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Automobile Insurance Quote Comparisons and SWOT Analysis: State Farm

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Automobile Insurance Quote Comparisons

Companies Analyzed

State Farm, GEICO, Progressive, Liberty Mutual, and Insure One Independent Insurance Agency.

Explanation of Coverages Used for Comparisons

To make the comparisons consistent all quotes were done with what is typically referred to by the public as “full coverage.” This means that the driver is covered for injuries, damage that the driver may cause to other people or their vehicle is covered, and the driver’s vehicle is covered for physical damage.

Coverage Limits Used

\$100,000 per person/\$300,000 per incident Bodily Injury Liability coverage with Uninsured and Underinsured Motorist matching limits, 5,000 Medical Payments coverage, Collision coverage with \$500 deductible, Comprehensive coverage with \$100 deductible (or lowest the company offered), and Rental Reimbursement \$30 per day/\$900 maximum (or as close to that amount offered)

Definitions of Coverages Used

Bodily Injury Liability: Coverage for damages resulting in bodily injury or death sustained by others, including covered medical costs, that you become legally responsible for because of a covered auto accident (Nationwide).

Uninsured and Underinsured Motorist Bodily Injury Coverage: Coverage which may protect against drivers without insurance, and/or drivers with insufficient policy limits to reimburse you for damages they caused. This coverage typically pays the difference between the amount recovered from the other driver and the amount of the damages, up to the limit of the policy (Nationwide).

Medical Payments: Coverage for reasonable medical expenses to you and others in the event of an accident, regardless of who is at fault (Nationwide).

Collision: Coverage for damage to your vehicle resulting from collision with another vehicle or object. This coverage is subject to a deductible (Nationwide).

Comprehensive: Coverage for damage to your vehicle not caused by collision or upset (subject to deductible). Examples may include theft, vandalism, weather events and contact with animals (Nationwide).

Rental Reimbursement: Coverage that helps pay for alternative transportation (such as bus, subway or rental car) if your car cannot be driven due to a covered loss (Nationwide).

Deductible: The amount a policyholder agrees to pay before the insurance company covers a loss. In addition to the standard deductible, there can be different deductibles for different types of losses such as collision and comprehensive (Nationwide).

Variables

Each quote was done with the same driver and vehicle rating variables. I used my own name, birthdate, address, marital status, and vehicle vin number. This gave each company the opportunity to assess the same CLUE (Comprehensive Loss Underwriting Evaluation) and MVR (Motor Vehicle Record) as well as evaluate the same credit report for credit-based insurance scoring.

Specifics of Rating Variables

37-year-old not married female, work/school under 25,000 miles per year mileage, territory zip code 61752, 2009 Honda Accord EX-L, homeowner, accident free and violation free. All quote requests were monoline for 6-month terms.

Rates (per 6 months)

- State Farm - \$620.00 per 6 months
- GEICO - \$454.41 per 6 months
- Progressive - \$329.00 per 6 months
- Liberty Mutual - \$744.00 per 6 months
- Insure One Independent Insurance Agency - \$386.00 per 6 months

Turnaround Time

Each company was able to provide a price quote via telephone on the spot. Each company was able to verbalize the 6-month premium over the phone as well as email a copy of the quote within minutes of our conversation.

Payment Options

Each company offered a 6-month paid in full rate as well as monthly payment options, however, all the companies charged a fee to make monthly payments via EFT. The fees varied from \$5-\$12 per month and were based upon the premium.

Insure One Independent Insurance Agency uses factoring to collect premiums that are not paid in full at the time of service. They require their customers to, what is referred to in the insurance industry, as “premium financing” of policy premiums. Therefore, clients make payments to a finance company instead of the directly to the insurance company. Insure One also charges a \$25 agency fee to process the policy whether or not the policy is paid in full along with a \$15 fee to renew the policy each time it renews.

Discounts Offered

State Farm, GEICO, Progressive, and Liberty Mutual offer a multi-policy discount if you choose to insure your place of residence, whether it is rented or owned, with your automobile. The discount applies to both policies.

Each of the companies, with the exception of Insure One, offer a discount off of comprehensive coverage for having an anti-theft device on your vehicle. The device can be factory or aftermarket installation.

State Farm and Liberty Mutual offer a discount off auto insurance policies if you have a life insurance policy underwritten by their company.

All of the companies offer a safe driver discount for drivers with no tickets or accidents in the past five years.

Follow-up

State Farm: State Farm never called to follow up on the quote. State Farm did follow up twice through email. Each email included the local agent's contact information and invited me to call or email them with any questions. The emails also noted the other insurance services that they offer. Along with emails, State Farm sent a letter through the US Mail inviting me to their local office for a review of my current policy.

GEICO: GEICO called me each weekday for one week after receiving my quote. They left messages stating that "they had additional discounts available" when the call went to voicemail. After the first week the calls slowed down to every other day and continued at that pace until I asked them to not call anymore. GEICO followed up rigorously through email. I received over ten emails from them all of which promoted a different discount or service that they provide. GEICO also sent me four postcards in the US Mail, two of which were identical and arrived on the same day.

Progressive: Progressive called every other weekday until I asked them not to call anymore. They did not leave any message with calls that went to voicemail. Progressive emailed me three times after I received the auto insurance quote. The first two asked me to call or email to learn about additional discounts and the third asked me to call for a homeowner's insurance quote.

Liberty Mutual: Liberty Mutual called me once after I received a quote. The representative asked me if I wanted them to call back anymore and I told her no. I have not heard from them since via telephone. Liberty Mutual emailed one time to follow up on the quote. The email asked me to follow up for more information about my quote. Liberty Mutual reached out via US Mail with a personalized letter that offered me a free Amazon Echo and home monitoring system if I purchased a policy with them.

Insure One Independent Insurance Agency: Insure One called multiple times per day Monday through Saturday. I asked Insure One not to call three times and they still call at least twice per week. They do not leave voicemails. Insure One has not made any effort to follow up via email or US Mail.

Marketing

GEICO and Progressive both utilize digital marketing. Each of the company's ads now pop up on social media as well as websites that I view.

Each of the companies analyzed utilize television advertising in some fashion. GEICO has the well-known gecko and Progressive uses catchy advertisements with "Flo." They both advertise heavily on television and are commonly seen during prime-time programming. State Farm and Liberty Mutual both advertise on television, but do not have a well-known mascot that accompanies their advertising. Insure One advertises on television but not to the extent of any of the other companies researched. They only advertise on local television stations during off-peak hours.

State Farm and Liberty Mutual are currently running radio advertisement ads in the local market.

Local Agencies

State Farm's agencies are in almost every market across the United States. They are captive agencies that represent only the State Farm brand. State Farm offered to let me bind insurance on the phone or with any of the many local agents. They also provided information about each local agent's education and experience as well as their contact information.

GEICO is a direct insurance writer but is represented by independent insurance agencies in select, mainly metro, markets. The closest agency to our area is in the Chicagoland areas.

Progressive is used by many independent insurance brokers, but they do not advertise that to their clients with their marketing efforts. Although Progressive insurance is sold at more than 10 local agencies they never mentioned it to me, even when asked directly. They advised me that in order to purchase a policy from them it needed to be done on the phone or online.

Liberty Mutual is represented by select insurance brokers across a variety of markets. They afforded the opportunity to bind coverage on the phone and offered to direct me to a local agent.

Insure One has agencies in regional markets across the United States (some are under a different agency name). Insure One offered to let me bind coverage on the phone and pick up my documents with the local agency. They do not have an online binding option for their clients.

Works Cited

Nationwide. *<https://www.nationwide.com/insurance-glossary.jsp>*. n.d. 2018.

SWOT Analysis: State Farm Mutual Automobile Insurance Company

Strengths

State Farm is the oldest, largest, and most well-known auto insurance carrier in the United States. State Farm has a great deal of brand recognition which has been earned through advertising as well as having their brick and mortar agencies scattered throughout the United States. State Farm was the first insurer to mass advertise. Their slogan “Like a Good Neighbor” is still memorable to customers today. State Farm has local agencies across the United States, all of which have a bright red logo on the outside of them, again making them memorable as people see them every day as they travel. State Farm currently has a strong advertising presence on television and radio. They tend to advertise products offered other than auto insurance such as renters insurance and loans.

State Farm has created a loyal customer base by having local agents providing insurance services throughout the nation. State Farm has historically had a very “hands on” approach with their agents interacting with clients in their local offices. The “hands on” approach has helped to increase their customer satisfaction and retention through positive and personalized customer experiences. Having loyal clients has allowed them to retain the customers that they capture, in turn, increasing their long-term revenue.

State Farm has made excellent decisions about what to outsource and what to keep in house. They outsource many of their IT services as well as production of products (flyers, business cards, etc.) and warehousing of those products, but they have kept all customer facing service in house. By not outsourcing phone services they have been able to keep customer satisfaction and brand loyalty high.

State Farm was the leader in adding products along with insurance. They were the first large insurance company to offer mutual funds and have since started to offer many types of loans as well as credit cards. By increasing the number of products that their customers can purchase they have increased retention and revenue. State Farm has successfully transformed their brand from simply auto and home insurance to a company that provides a full portfolio of financial products and services. Many other national carriers have tried to replicate State Farm’s approach, but none have yet been able to reach the amount of success that State Farm has.

Weaknesses

State Farm’s insurance rates are not comparable to some other carriers which reduces the number of clients they are able to capture. Many other companies have begun to capture the price savvy consumer, and State Farm could benefit by creating products and services for these consumers.

State Farm's very traditional advertising and website does not cater to young consumers. State Farm is losing business to other companies like GEICO and Progressive as they have catchy advertising that caters to younger consumers.

State Farm has a lot of brick and mortar locations across the United States. Along with the local agencies they have regional offices, claim offices, and distribution hubs which cost them a significant amount of money each year. Reducing the amount of large facilities could provide increased profits.

State Farm does not have the strongest online presence. If they were to increase their web presence they could increase opportunities for increased revenue by reaching web shoppers and price savvy consumers.

Opportunities

Utilizing new technology is State Farm's greatest opportunity. They have the capital to devote a large amount of research into technology prior to releasing it to their clients. Utilizing user-based driving systems will allow State Farm to more accurately underwrite their auto insurance as well as provide fairer pricing to their clients. The increased accuracy of underwriting will increase customer satisfaction, therefore, increase retention. More accurate underwriting will allow State Farm to create even more precise actuarial models which will also improve their annual revenue stream.

State Farm also has the opportunity to capture the younger generation of consumers which could provide them with a good amount of long-term revenue. As they have not concentrated on the younger consumers in the past, shifting their focus could create a large opportunity to reach new consumers and create new products tailored to them, again making them a leader in the industry.

Threats

Mother nature is State Farm's largest threat. As they are the largest insurer they also have the largest potential for claim losses. A large storm could cost them billions of dollars. State Farm should be very proactive when loss controlling their risks. Creation of secondary deductibles and coverage exclusions will save them a significant amount of money in the event of large scale weather related losses.

Other companies that advertise heavily on television and online could also threaten State Farm. The companies that advertise in those places tend to capture the younger clients that State Farm has not concentrated on in the past. These companies advertise how "easy" and "fast" they can provide insurance where State Farm concentrates on the excellent service that they provide. Adding advertising that attracts younger clients would help State Farm in the long run.