



Fiesta CEO: Auto Policies and Tax Preparation a Profitable Mix

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The president and founder of the only national automobile insurance and tax-preparation franchisor says he'll add at least three more Northeastern states to his roster of locations this year.

John Rost, chief executive officer of California-based Fiesta Auto Insurance, said the insurer's franchises are already operating in the Golden State as well as Texas, Florida, New York, Illinois, Michigan and Missouri. Next to open are Massachusetts, New Jersey and Pennsylvania, and development scouts have been sent to Tennessee and Kentucky, Rost added.

Fiesta is licensed as a franchisor in more than 40 states, Rost said. Once the license is in place, the company pursues licensing with target states' departments of insurance regulation.

He said his business model appeals to franchisees because Fiesta offers generous incentives, higher-than-usual commissions and access to streamlined marketing and advertising campaigns through the home office.

Rost started his auto insurance business in California with four offices in 1999. His first target was the under-served Hispanic and Latino market.

"This is a customer that really does just want to come in, and deal with someone on a face-to-face basis. They like that type of relationship," he said. Fiesta stresses personal service and trains its franchisees to encourage paying in person, for example.

Despite his early success, Rost's efforts to grow were hampered by expenses and limits. "Every year, the cost of being in this business just seems to be accelerating," he said. "It all seemed to be going in one direction. And yet the opportunity for insurance carriers was going in the opposite direction. Unless you could provide a lot of business, you didn't have access to their products and you're going to get lower and lower commissions."

So, in 2006, Rost made the strategic decision to begin franchising Fiesta Auto Insurance. He says his franchisees have access to all major carriers, and the tax-preparation side gives them a revenue generator that's open all year long, not just during tax season.

He notes that mom-and-pop stores in his system are able to write not only auto, but homeowners, commercial and many other lines, "and they have access to a lot of these different carriers that they wouldn't have access to on their own."

A franchise costs \$10,000 and total suggested capital ranges between \$30,000 and \$50,000, he said.

Rost said Fiesta supports franchisees "by handling much of the back office work, allowing our owners and their staff to focus more on building relationships and selling to customers."

(Dennis Gorski, Best's Review managing editor)

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