIC. They don’t want a different agent every year. They want a stable relationship with an agent they know and trust. Unfortunately, this kind of relationship is becoming more difficult to find at Allstate, but it is abundant at State Farm. **Ef**